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SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT
LEGISLATION COMMITTEE

ESTIMATES

(Budget Estimates)

WEDNESDAY, 25 MAY 2005

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SENATE
RURAL AND REGIONAL AFFAIRS AND TRANSPORT LEGISLATION
COMMITTEE
Wednesday, 25 May 2005

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

Senators in attendance: Senator Heffernan (*Chair*), Senators Bishop, Ferris, Hogg, McGauran and O'Brien

Committee met at 9.05 am

AGRICULTURE, FISHERIES AND FORESTRY PORTFOLIO

Consideration resumed from 24 May.

In Attendance

Senator Ian Macdonald, Minister for Fisheries, Forestry and Conservation

Senator Colbeck, Parliamentary Secretary to the Minister for Agriculture, Fisheries and Forestry

Department of Agriculture Fisheries and Forestry

Executive

Ms Joanna Hewitt, 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

Ms Julie Hicks, General Manager, People and Planning

Mr Peter Moore, Manager, Budgets

Food and Agriculture (including Wheat Export Authority)

Mr David Mortimer, Executive Manager, Food and Agriculture

Mr Richard Souness, General Manager, Food Policy and Safety

Mr Roland Pittar, General Manager - Crops, Wine and Horticulture

Ms Sally Standen, General Manager - Meat, Wool and Dairy

Mr Tim Besley, Chairman, Wheat Export Authority

Mr Glen Taylor, Chief Executive Officer, Wheat Export Authority

Biosecurity Australia

Mr John Cahill, Interim Chief Executive, Biosecurity Australia

Dr Robyn Martin, General Manager, Animal Biosecurity

Ms Louise van Muers, General Manager, Plant Biosecurity

Mr Stephen Prothero, General Manager, Biosecurity Development and Communications

Market Access

Mr Paul Morris, Executive Manager, Market Access

Dr Dennis Gebbie, Chief International Agricultural Adviser

Ms Sarah Kahn, Technical Market Access Specialist

Mr Craig Burns, General Manager, Trade Policy

Dr Melanie O'Flynn, General Manager, Technical Market Access Strategy Branch

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

Mr Steve McCutcheon, Executive Manager, PIAPH

Dr Bob Biddle, Australian Deputy Chief Veterinary Officer, Office of the Chief Veterinary Officer

Ms Lois Ransom, Chief Plant Protection Officer, Office of the Chief Plant Protection Officer

Mr Phillip Fitch, Acting General Manager, Animal and Plant Health Policy

Dr Peter Thornber, Manager, Animal Welfare, Animal and Plant Health Policy

Mr Laury McCulloch, Director, Australian Plague Locust Commission

Dr Joe Smith, Chief Executive Officer, Australian Pesticides and Veterinary Medicines Authority [APVMA]

Australian Quarantine Inspection Service

Ms Meryl Stanton, Executive Director, AQIS

Mr Greg Read, Executive Manager, Exports and Animal Programs

Ms Jenni Gordon, Executive Manager, Quarantine and Plant Programs

Dr Narelle Clegg, National Manager, Animal Programs

Mr Peter Liehne, National manager, Plant Programs

Ms Cathy Cox, National Manager, Business Strategy Group

Ms Helen Banks, Chief Financial Officer, Business Strategy Group

Mr Tim Carlton, National Manager, Food Exports Branch

Dr Ann McDonald, General Manager, Technical Standards Branch

Mr Bob Murphy, National Manager, Cargo Management Group

Dr Andy Carroll, National Manager, Border Group

Mr Jeroen den Hollander, Regional Manager WA, Border Group

Australian Bureau of Agricultural and Resource Economics

Dr Brian Fisher, Executive Director, ABARE

Ms Karen Schneider, Acting Deputy Director, ABARE

Bureau of Rural Sciences

Dr Colin Grant, Acting Executive Director, BRS

Mr David Clarkson, Program Leader, Business Strategy and Operations Program

Ms Mellissa Wood, Program Leader, Data Library and Information Services Program

Dr John Sims, Program Leader, Climate Impact Sciences Program

Rural Policy and Innovation

Dr Cliff Samson, Executive Manager, Rural Policy & Innovation

Mr Matthew Koval, Acting General Manager, Drought Task Force

Mr Andrew Pearson, Acting General Manager, Science and Economic Policy

Mr David Williamson, General Manager, Rural Support & Adjustment

Fisheries and Forestry

Mr Daryl Quinlivan, Executive Manager, Fisheries & Forest Industries

Mr Allen Grant, General Manager, Fisheries & Forestry

Mr Glenn Hurry, General Manager, Fisheries and Aquaculture

Mr Gary Grant, Manger, Forest Industries

Mr Richard McLoughlin, Managing Director, AFMA

Mr Les Roberts, General Manager – Fisheries, AFMA

Mr Paul Murphy, General Manager – Operations, AFMA

Natural Resource Management

Mr Ian Thompson, Executive Manager, NRM

Mr Charles Willcocks, General Manager, Landcare and Sustainable Industries

Ms Heather Tomlinson, Acting General Manager, NRM Strategies and Climate Change

Mr Ross Dalton, General Manager, Water and Murray Darling Basin

Mr Simon Smalley, General Manager, Water Policy

Mr Gerry Smith, General Manager, Australian Government NRM Team

Mr Simon Murnane, Acting General Manager, Australian Government NRM Team

Secretariat

Mr Craig Penney, General Manager, Ministerial Services and Communications

Ms Kathy Walter, Manager, Parliamentary Liaison Service

Mr Alexander Evans, Parliamentary Liaison Service

Mr Andrew Burgess, Parliamentary Liaison Service

Ms Danielle Kellahan, Parliamentary Liaison Service

Ms Michelle Brotohusodo, Management Services

Ms Cass Simpson, Management Services

Mr Sam Roseby, Management Services

Observers

Mr Brendan Nerdal, Planning and Governance Section, BRS

Mr Tony de la Fosse, Program Manager, Corporate Services, APVMA

CHAIR—Good morning, ladies and gentlemen. I declare open this public hearing of the Senate Rural and Regional Affairs and Transport Legislation Committee. Before I go through the normal opening procedure, I ask everyone to stand for one minute's silence in memory of the late Dr David Banks.

A minute's silence having been observed—

CHAIR—Thank you. On 10 May 2005 the Senate referred to the committee the particulars of the proposed expenditure in respect of the year ended 30 June 2006 for the portfolio areas of Agriculture, Fisheries and Forestry and Transport and Regional Services. The committee will now consider the proposed expenditure for the Agriculture, Fisheries and Forestry portfolio. The committee is required to report to the Senate by Monday, 20 June 2005. Answers to questions taken on notice and additional information should be received by the committee no later than Friday, 1 July 2005.

Committee members and participating members have been provided with the portfolio budget statements for each department. As agreed, I propose to call on the estimates according to the format adopted in the printed program. 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 Senator Ian Macdonald, Minister for Fisheries, Forestry and Conservation, representing the Minister for Agriculture, Fisheries and Forestry. Senator Macdonald is accompanied by Joanna Hewitt, Meryl Stanton, Don Banfield and other officers of 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 any person has a discretion to withhold details or explanations from the parliament or its committees unless the parliament has expressly provided otherwise'. The Senate has also determined that claims to withhold information on the basis that it is commercial-in-confidence will not be considered unless made by a minister and accompanied by a statement setting out the basis for the claim, including a statement of any commercial harm that may result from its disclosure. Officers are also reminded that an officer of a department of the Commonwealth or of a state shall not be asked to give opinions on matters of policy and shall be given reasonable opportunity to refer questions asked of the officers to superior officers or to a minister. Finally, witnesses are reminded that evidence given to the committee is protected by parliamentary privilege. I also remind you that the giving of false or misleading evidence to the committee may constitute a contempt of the Senate.

Minister, if you would like to make an opening statement, now is the big opportunity, or, if you just want to go straight to questions, we will get into the entertainment.

Senator Ian Macdonald—Thank you, Mr Chairman. The secretary will make an opening statement. I will just say, as I always do and as you do, that the officers have certain requirements on cabinet matters and commercial-in-confidence matters and they take their instructions from me. I would hope that they will not be embarrassed by being pressed with questions that they are not able to answer. That is normal and the committee usually operates very well in that regard. I do not have anything further to say, but the secretary would like to make some opening remarks.

Ms Hewitt—My opening remarks will be very brief. Firstly, I thank you for the respect you have paid to our colleague Dr David Banks. I am sure senators appreciate that the department has been a sombre place in the last weeks. David made an enormous contribution. We in the department appreciated very much the letters and messages we have had from members of the committee. We have had a flood of condolence messages from all over the country which are being compiled and will be made available, including to David's family, in coming weeks. We very much appreciate the gesture of this morning's minute of silence.

I am in your hands as to whether you would like a bit of an overview of the budget measures. I could certainly do that. There is plenty of documentation available and my sense really is that sometimes members of the committee would prefer to get into the straightforward question and answer session. I am very happy to do that or to make a few remarks if you would like me to. I am in your hands.

CHAIR—Thank you. Then we will go to questions.

Senator O'BRIEN—I want to start by talking about the overall price of outputs of the department and start right at the top. Figure 2 on page 24 of this year's PBS and map 2 on page 35 of last year's PBS are the two comparison figures. The total price for outputs for 2005-06 according to this year's PBS is \$501.188 million. The equivalent figure in last year's PBS appears to have been \$508.69 million, which seems to reflect a reduction of \$7.5 million, but the updated estimate in this PBS has the actual figure elevated to \$518.315 million, so a reduction is projected to be in the order of \$17.127 million for the price of outputs of the department. Is it possible to get an overview of the reason for the reduction?

Mr Gaukroger—The total price of the departmental outputs for 2005-06 is expected to be about \$501.188 million, of which about \$190 million includes external revenue, which you will see on page 16 of the portfolio budget statements. It goes from \$205 million to \$181 million. Those estimates that we received originally were based on our best estimates at the time. We expect those to go up. Since the document was published, there have been some upward movements in divisions such as AQIS for industry type external revenues, so the decrease has been mainly attributed to that external section 31 revenue.

Appropriation revenue has gone up by some \$5 million. That is listed predominantly in the measures table 2.2 on page 15 of the portfolio budget statements under 2005-06 departmental outputs. There is a list of measures there.

Senator O'BRIEN—You are talking about a figure of \$5 million?

Mr Gaukroger—About \$5 million. When you look at the departmental outputs, it looks like a total of \$107 million. You have to bear in mind that there is renewal of some lapsing funding there for avian influenza, the IQI and the Australian quarantine and export inspection fees and charges. Bear in mind that there is a reversal when the funding lapses, renewing the lapse, so that is the difference there.

Senator O'BRIEN—Am I reading it wrongly? The total increase/decrease in appropriations appears to be a figure of \$113 million, which is clearly wrong.

Mr Gaukroger—Part of that is administrative expenses, which is the 6,631 in the left-hand column. The \$106 million: the net effect is actually around \$5 million because of the impact of IQI and export certification.

Senator O'BRIEN—So why does that descriptor on the left say that it is the total increase/decrease in appropriations? It is the total appropriations, not the increase or the decrease, is it?

Mr Gaukroger—It actually is an increase.

Senator O'BRIEN—Yes, but the total increase is not \$113 million, is it?

Mr Gaukroger—You have the offs in 2004-05. If the IQI was not renewed, for example, there would be a reduction in the overall department's appropriation of \$63 million. What we have is a new appropriation of \$63 million in 2005-06, which compensates for the lapsing of the IQI funding in the previous years. So the net impact, when you look at those two years, is about \$5 million.

Senator O'BRIEN—It is a pretend figure really. There was never an intention for the Australian Quarantine and Inspection Service border security provisions to lapse?

Mr Pahl—The budget arrangements require us to go back to the government for—

Senator O'BRIEN—I understand that, because the government had not announced it, you could not put it in as projected expenditure and therefore this is a notional increase. But the reality is that the government was never going to abandon quarantine border security. The minister can contradict me, but I am absolutely certain that was the case.

Mr Pahl—All I was about to say in respect of the numbers was that we were required to go back for renewal of that funding and, in terms of the way these tables are put together, at the end of this current financial year, had that funding not been renewed—that was the point Mr Gaukroger was making—we would have had a significant reduction in our appropriation revenue in the out years.

Senator O'BRIEN—No. If the quarantine border security figure had not appeared, the forward estimates were not showing it, so it is just as likely that you would not have shown it as a reduction, because you would have been saying that it was not there in the first place.

Mr Pahl—It was not in the forward estimates beyond the current financial year is the point I was making.

Senator O'BRIEN—So this is an increase that is an accounting increase.

Ms Hewitt—It is an increase that leaves us more or less at the status quo in funding for that part of our activities. To elaborate a little on Mr Pahl's remarks: we did go through a very formal, very serious process in the budget proceedings to bid for that renewal of funding and to have it decided in the way it was. So it was not just a matter of accounting; it was a serious matter of budget consideration. But you are absolutely right: it leaves us in net terms—

Senator O'BRIEN—So the government was seriously considering not funding quarantine border security. Is that how I should understand that answer?

Ms Hewitt—No. I would not like to interpret what the government might or might not have decided. All I am saying is that we went through the serious formal budget process of putting the bid forward and elaborating the reasons for the expenditure, and the government agreed it should be continued in a sense.

Senator O'BRIEN—Either there was a serious discussion about whether it would be funded or there was not.

Ms Hewitt—I do not think it is appropriate for me to go into details of cabinet discussions.

Senator O'BRIEN—You just said you put forward a serious case, there was a serious process and a serious discussion about whether this money would appear in this year's budget.

Ms Hewitt—It is required under the budget procedures.

Senator O'BRIEN—So, Minister, should I understand that to mean the government seriously considered not funding quarantine border security?

Senator Ian Macdonald—No, what you would understand is that these things are budgeted for a period of time. The time came up, it had to be rebid for. It might have been less, it might have been more—who knows. Those things are always considered.

Senator O'BRIEN—That is the difference. If we are talking about saying that the figure is X and we are not sure whether we will increase or decrease it, that is a different argument from saying the figure in the forward estimates was zero and, because we have matched what we have spent last year, therefore it is an increase effectively on what we spent last year. Line item 22 that I identified—the total increase or decrease in appropriations of \$113.599 million—does not actually represent an increase in the activity of the department as against its activity this year. That is the point that I am making. That is true, isn't it, Ms Hewitt, it does not represent an increase in the activity of the department of that order?

Mr Pahl—It does not represent an increase in activity, but if you look at the forward estimates in previous years the forward estimates would not have included those sums. So it does represent an increase, in what now becomes the budget year, of the amount that is shown there against the forward estimate figure that was published in prior years.

Senator Ian Macdonald—So last year for this year there was zero and now it has been increased by \$62 million or whatever it is.

Senator O'BRIEN—Last year you said you were not going to spend anything.

Senator Ian Macdonald—That is the way the budget figures are done. I am sure that happens in a lot of other cases, although do not ask me for an example. It is a period of funding; it was not in the books last year for this year. This year it is in the books for this year; therefore it is an increase. I am not quite sure what your point is—

Senator O'BRIEN—I can make it for you if you like.

Senator Ian Macdonald—Yes, please.

Senator O'BRIEN—The point is that this is a fiction. The reality was that the government was never going to discontinue quarantine border security. Therefore, the allegation that seems to be made in this document that you have provided new additional money—and that is what someone might say looking at this for the first time—is a fiction.

Senator Ian Macdonald—I am sure not too many people would be watching this book for the first time—

Senator O'BRIEN—There is always someone.

Senator Ian Macdonald—You give it a credibility that I am sure, apart from you, few give it. It is the way the budget figures are done. I suspect my department do not make the rules on that. It was a lapsing program as such. It was funded again, according to the books in the best economists' and accountants' ways. It is an increase on what it was going to be last year.

Ms Hewitt—You will find that this will be a feature of the out year budget process for a number of programs. We have lapsing programs of quite significant quantities of money that will need to be considered over the next two years.

Senator O'BRIEN—The bottom line on page 15 shows an increase in appropriations for the out years of \$114 million, \$115 million and \$110 million. It is not real.

Senator Ian Macdonald—You are right about one thing: we certainly were not going to stop the quarantine border security.

Senator O'BRIEN—At table 3.1, on page 27, the departmental outcomes appropriation for 2005-06 is \$310.887 million. In last year's PBS, page 41, the estimated number was \$309.657 million. That same table in this PBS shows a revised estimated outcome for 2004-05 of \$305.606 million. Is it possible to get a general explanation for this downward revision?

Mr Gaukroger—One of the main areas where it did decrease was the transfer of Biosecurity Australia money when that became established as a prescribed agency on 11 February. In 2004-05 the amount transferred was a total of \$7.4 million downwards. That was transferred across to Biosecurity Australia when it was established as a prescribed agency on 11 February. So that comes off the department's appropriation as part of the transfer.

Senator O'BRIEN—Where does Biosecurity Australia appear? It is not in departmental appropriations anymore?

Mr Gaukroger—It is a separate appropriation now. If you look at Budget Paper No 4, there is a separate appropriation which has the full year effect.

Senator O'BRIEN—Is it anywhere in the PBS? Where would it appear in the PBS?

Mr Gaukroger—It will be in Biosecurity Australia's chapter—I think it is chapter 5.

Senator O'BRIEN—So its appropriation is not in the \$310.887 million for this year?

Mr Gaukroger—No. Part of the year was taken out and then in 2005-06 the difference was taken out for the full year effect. On page 48 of Budget Paper No 4, it shows you the two separate appropriations. You have the Department of Agriculture, Fisheries and Forestry, which is the \$310.887 million in the PBS.

Senator O'BRIEN—I have not got that budget paper in front of me. Where does it appear in the PBS?

Mr Gaukroger—If you look at page 24 of the PBS, there is 'Departmental Outcomes Appropriation—\$310.887 million'. That is net of the \$7.4 million. That is included in Biosecurity Australia's appropriation. On page 97, there is an appropriation for Biosecurity Australia of \$17.090 million. If you look at the estimated actual for 2004-05, there is \$7 million, which closely equates to the figure I just quoted.

Senator O'BRIEN—Comparing it to last year's actual, we would add that \$7.047 million figure—

Mr Gaukroger—That is the estimated actual.

Senator O'BRIEN—Yes. We would add that to the \$305.606 million to see what the total appropriation was last year, and we would add the \$17.072 million to the \$310.887 million to get a comparison actual.

Mr Gaukroger—You would add the \$7 million to the \$305 million.

Mr Pahl—That would give you approximately \$312,650,000 for the current financial year as the estimated actual outcome.

Senator O'BRIEN—Comparing like with like, you would add the \$310.887 million and the \$17.072 million to get—

Mr Gaukroger—No. Take the difference between the \$17 million and the \$7 million, so it is approximately \$10 million.

Senator O'BRIEN—Why?

Mr Gaukroger—It is a flow-on effect. It is already included.

Mr Pahl—The first seven months or thereabouts of expenses for Biosecurity Australia in 2004-05 are already included in the \$305 million, so it is the net difference between that \$7.047 million and the \$17 million, which is about \$10 million.

Senator O'BRIEN—What I am trying to get at is the sum of the activities of the department without Biosecurity and with Biosecurity as a total expenditure pool and to find out what happened in the current financial year. The separation occurred part-way through the year.

Mr Pahl—That is correct.

Senator O'BRIEN—You have separated out that \$7.047 million, so you add that back in. That would have the department plus Biosecurity, and to get the same comparison for the current financial year why would you not simply add the \$310 million and the \$17 million?

Mr Pahl—Because, for the next financial year, the \$17 million will represent the full year's cost of Biosecurity Australia, which will be reflected in their accounts. For the current financial year, of that \$17 million or similar amount, the first \$10-odd million is already in that \$310 million.

Senator O'BRIEN—Yes, I know that. I am just trying to compare like with like, and for the first part of the year it was not a separate entity but it was doing similar work, wasn't it?

Mr Pahl—Absolutely, but—

Senator O'BRIEN—So the output of the department and Biosecurity together is represented by that \$312-odd million, and for the coming financial year the output of the department and Biosecurity together seems to me to be the combination of the department's output and Biosecurity's output.

Mr Pahl—That is true.

Mr Gaukroger—That is correct.

Senator O'BRIEN—Which is \$327 million.

Mr Pahl—Yes.

Senator O'BRIEN—So, comparing like with like, there has actually been an increase in the funding of the departmental Biosecurity output from \$312 million to \$327 million—an increase of \$15 million. Has a substantial part of that been going into Biosecurity Australia or has it been going into other parts of the department?

Mr Gaukroger—You have the range of new budget measures, which is \$5 million, but we will take that on notice, if we can, to give you some more information on the individual components.

Mr Pahl—We will be able to have somebody do that and provide it to you later in the day.

Senator O'BRIEN—I have gone to Budget Paper No. 2 for the new budget measures to see if there is something there, but I cannot distinguish between departmental outputs and administrative expenses. You might be able to help me there.

Mr Gaukroger—Which page is that?

Senator O'BRIEN—In Budget Paper No. 2, Agriculture, Fisheries and Forestry starts at page 66.

Mr Gaukroger—What are you looking for?

Senator O'BRIEN—I am looking for the departmental output money in those items to see whether I can differentiate between funding for the departmental outputs and funding for administrative expenses.

Mr Gaukroger—You will find that on the budget measures page. That is a combined figure in the budget paper you have just quoted. The split up is on page 15. There are also some additional measures included in the portfolio supplementary additional estimates statements on page 11. You have to look at those two in combination, which will come back to the budget measures page you were quoting.

Senator O'BRIEN—So there is a \$5½ million increase for avian influenza response measures?

Mr Gaukroger—Yes.

Senator O'BRIEN—There has been a \$2 million increase for international food and agriculture services exporting Australian agriculture to emerging markets.

Mr Gaukroger—Yes.

Senator O'BRIEN—There is \$300,000 for RecFish grants?

Mr Gaukroger—Yes.

Senator O'BRIEN—Is that for administering RecFish grants?

Mr Gaukroger—Yes, there is a departmental administrative component there. The total is \$5 million altogether.

Senator O'BRIEN—So there is \$300,000 departmental administration for that \$5 million grant?

Mr Gaukroger—Yes.

Senator O'BRIEN—There is \$1 million for the conservation of southern bluefin tuna scientific research program. That is all departmental outputs. Where is that?

Mr Gaukroger—That is shown under industry development output No. 3.

Senator O'BRIEN—There is \$500,000 in the industry partnership program.

Mr Gaukroger—Yes.

Senator O'BRIEN—The efficiency dividend is minus \$780,000. Can you give me some sort of explanation of that figure?

Mr Pahl—That is our additional component as a result of the efficiency dividend moving from one per cent to 1.25 per cent. Our estimate is that that will add an additional \$780,000 to the dividend for 2005-06.

Senator O'BRIEN—That figure grows almost in multiples for the next two years.

Mr Pahl—It is reflected through the full forward estimates, as has been the case with the efficiency dividend in the past.

Senator O'BRIEN—I do not understand what that means. Why does it increase from \$780,000 to \$1.518 million?

Mr Pahl—The efficiency dividend next year will be 1.25 per cent of the appropriation in the forward estimate that is subject to the dividend. In 2005-06 it will be \$780,000. In 2006-07 you will have a further 1.25 per cent dividend on the appropriation, which when you add the two together brings you to the \$1.518 million. The only difference in the efficiency dividend in these papers is that it has increased from one per cent to 1.25 per cent. Its application in our forward estimates remains the same.

Senator O'BRIEN—Going back to table 3.1, the total of the three administered items from Appropriation Bills Nos 1 and 2 and Special Appropriations 2004-5 was \$1.457226 million, which seems to have been a great change from last year's PBS, which was showing \$1.712 million. Is that explained by the quarantine border security figures?

Mr Gaukroger—The figures you are quoting are administered expenses. Quarantine is a departmental item. That \$1.4 million comprises bill No. 1, annual appropriation bill No. 2, annual appropriation and special appropriations. All of those had significant downward movement between the PAES, the additional estimates, and the 2005-06 portfolio budget estimates through a combination of things. There is a downward revision in the estimated actual for the Sugar Industry Reform Program of \$63 million and the exceptional circumstances estimates were revised downwards because of the lower than unexpected take-up rate.

Senator O'BRIEN—What is that figure?

Mr Gaukroger—Under bill No. 1 the interest rate component goes from \$10.703 million in the additional estimates down to the estimated expenses of \$3.1 million, so there is a downward movement there of about \$7 million. The interim income support payments, which are also on page 19, go from \$6.9 million to \$4.2 million, so there is a downward movement of about \$3 million. The bigger components are actually in bill No. 2 where you have exceptional circumstances, which under the additional estimates was \$214,984 million, and that has been revised down to \$131 million. That is a downward movement of some \$90 million.

Senator O'BRIEN—What was the first figure?

Mr Gaukroger—It is \$214,984 million. That comes from the portfolio additional estimates statements. You have got the estimated expenses for 2004-05 of \$131,985 million. That is a downward movement of \$83 million.

Senator O'BRIEN—The figure of \$214 million was in the additional estimates?

Mr Gaukroger—Yes.

Senator O'BRIEN—What was the figure in the original budget for that measure?

Mr Gaukroger—The original budget was \$248,219 million.

Senator O'BRIEN—So it has been cut almost in half.

Mr Gaukroger—That is correct. The estimated actual is not linked to the appropriation; the estimated actual is what we think the figure will come out as at the end of the year. You cannot compare that to what has been appropriated.

Senator O'BRIEN—What, for the coming year?

Mr Gaukroger—For 2004-05, which is the figure we are comparing this against in 2005-06.

Senator O'BRIEN—Why can't you compare what you actually spend against what you appropriated?

Mr Gaukroger—The additional estimates represent what has been appropriated as compared to what we think the estimate will come out as at the end of 2004-05.

Senator O'BRIEN—What you think you will actually spend at the end of 2004-05.

Mr Gaukroger—Correct.

Senator O'BRIEN—So, if I understand you correctly, the original budget statement allocated \$248-point-something million. By the time you got to additional estimates, the figure had been revised downwards to \$214 million.

Mr Gaukroger—That is correct.

Senator O'BRIEN—But the estimated actual, at this stage, is down to \$131 million.

Mr Gaukroger—That is right.

Senator O'BRIEN—What are the exceptional circumstances payments that are encapsulated in that figure? Is that income support?

Mr Gaukroger—It is the interest subsidy component.

Mr Pahl—I think we would be better off to wait until we have officers at the table who are quite familiar with the drought figures and so on. They would be from our rural policy and innovation division. Mr Gaukroger and I are not as well versed in those programs as those officers, and they will probably be able to give you the information you are looking for.

Senator O'BRIEN—It is just that we got some figures from bill No. 1 which broke down interest rate and interim income support figures. Do you have that breakdown for these figures for bill No. 2?

Mr Gaukroger—Yes. The figure I quoted before—\$10,704 going down to \$3,158—was the interest rate component for the interim support. The income support was \$6,975 down to \$2,409. Under bill No. 2 you have got your interest subsidy portion, and special appropriations has got the income support component. That is the third element of the exceptional circumstances.

Senator O'BRIEN—It is essentially income support. Is that right?

Mr Gaukroger—That is correct—the special appropriations.

Senator O'BRIEN—I think I wrote down the wrong figure. The interim income support figure from bill No. 1 went from 6.975 to 2.409. Is that correct?

Mr Gaukroger—It is 4.209. The additional estimates figure went down to 4.209.

Senator O'BRIEN—So, in terms of that appropriation, what has occurred with the \$217-odd million from the original appropriation in bill No. 2 in the 2004-05 budget? It appears it is not going to be required to spend it.

Mr Gaukroger—What happens to it at the end of 2004-05?

Senator O'BRIEN—Yes.

Mr Gaukroger—Generally, it lapses.

Senator O'BRIEN—It stays in consolidated revenue?

Mr Gaukroger—That is correct.

Senator O'BRIEN—That accounts for \$130-odd million. There is a difference of approximately \$312 million. Where else will we find figures that make up that number, on the basis that the total administrative expenses for 2004-05 in last year's PBS were \$1,712,838,000? That is now down in the PBS for 2005-06 to \$1,000,400,750.

Mr Banfield—I wonder whether it would help if, during the morning and perhaps early afternoon, we were to prepare a table that sets this out for you. My understanding is that there are two big components of the movement in dollars: one relates to drought, as you have indicated, and the other relates to sugar, as I understand it.

Senator O'BRIEN—We did hear of \$63 million in relation to sugar. That takes us up to \$200 million.

Mr Banfield—Rather than try to do this on the run, would it be helpful if you just gave us a couple of hours and we got some of our people to put it out in a tabular form, which might make it easier and save a little bit of time of the committee?

Senator O'BRIEN—It might.

Mr Pahl—If I understand your question, what you are really looking for is what makes up the difference between the \$1.712 billion that was in the original PBS for 2004-05 and the estimated actual—

Senator O'BRIEN—No, the appropriation for 2005-06. The estimated is \$57 million more than the appropriation. You can explain both of them, if you like. That will probably shortcut a question that would follow.

Mr Pahl—So you would like the difference between the \$1.712 billion in the original PBS and the estimated actual for 2004-05 and then the difference between the estimated actual for 2004-05 and the budget estimate for 2005-06 for bills Nos 1 and 2 and special apps?

Senator O'BRIEN—Yes.

Mr Pahl—Okay. We will get someone to do that, put it in a table and hand it up later in the day.

Senator O'BRIEN—Will you be back to deal with questions about it at that time?

Mr Pahl—Yes.

Senator O'BRIEN—In table 2.3 on page 16, Other receipts available to be used, with respect to the estimated revenue from the sale of goods and services, last year's PBS estimated that to be \$191.5 million but the estimated receipts in this year's PBS is \$205.064 million, which is an increase of about \$13.6 million. The budget estimate for this year goes down by about \$24 million. Can you give us an explanation for that?

Mr Gaukroger—The vast bulk of the sale of goods and services are what is called section 31, which are external receipts derived from AQIS for fees and charges. It does go up and down each year depending on what the charges are. As you say it went from 191 up to 205 for the estimated receipts for 2004-05. The budget estimate at this stage stands at 181. It is determined by volume. The estimates that were put in when the portfolio budget statements were first prepared were at 181. We expect there to be an upward movement though, subsequent to that, based on our latest estimates.

Senator O'BRIEN—It is likely, because of the drought, that there are more animals going to slaughter but there will be a lot fewer next year. Is that how you might have projected that number in terms of AQIS charges?

Mr Gaukroger—I do not have that particular information. It does work on volumes with the fees and charges charged by AQIS. The 181 we expect to be an upwards movement, which will be shown in the additional estimates. The estimate which was put in here is probably a little bit at the lower end. It should be higher than that.

Senator O'BRIEN—What about the revenue from other sources? It keeps going up. It was 6.8 in the budget last year, it is revised to 9.8 and you are estimating 10.025.

Mr Gaukroger—I will have to take that on notice. I do not have the information for that.

Senator O'BRIEN—I wanted to ask some questions about cost recovery and the decision by Treasury to no longer require the ABS to charge for its publications. The basis of that decision was apparently that easy access to this data would have an economic benefit. Has there been any discussion at a portfolio level as to the benefits of easy access to publications from ABARE and the BRS in particular?

Ms Hewitt—Yes, there has. This is a matter we have discussed recently at our executive management team meetings. The bureaus have been progressively reviewing the way they handle charging for their products. I think you will find that the same direction has been reflected in the way ABARE, in particular, has handled its publications in recent times, with very much the same underlying philosophy. You can certainly ask ABARE and BRS colleagues to elaborate when they appear before the committee, but that has been the thinking—that it is simpler to put material on the web site and make sure it gets maximum diffusion. The public benefit in that is seen as being a logical one to focus on.

Senator O'BRIEN—Does that mean it is envisaged that there will be less actual publication and more virtual publication, if I can put it that way?

Ms Hewitt—I think that is already a trend.

Senator O'BRIEN—More things are on the web site.

Ms Hewitt—I think that is already a trend that is well established. Many of the regular readers of materials from the bureaus download them from the web site rather than going to hard publication. There has already been a significant move away from charging for printed volumes.

Senator O'BRIEN—Perhaps we will come back to this area when we get the further documentation later on today. I will move to food and agriculture now if there are no questions from anyone else.

[10.02 am]

Food and Agriculture

CHAIR—We will now move to food and agriculture.

Senator O'BRIEN—The Food Industry Strategy Centres of Excellence program had an allocation of \$3½ million shown in last year's PBS at page 27. On page 19 of this year's PBS, the budget estimate expenditure for 2005-06 drops to \$2.355 million. Why has that funding been reduced for the coming financial year? Is there supplementary funding coming from somewhere else?

Mr Souness—The program, along with a number of other programs, is administered by an outsourced company, National Food Industry Strategy Ltd. In evaluating the various programs that it was responsible for delivering, the company looked at its priorities and determined that the Food Innovation Grants program, which has recently been reviewed, was a particularly successful program in the strategy and approached the minister with a proposal to reallocate some funds from that centre of excellence program to the FIG program to allow one additional round of grants. So a small amount of money was transferred from the centre of excellence program to the Food Innovation Grants program.

Senator O'BRIEN—But that is less money in the budget estimate as against the expenditure for that program in the estimated expenses on the same page—the next line down. There is \$300,000 less being expended there.

Mr Souness—The amount simply reflects the variations across the years for the program, but a small amount was taken off. The total for the centre of excellence program in 2004-05 was \$73,000 less and in 2005-06 \$195,000 was transferred to Food Innovation Grants to give it an additional \$73,000 in 2004-05 and \$1.331 million in total for 2005-06 to allow that additional round of grants. Those grants run over approximately 18 months to two years, so the money has been spread across those years to allow the grant payments to be made against costs.

Senator O'BRIEN—So the original out years for 2004-05 and 2005-06, and going back to 2002-03, were showing smaller figures than are now appearing for those years in the PBS on page 19?

Mr Souness—Yes, I think that is right. The total amounts for the programs have not changed; there has simply been a reprioritisation by the board of the company administering the programs to shift some small amounts to the Food Innovation Grants program. The totals have not changed.

Senator O'BRIEN—The expenditure for the food safety and quality initiative has been almost halved as against the coming financial year.

Mr Souness—Yes. That initiative has relied on some external contractors to provide services—such as a global intelligence assessment of food safety systems world wide. The management of that contract has meant that some funds have been shifted from one year to the other because the contract has been drawn out longer than anticipated. But again the overall expenditure will not change. It has simply been a reallocation across years for that contract.

Senator O'BRIEN—And the New Industries Development Program?

Mr Souness—The New Industries Development Program is part of Backing Australia's Ability. That program, as a mark 2 version, is coming to a conclusion. It is about to shift into a transition year. Under the new Backing Australia's Ability program, the government has extended funding for that program for another five years through to 2010-11. That program is now going into a transition period where its funding will decline next financial year and then increase again as the new program kicks in.

Senator O'BRIEN—On page 43 of the PBS there are a number of performance indicators for this program. Can you tell me how you have determined that by managing contracts through this program you have been meeting best practice governance requirements?

Mr Souness—The contract is managed out of the department. Ongoing performance reports are delivered by the company, along with requests for new funding, on a quarterly basis. So the contract is monitored closely and the company provides to the department quarterly performance reports which are assessed. So on that basis there is ongoing monitoring. The Australian National Audit Office has also just commenced a performance audit of the contract. That has just begun and that will give other indications of the state of the performance.

Senator O'BRIEN—There is an outside assessor?

Mr Mortimer—Yes, that outside assessment will be done, as is the case with our programs, particularly programs of this magnitude. That will probably be as stringent a test as can be had.

Senator O'BRIEN—Where do these best practice governance requirements against which you have been assessed come from?

Mr Mortimer—They were put in place when the contract was developed. The contract was finalised in consultation with the Department of Finance and Administration and ANAO at the time. The contract put in place a number of safeguards in terms of the reporting requirements that the company has to meet and how it organises its finances and so on.

Senator O'BRIEN—The next test is the increase in the number of global food corporations which conduct their research and development in Australia. What increase has there been since this program commenced?

Mr Souness—To ensure their sustainability the centres of excellence have sought support from companies within Australia—both multinationals and domestic companies, small and large. The functional food and food safety centres of excellence have been very successful in

having this range of companies sign up to participate in research programs. A number of companies which could have been operating overseas are now contributing to research in Australia. This is still in the early stages—we are mid-way through the program—but we are seeing companies committing to research projects in Australia through the centres of excellence when they could have done that work overseas.

Senator O'BRIEN—Can you give us some examples?

Mr Souness—The Australian Food Safety Centre of Excellence based at the University of Tasmania has developed collaborations with universities in Victoria and with CSIRO. Companies have participated with them to set up an allergens bureau to undertake research into safety aspects of allergens in foods and how to better protect consumers through labelling and minimising the presence of allergens. These are highly sensitive compounds. There is very little research going on into them. That research is based at the University of Tasmania with the support of the large companies, but small companies in Australia are going to be beneficiaries of this research as well. There is additional work being done at the functional food centre on substantiation of functional foods and health claims. That has been driven by the multinationals that are signed-up participants in the program.

Senator O'BRIEN—Functional food centre?

Mr Souness—Yes.

Senator O'BRIEN—Can you tell us something about what functional food is?

Mr Souness—Functional foods are foods, or food ingredients, that have additional health benefits beyond those normally occurring within foods.

Senator O'BRIEN—That is to avoid the word 'therapeutic'?

Mr Souness—Yes. It goes under a range of names such as 'nutriceuticals', but 'functional foods' is commonly used in Australia. They are increasingly popular in Australia, and the centre has significant engagement with large food companies in terms of functional foods.

Senator O'BRIEN—Do you regard the test set down in the PBS as one that has been easily met?

Mr Souness—We are part way through this program and I think we are seeing indications that the increase in the number of global corporations is being met, but the true test will come in the next two years or so as the program comes to its conclusion. When this centre becomes self sustaining we will see the true benefits, but the early indications are very positive.

Senator O'BRIEN—What is the increase in the number of collaborative research partnerships between Australian R&D corporations and Australian based food-processing companies since this program commenced?

Mr Souness—I cannot give you a specific figure, but anecdotal information that we see coming through in reports indicates that there is strong collaboration occurring between the research sectors, universities and CSIRO on the one hand and state based research organisations and food companies both large and small on the other. There are partnerships developing. A good example out of the centre in Tasmania is an internship that the university has developed with food companies where R&D managers and staff within food companies

are able to spend a period at the university to undertake more fundamental research and develop their research capacity and skills and then return to their food companies, or perhaps undertake research projects at the university in developing new products that their companies have an interest in. In that way we are developing skills and capacity and developing the engagement with the food industry, and the networks are being strengthened.

Senator O'BRIEN—Is there a differentiation between the global food corporations and Australian food-processing companies? Actually, you said 'Australian based' food-processing companies. So it does not matter where they are owned; it is their operation that you are concerned with.

Mr Souness—No, the large multinationals have research centres scattered around the world. They make those decisions and it has always been a challenge to get them to invest in R&D in Australia. We are starting to see that change both through the food innovation grants program, where companies are committing more research funds to R&D in Australia, and through the centres of excellence program.

Senator O'BRIEN—The last test identified on page 43 of the PBS for this program is the:

Extent to which the Centres: (a) increase commercial application of R&D by Australian-based food processing companies; (b) make a significant contribution to the generation of knowledge in identified key technology areas; (c) improve access to world class R&D expertise for Australian-based firms.

Since this program began, what has been the increase in the commercial application of R&D by Australian companies?

Mr Souness—Again, it is difficult to quantify it part way through the program. We are mid-way through the program. But I reflect on some of my earlier comments that there is research happening: collaborative projects between groups of companies and the research centres or between individual companies and the research centres to develop new products or new concepts that are going to market. The centres have their own boards which are made up of company representatives who are paid-up subscribers to the centre and which determine priorities for the food industry in terms of new products, new concepts that can go to market and new packaging. We are starting to see the fruits of that. It will take a year or two to undertake the fundamental research before a product will flow. It is not like turning on a tap and the products instantly flow out. We will see the benefits over the coming years, but I do not have figures that would indicate the changes at this stage.

Senator O'BRIEN—Have you got some baseline figures so you can make the assessment?

Mr Mortimer—A baseline survey was done of a number of aspects of the program a couple of years ago when the whole National Food Industry Strategy was being established, which provides a starting point. Building on that, there will be reporting by the different centres. They are established as organisations in their own right with independent entity, and they will be reporting on their outcomes and activities. Further, there will be reviews of the program as a whole as it progresses, so that material will be collected. It is not set out here but, consistent with the sort of framework that we operate here, it will be reported in annual reports of relevant organisations and also in reviews that are undertaken.

Senator O'BRIEN—So, since the program commenced, how has the department measured the contribution to the generation of knowledge and identified key technologies?

Mr Souness—The department has had regular reports through the National Food Industry Strategy Ltd company from the centre. We also maintain a level of contact with the centre simply to monitor what is going on, and we see it as an opportunity where the department identifies research interests that we can feed into the centre. So there are various levels of communication. We are aware of the centres developing international linkages, as well as those in Australia, to further their research interests and to learn from overseas experiences. The centre in Tasmania has established linkages with a research facility in Chicago—the Illinois Institute of Technology—and a USFDA research centre and also with a research unit in Copenhagen, working on microbiological contamination of foods, a better understanding of the micro-organisms in food and the way they respond to various treatments, to develop new processing techniques for use in Australia.

Senator O'BRIEN—Can you give us a list of the key technology areas that you are referring to?

Mr Souness—I would have to seek advice from the centre to ensure that I provide accurate information, but we could do that.

Senator O'BRIEN—Sure. Again, the passage refers to 'identified key technologies' so I assumed that you would have a list readily available.

Mr Mortimer—Yes, that could be available from the business plan, which the centre will have in place, and we can provide some information on that.

Senator O'BRIEN—So the centre has identified them as the key technologies?

Mr Mortimer—Absolutely. That is consistent with this model, which essentially provides a very high degree of industry ownership and drive. It is not something that we in government would claim to be experts on.

Senator O'BRIEN—Again on page 43 of the PBS: have the contracts signed under this program met best practice governance requirements?

Mr Mortimer—We believe so.

Senator O'BRIEN—How has that assessment been made?

Mr Mortimer—It has essentially been made against the tests and requirements that were put into the overarching contract between the government and NFIS Ltd in terms of how money should be allocated and the provisions that were required in that company allocating and managing its finances.

Senator O'BRIEN—To what extent have food products been introduced to the market and processes that incorporate specific scientific discoveries and technological applications funded and supported through this program been adopted?

Mr Souness—Through the programs, both the centres of excellence and the Food Innovation Grants program, we are starting to see some new products and new concepts coming through, but again these take a period going from research and development to getting a product to market and then seeing if it is successful within the marketplace. Under the Food Innovation Grants program, I think we have now had 36 grants and there are a number of new products and technologies coming through.

Senator O'BRIEN—Can you perhaps identify those new products and technologies on notice?

Mr Souness—Yes, we can do that. We could list them now, but we can provide some further material.

Senator O'BRIEN—If you can list them now, that would be great.

Mr Souness—There are examples such as Murray Goulburn working with Amcor to develop a new paper-packaging system for milk powders. They collaboratively designed a new paper bag that enables about 18 per cent more to be packed into 40-foot containers. It basically enables you to get more product into a container and save on transport costs. It is a factor of packing about 18 per cent more in. It is a simple design concept. It was developed between the packaging company and the food supplier Murray Goulburn, who produce a lot of powdered milk. It facilitates a reduced cost in exports as a result of being able to get more product into the market. They are simple concepts, but I think the design of the bag will now have a worldwide patent. They worked with a grant to a company in Tasmania that designed a new plastic film packaging for abalone that will go into Japan and China. The packaging, although plastic, has the appearance of glass and presents the product much better. That is another example. There is a whole range, but I am sorry—my memory is not across all 36 grants.

Senator O'BRIEN—I am happy for you to supply it on notice.

Mr Souness—There are examples like that that enable us either to get better economies in our exports or to present our product in a much better way or with a longer shelf life et cetera. But some of the research is still going on. These are sometimes two-year projects, so the research benefits are still starting to flow out of the system.

Senator O'BRIEN—I take it that list will identify how this program has generated processed food and enabling technology activities that are innovative?

Mr Souness—Yes, it will start to identify that outcome, and as the program continues over the coming years we will see more and more of that start to flow.

Senator O'BRIEN—So that will give us a real indication of how you have measured these performance indicators.

Mr Souness—Yes.

Senator O'BRIEN—The next test identified in the PBS is:

- Increased numbers of processed food firms with improved knowledge, understanding and uptake of innovation through grants and projects funded under the programme.

Is this just a simple quantitative test, or is there a qualitative aspect to it?

Mr Souness—There is probably an element of both. Certainly we are already seeing an increased number of firms with improved knowledge, and they are coming out of the 36 grants that have already been agreed. So there is increased knowledge there, and some of those grants are to companies that have entered into partnerships. As I mentioned earlier, Murray Goulburn is in partnership with Amcor, a packaging company. Some companies are entering into partnerships with various divisions of CSIRO for their research. That is

happening. Also, in terms of the knowledge, the company is proposing to set up a sort of knowledge bank, a central innovation point to share the learnings with the broader food industry in Australia. They are looking to get significant benefits to industry—a halo effect, if you like—by sharing the knowledge and the experiences that come out of these programs.

Senator O'BRIEN—How is that going to work with products that are patented? I think you talked about one example where there was a patent for the technology.

Mr Souness—Clearly that is an issue, but some of the fundamental research that underlies the patent is in the public domain through publications and the sharing of knowledge, and perhaps that is the element that is not captured by the commercial-in-confidence component. The company is proposing to set up a system of sharing the knowledge that can be shared and the experiences too. Companies will learn from what does not work as much as from the successes of the program so that they do not repeat mistakes. It is sharing the experiences of those companies through a broader system that NFIS Ltd is looking to develop.

Proceedings suspended from 10.30 am to 10.46 am

Senator O'BRIEN—I have a question in the same vein as the questions before the break. The last test in the PBS relates to increased strategic investment in firm based research and development and increased linkages with public research and development activities. Again I ask: what are the results of your assessment of the program against this benchmark since the program commenced?

Mr Souness—In terms of the increased investment by firms in R&D for the Food Innovation Grants Program there have been 36 grants totalling \$30 million so far. That has leveraged investment by the food industry of \$41 million in matching funds and additional funding. So there has been a significant additional investment by the food industry. The mid-term review undertaken by Allen Consulting indicated that a number of these were research and development projects that companies probably would not have undertaken without the support of these grants or might have undertaken overseas. So there appears to be evidence already that there has been increased investment.

Senator O'BRIEN—What was the figure again for increased investment?

Mr Souness—The \$30 million in grants has generated \$41 million in industry investment in R&D.

Senator O'BRIEN—So that is \$41 million on top of the \$30 million?

Mr Souness—Yes, that is correct. In terms of linkages with public R&D activities, companies have developed, through their grants, partnerships with the CSIRO divisions of food science and technology and human nutrition. So the projects are collaborative ones. State based research agencies have sometimes partnered with companies, so there are greater linkages as a result of these projects as well. The details of the grants and the partners in those grants are available on the National Food Industry Strategy Ltd web site.

Senator O'BRIEN—What is that address?

Mr Souness—Further information about the individual grants is available as well.

Mr Mortimer—I think it is www.nfis.com.au.

Senator O'BRIEN—We will hold you responsible if we cannot get it. No, I am sure we can find that, thanks. We did discuss the Food Safety and Quality Initiative funding, and I think you may have partially explained the reason for the jump in the estimated expenses from the allocated expenditure of \$150,000 to \$277,000 for this financial year. Where did that additional \$127,000 come from?

Mr Souness—That was a re-profiling of figures from one financial year to the next. There was some carryover from the previous financial year where a service provider was not able to deliver at the agreed time because of the nature of the project, so those funds were carried over.

Senator O'BRIEN—Was it all the funds or some funds, and if so how much?

Mr Souness—The funds that were not able to be expended in the last financial year were carried over.

Senator O'BRIEN—So it was \$127,000?

Mr Souness—Yes. The total for that program has not changed but simply reflects the delivery of that contract.

Senator O'BRIEN—On page 40 of the PBS there is reference to improving 'delivery of NFIS programmes and activities for the remainder of the Strategy and to ensure that it meets its intended outcomes'. On page 41 of the PBS there is a reference to identifying 'the need for further initiatives to enhance industry competitiveness, in the context of its mid-term review'. And on page 44 of the PBS it says that the test for the performance of this program is its 'effective contribution to the substantial reduction of duplication and inconsistency of commercial and regulatory food safety and quality systems'. In that context what does the word 'commercial' mean?

Mr Souness—In terms of the Food Safety and Quality Initiative?

Senator O'BRIEN—Yes.

Mr Souness—That refers to public standards that are imposed on companies in terms of the supplier relationship. Large companies, supermarkets, are putting requirements on their suppliers to meet quality and safety standards, so it is those commercial standards as opposed to those imposed by jurisdictions, by governments.

Senator O'BRIEN—So the 'commercial' in that context is the requirement of the purchaser rather than the regulator?

Mr Souness—That is right.

Mr Mortimer—Increasingly what we are seeing is that, notwithstanding that we have food safety standards set for broad public safety outcomes by Food Safety Australia New Zealand—a statutory body which operates under the Health and Ageing portfolio—a lot of companies see competitive advantage in having quality and safety systems that are better than those required for broad public safety. They are essentially proprietary systems, but they are managed by the companies and they have some additional oncost for companies. Companies are looking for simpler ways to manage those systems, particularly when they are being audited by company auditors. So this initiative is essentially putting a common framework

around that auditing process to simplify the whole exercise and to make it cheaper for companies.

Senator O'BRIEN—That implies that you will get the cooperation of the commercial entities who are imposing their standards. How is that going to work?

Mr Souness—We have in fact achieved that. As Mr Mortimer said, we have worked to develop a framework to minimise the auditing compliance assessment requirements that both the government and the private sectors put on the food industry. We have worked through a process with the food industry and with government, and we had a significant steering group that guided this work. The end result is that we have now developed a draft competency standard for food safety auditors that will both guide the training of all auditors in Australia, which has been developed by the Australian National Training Authority, and be used to certify all food safety auditors in Australia in both the government and the private sectors, so that they will all now be working to the same standard. The next stage from that will be the recognition by various government agencies and private companies of those outcomes and that will reduce the multiple audits and significant costs that imposes on industry.

Senator O'BRIEN—Is this what is feeding into the reference on page 41 to the development of proposals for a more streamlined approach to the development of food standards?

Mr Mortimer—No, that is a slightly different initiative. The material on pages 40 and 41 reflects the fact that a mid-term review of the National Food Industry Strategy as a totality is being undertaken. That was a requirement of the contract and the framework agreement. That evaluation will be considered by all the parties—NFIS Ltd, the government and the National Food Industry Council—and there will be an assessment of progress under the current National Food Industry Strategy as a totality and consideration of whether it needs any change, addition or anything else.

Senator O'BRIEN—What is the time line for this mid-term review—or initiation or progress report?

Mr Mortimer—The mid-term review has just been finalised and given to the minister. It will be considered by the board of NFIS Ltd—and I do not know their meeting schedule—and it will also be considered by the National Food Industry Council, which will draw together all the players at its next meeting in mid-August.

Senator O'BRIEN—Can you explain the role of the Department of Health and Ageing in this work?

Mr Mortimer—The Department of Health and Ageing is relevant in terms of the food regulatory system, which is the next item on page 41. Under the new structural arrangements for food safety in Australia—which were put in effect as a result, I think, of the Blair review and consideration by the Council of Australian Governments and enacted by the Senate a couple of years ago—there is a system in place which deals with food safety from paddock to plate, if I can use that colloquial expression. The consequence is that the Department of Health and Ageing and the Department of Agriculture, Fisheries and Forestry have shared responsibility for the food safety system, albeit that the lead minister is the Minister for Health and Ageing. Indeed, the body that does the technical work, Food Standards Australia

New Zealand, previously ANZFA, is part of the portfolio responsibility of the Department of Health and Ageing. As a department we work with the Department of Health and Ageing on these matters and our minister cooperates with the Minister for Health and Ageing. They jointly establish a whole-of-government position for the Commonwealth which is then taken to the Commonwealth, state and New Zealand meetings that establish food safety regulation outcomes for Australia and New Zealand.

Senator O'BRIEN—How much is being spent on the National Food Industry Strategy exercise this financial year and what is the allocation for the next financial year? Is it just those line items that we were referring to earlier?

Mr Mortimer—Those three line items?

Senator O'BRIEN—Yes.

Mr Mortimer—No, there is other funding for the National Food Industry Strategy, essentially provided through what are called departmental expenses, which goes to other activities in DAFF and some other activities with National Food Industry Strategy Ltd.

Senator O'BRIEN—Can you give us some indication of how much money is involved for this and the next financial year?

Mr Mortimer—The numbers are not recorded here and I am not sure whether I have them. We will have to take that on notice.

Senator O'BRIEN—The Australian HomeGrown campaign is an election commitment, isn't it?

Mr Mortimer—Yes.

Senator O'BRIEN—I understand the funding is to support Australian grown produce in the domestic retail sector through media advertising and food product labelling. Which industry groups have signed up to this plan?

Mr Mortimer—As you said, the initiative is indeed intended to provide branding of Australian grown produce so that consumers can distinguish it and, hopefully, buy that. In terms of the companies that are signed up, the structure is that a private company operating under Corporations Law has been established called Australian HomeGrown. It is a not-for-profit company. It has a range of members who are participating in the company. There are about a dozen. The members are Apple and Pear Australia Ltd, Australian Egg Corporation, Australian Citrus Growers Association, Australian Garlic Industry Association, Australian Honey Bee Industry Council, Australian Mushroom Growers Association Ltd, Australian Pork Ltd, Australian Prawn Farmers Association, Ausveg Ltd, Biological Farmers of Australia, Cattle Council of Australia, Cherry Growers of Australia, Dairy Australia, Growcom and Horticulture Australia Ltd.

Senator O'BRIEN—Is this a proposal which was around prior to the 2001 election?

Mr Mortimer—I am not sure. I cannot remember whether it was at that stage, in all honesty.

Senator O'BRIEN—So there is no actual commercial business that is signed up in the Australian HomeGrown campaign?

Mr Mortimer—That is not entirely the case. The company is owned by a range of industry organisations. The proposition is that the company will do two things. It will establish a logo which can be applied to products and provide advertising to generate interest and make customers aware of the logo, what it stands for and what it means. It will also attract licensees who will pay money to the company for the use of the logo which they can apply to their product so that consumers know that it is fully Australian grown and show a preference toward that product. The intention is that the government is providing seed money and money to establish the initiative, but it should become self-funding down the track. I think the minister makes that clear in his budget press statement on the matter.

Senator O'BRIEN—How does this fit in with the 'buy Australian' campaign?

Mr Mortimer—It is different from the buy Australian campaign in that it is focusing on totally Australian grown produce and food. It is very much directed at the agricultural and food sector. And it is different from the other campaigns in that it will not have some threshold level of 51 per cent or some such for Australian made content. The buy Australian campaign tended to be broader and have issues in terms of the component of product that is Australian grown, because it is processed and manufactured.

Senator O'BRIEN—Is it fair to say that there is some crossover between the programs?

Mr Mortimer—It is a similar concept—there are no two ways about that—but it is focused very much on the food and agriculture sector.

Senator O'BRIEN—And this is being funded through moneys taken from the FarmBis program?

Mr Mortimer—It is funded by an offset of funds from another program, that is entirely correct.

Senator O'BRIEN—The FarmBis program?

Mr Mortimer—I think that might be the case, yes.

Senator O'BRIEN—How was it determined that the outcomes from expenditure through the FarmBis program would not be compromised by the reallocation of some of its funds?

Mr Banfield—That is a question that you might want to take up under rural policy and innovation, where FarmBis resides. At a general level, as you know, FarmBis is dollar for dollar funded between the Commonwealth and the states. It is entirely the case that the Commonwealth will be able to match the 50 per cent funding by the states. There will be no impact on the integrity of the FarmBis program. If you want to ask more detailed questions about that program, rural policy and innovation is the division.

Senator O'BRIEN—I suppose it is true that there is regular raiding of the FarmBis bucket. It is probably no different from those intrusions in the past.

Mr Banfield—I would not put it in those terms at all.

Senator O'BRIEN—I know you would not.

Mr Banfield—We have been in the fortunate position where we are more than capable of matching the contributions from the states. The reduction, to the extent that there is a

reduction in overall funding for FarmBis, is because the states have not been in a position to provide their 50 per cent of the money.

Senator O'BRIEN—How did the trade come to pass? Did the department offer up the savings from the FarmBis program?

Mr Banfield—Mr Mortimer might have another comment, but as part of the budget process there were several initiatives, as Mr Mortimer has alluded to—new policy proposals—which were offset by a number of programs. FarmBis, as you have rightly pointed out, is one of those. There were reductions or offsets from several programs.

Senator O'BRIEN—Budget Paper No. 2, at page 66, refers to more detail about this program being contained in a media statement from Mr Truss dated 7 October 2004, but that does not appear to be on his web site. Can the committee be supplied with a copy of that press release.

Mr Mortimer—I do not have that with me, but we will certainly take that on notice.

Senator O'BRIEN—What benchmarking has been put in place for the Australian HomeGrown campaign—such that taxpayers can be sure they are getting value for money?

Mr Mortimer—That benchmarking will be part of the contract when it is finalised with Australian HomeGrown. At this stage, the contract for the funding of the great bulk of the amount has not been finalised. That will be done as part of that. At this stage, half a million dollars has been provided for the program. That was for the trial campaign in Victoria early this year. There was a contract around that which specified the uses of and reporting on that half-million dollars. No other funds have been committed at this stage. The outcomes will be developed and put in that contract.

Senator O'BRIEN—The contract will have milestones, and the full funding over three years will be provided for in the contract? Is that how it will work?

Mr Mortimer—Indeed. The contractor will have to report on the outcomes and performance of the campaign; and, reflecting the minister's statements in his press releases associated with the budget, the government's intention was that the initiative would be owned and funded by industry after 2006-07.

Senator O'BRIEN—So it will be activity rather than performance based in the contract? The payments will devolve in relation to the campaign roll-out, as it were, rather than achieving outcomes?

Mr Mortimer—My expectation is that the company would be reporting in terms of outcomes and in terms of the success that the campaign has for the duration of Commonwealth funding.

Senator O'BRIEN—So there will be something in the contract which will allow it to be terminated if it is not being successful?

Mr Mortimer—I expect so.

Senator O'BRIEN—So the three-year roll-out of funding might be pulled back and a new strategy developed if it is not working?

Mr Mortimer—All government contracts have provisions which deal with reviewing progress and terminating if progress is not satisfactory or if there is other serious malfeasance or some such.

Senator O'BRIEN—Sure.

Mr Mortimer—Those arrangements will be there.

Senator O'BRIEN—Will those milestones or requirements be built into the contract so that there will be no question about the Commonwealth's ability to withdraw if the envisaged benchmarks, which I presume will be something to do with consumption, are not reached?

Mr Mortimer—We have not settled that at this stage but there will be discussion about what the company needs to report on, what are reasonable indicators of success and what justifies the funding continuing as opposed to any change in direction.

Senator O'BRIEN—Does the Commonwealth envisage any other action? I have in mind some public commentary—indeed, some government senators have been making comments in the media about restrictions on the rights of producers to label their product.

Mr Mortimer—I am not aware of that.

Senator O'BRIEN—As I understand it, major supermarket chains are imposing conditions on suppliers that they not label their product. Has the government considered any response to that? That seems to me to be a pretty fundamental barrier to the campaign of the sort you are talking about.

Mr Mortimer—There are two dimensions here. Supermarkets have strategies around their own branding of products. They put house brands, as they are called, on their products and that is part of their corporate strategies. This initiative was designed to go on top of that, so to speak, so that regardless of whether the product was supplied by, say, SPC with a SPC branding on the product or indeed by Woolies with Woolworths' own home brand on it, whoever signed up the initiative as the licensee would put that home grown logo on the product and they would get the benefits attached to that.

Ms Standen—Of course, retailers have a keen interest in ensuring that the audit and compliance arrangements for branded product are appropriate so that there can be no question that the products that are being branded home grown are in fact home grown.

Senator O'BRIEN—Those that want that differentiation to be available.

Ms Standen—That is right.

Senator O'BRIEN—The question that arises in my mind is whether some of the major chains do not want that differentiation because they want to be able to substitute other product without the consumer knowing, on the basis of available price, and therefore making an imported and cheaper product, for example, equally interchangeable with the local product without the consumer knowing what they are buying.

Mr Mortimer—I understand what you are saying, Senator; however, the company Australian HomeGrown is having discussions with the supermarkets. Indeed, Coles supermarkets ran the trial for the company and was perfectly happy to do that and is

continuing discussions with the company about how to take this forward. On the basis of that example it would seem that the supermarkets see potential benefit in it.

Senator O'BRIEN—There seem to be differing views depending on which part of the supermarket business you contact. I know there are concerns in my state about restrictions on labelling. I am really concerned to find out what the government's approach is to that in the context of the expenditure here, and whether there is any intent to legislate to prevent supermarket chains from requiring their suppliers not to label.

Mr Mortimer—There is a range of labelling requirements in the country and they range over all sorts of things from, say, ones that relate to food safety down to country of origin.

Senator O'BRIEN—But not for unpackaged goods. This is about unpackaged goods, mostly fruit. But when some people say that potato suppliers are not to indicate the source of the product on the bag that is an indication to me that the intent is to make substitution of local product easier, by the major purchasers—the supermarket chains—imposing conditions that prevent labelling. That would be a fundamental problem for this strategy I would have thought.

Mr Mortimer—I think what you are picking up there is the issue of country of origin labelling which is getting some media attention at the moment.

Senator O'BRIEN—It could be just state of origin. In my state there is local labelling and the producers would argue that that gives them a commercial advantage.

Mr Mortimer—That is a further complexity and indeed some states do have initiatives around their food industries to differentiate them on the basis of that. In terms of Tasmania I understand it is because it is a cleaner, more wholesome environment and such like. But in terms of country of origin labelling there is a draft paper being put out by Food Standards Australia New Zealand, which I referenced earlier, exploring the options for country of origin labelling which does pick up this issue of the labelling of unpackaged food products. That is a discussion paper which will then be considered by the board of Food Standards Australia New Zealand and ultimately go to the ministerial council which our ministers, Minister Truss in conjunction with the Minister for Health and Ageing, will contribute to. They will settle a position on how to deal with country of origin labelling in terms of Australian products as opposed to products from the rest of the world. In terms of products from within Australia, say from one state as opposed to another, that is not something that the national government gets particularly into.

Senator O'BRIEN—It is not something that this government gets into?

Mr Mortimer—We are part of a national government. We cannot actually stop or get involved in state based initiatives as to how they might market or differentiate their products.

Senator O'BRIEN—I do not think that anything I said indicated that I was asking what the government wanted to get into or stop but, rather, where in the supply chain barriers are being placed to the identification of product. I am wondering what intention the government would have to prevent commercial interests from frustrating strategies such as the Australian HomeGrown campaign or indeed others which are designed to identify local product. It is all right to take some money out of FarmBis and give it to Australian HomeGrown and say,

‘We’re doing the job.’ But if the commercial entities in the supply chain are putting up barriers to that I am wondering if there is any policy—perhaps the parliamentary secretary can help us with this—which the government intends to follow to prevent commercial interests from frustrating Australian producers from labelling their product.

Mr Mortimer—In terms of the policy framework from the outset, broadly speaking there is a policy for country of origin labelling, as I referenced earlier, and that is overseen by the health framework—FSANZ plays a role there. That is designed to ensure people are aware of what food comes in from overseas as opposed to what is produced here. It would seem to me that this initiative is actually building on that and providing more positive statements about Australian content. Rather than being something that is there and observed in broad terms it is actually making a positive virtue of Australian production and communicating that in a very direct way through an advertising campaign. In the linkages between supermarkets and producers, if the producers sign up and become licensees and strike cooperative arrangements with the supermarkets, which is the intent, then they can actually build a commercial relationship which will deliver the outcome that I think you are referencing without having to resort to legislation and the problems that often are attendant upon that.

Mr Banfield—I should add that the clear position of the Australian government is to favour mandatory country of origin labelling. That position was supported by all of the state jurisdictions—

Senator O’BRIEN—On packaged goods? On unpackaged fruit and vegetables?

Mr Banfield—As a general principle, ministers, Commonwealth and state—New Zealand has a different view—have agreed on mandatory country of origin labelling. What Mr Mortimer was referring to was that FSANZ have been asked to go out and undertake consultations as part of the process and to come back to ministers on how that mandatory country of origin labelling would take effect. That is the process that is being gone through at the moment. So FSANZ will come back to ministers saying: ‘You have asked us to go away and look at how we might implement mandatory country of origin labelling. We have undertaken consultations. On the basis of all of this, we are suggesting a particular approach.’ At this stage they are canvassing a range of issues in relation to packaged and unpackaged.

Senator O’BRIEN—I have discovered a copy of that media release of 7 October, to save you from looking it up. On page 42 of the PBS there is some benchmarking for the Food Processing in Regional Australia program. When did the program commence?

Mr Souness—The program will formally commence in the coming financial year, so on 1 July. Some administrative arrangements have been put in place to get the program going and there has been an initial call for the first round of grant applications in April. That will close on 1 June. The grants will actually start flowing in the next financial year.

Senator O’BRIEN—The advisory committee has been appointed?

Mr Souness—No, not at this stage. The minister is still considering the recommendations that were put up to him.

Senator O’BRIEN—So the minister will make the appointment; he has not yet. The department has made recommendations as to who should be on the advisory committee?

Mr Souness—The department has sent up a number of suggestions to the minister for who could be on the advisory committee, and the minister is considering those. We expect a response soon.

Senator O'BRIEN—Where would potential committee members be drawn from?

Mr Souness—Potential committee members could be drawn from or have experience in the food industry or in agribusiness sectors, in the finance sector or in logistics, transport et cetera as well.

Senator O'BRIEN—How will the funding work? You were talking about matching funding being required for any initiative. Will it be funding at a certain level—cost of the total project—or will it simply be grants on the basis of proposals?

Mr Souness—There will be calls for rounds of funding for grants. We anticipate three rounds a year. There will probably be a total of five rounds altogether. This is a competitive process on a round by round basis. They will be matched dollar arrangements in the grant's recipient. There is a capped funding for grants up to \$200,000, with a minimum of \$15,000 specified.

Senator O'BRIEN—And how will the applications be managed? Will the department make recommendations, or will the applications go straight to the committee and they will handle them in their own way and their own time?

Mr Souness—The department has a standardised application form on its web site that people can access. They will fill in that form and the department will access the mail box and then get them into a standardised form that will go to the advisory committee. The advisory committee will access those applications and make recommendations in terms of those that they think should be funded.

Senator O'BRIEN—So the department will just be the mailbox?

Mr Souness—No, the department ensures that the applications are complete and that the appropriate due diligence is done on those applications. It ensures the quality of those applications.

Mr Mortimer—A critical role for the department is doing an initial prima facie check that the applications are consistent with the guidelines and intent of the program.

Senator O'BRIEN—The application will go to the committee with some formal input from the department.

Mr Mortimer—Yes, the department typically checks that the application is consistent with the guidelines.

Senator O'BRIEN—Will there be a check-box cover sheet saying: 'Application conforms with the guidelines; tick application; entity has been checked and is a bona fide corporation'?

Mr Souness—I think it will be slightly more sophisticated than simply a check-box approach. The department will look at each of the applications and talk to the applicants as necessary to verify information or to seek some further elaboration. The program is targeting small and medium businesses in rural and regional Australia. So we anticipate that there will be various capacities to provide the sort of information that we are looking for. The

department will be seeking to assist to make sure that all the relevant information is before the advisory committee and is in line with the guidelines.

Senator O'BRIEN—And following the committee's input they will make some formal recommendation to the minister on the grant?

Mr Souness—The minister has delegated a senior officer in the department to make those decisions on the advice of the advisory committee.

Senator O'BRIEN—Do you mean the departmental secretary?

Mr Souness—It is the General Manager for Food Policy and Safety within the department, which is my position at the moment.

Senator O'BRIEN—So you will have an input into what goes to the committee in the first place?

Mr Souness—In terms of the applications meeting the guidelines. As Mr Mortimer has said—and it has been proposed to the minister—I would also be a member of the advisory committee.

Senator O'BRIEN—We will see what happens in that regard, I suppose.

Mr Mortimer—It is a process that is similar to the process for other programs elsewhere. It works well. For example, the New Industries Development Program has a similar decision-making and governance framework around it, which has been found to be very effective. So it is fair to say that there is a model. We are using that model.

Senator O'BRIEN—The government announced funding of \$4.066 million in 2005-06 as part of its commitment of \$12 million over four years for the Food Processing in Regional Australia Program. On page 4, the guidelines for this program state:

It should be noted that FPRAP is a discretionary grants program. This means the Minister for Agriculture, Fisheries and Forestry has discretion in determining whether or not a particular application receives funding.

What you are telling me is that a decision has already been made that the minister will delegate his responsibility.

Mr Souness—That is right.

Senator O'BRIEN—So the delegation is signed.

Mr Souness—Yes.

Senator O'BRIEN—What notice will we receive if the delegation is revoked?

Mr Souness—I am not entirely sure. I do not think they are formally notified in that sort of public sense. If it were a significant change in corporate governance I think they would be notified. But on this one I have to say that I do not think it is publicly announced.

Senator O'BRIEN—So, as it is given, it can be withdrawn, I take it, on the signing of an instrument?

Mr Mortimer—Yes, that is right. Let me assure you there is nothing suspicious or difficult anticipated here.

Senator O'BRIEN—Perhaps we have different views about these things, but concerns have been raised recently about the way some other programs—indeed some signed off by this minister—have been used by ministers. Can you point me to anything in the guidelines or administrative arrangements that would prevent the minister from completely ignoring the advice of the FPRAP advisory committee and approving a grant against a recommendation?

Mr Mortimer—It has to be said that it is government money which has been allocated by cabinet and through all the proper processes. It is what is called the discretionary program, so at the end of the day the minister does ultimately have discretion. However, as we have advised you, arrangements have been put in place whereby the minister has chosen to transfer that decision-making capability to the delegate in the department, and that is the arrangement that has been put in place and is expected to operate.

Senator O'BRIEN—Is there any requirement for the minister to publish reasons for his decisions?

Mr Mortimer—No.

Senator O'BRIEN—Could a minister approve the grant even before an application is submitted?

Mr Mortimer—That would be highly improper I would say.

Senator O'BRIEN—It has not stopped other ministers.

Mr Mortimer—I pass no comment on that.

Senator O'BRIEN—Can you take the committee through any provision that will ensure that money granted to an applicant will be spent only on the project that was approved?

Mr Mortimer—We will deal with that through the contracts for the funds once the decision is taken. Consistent with the discussion that we had about home-grown and other activities, the contracts for expenditure of government grant moneys deal with the issue of the intent and the purpose of the funding, and, where relevant, they specify who should access the funding. They also put in place a system of reporting on the expenditures and outcomes, and that is the basis for ensuring accountability and that the money is spent as intended.

Senator O'BRIEN—Can the committee be assured that funding will not be granted to a purpose that an applicant already has adequate funds for, to free up funds to fund something else not contemplated in the program?

Mr Mortimer—That is a difficult one; I am not sure any contractual arrangement or corporate governance arrangement could ever entirely guard against that, because of the opportunities that corporations, for example, have in terms of allocating their funds amongst different purposes. Behind your question is the sense that someone might decide not to do something they would otherwise do because they are getting a grant from the Commonwealth.

Senator O'BRIEN—I will tell you what is behind my question. In the case of the dairy rural assistance program, a proponent had adequate financing for the construction of a facility but funds were provided for that and it was explained that that would free up moneys for another project which it had been decided could not be funded under the guidelines of the

program. I am just wondering if we can receive assurance that that cannot happen under this scheme.

Mr Mortimer—Let me put it this way: we will certainly administer the program to the best of our capabilities to ensure that it meets its objectives and, with the benefit of an expert committee, consider all the issues around the applications—their viability, how they fit with government and other strategies. I guess what I am saying is that there is no law or way I could here say here that there is a guarantee against it. What I will say is that our intent is to implement the program as intended and we will observe all of the requirements of the Public Service Act, the Financial Management Act and other relevant legislation in terms of ensuring that that happens.

Senator O'BRIEN—At the end of the day it is a matter in the hands of the minister?

Mr Mortimer—No, I am not saying that. I am saying that the governmental systems are designed to get good outcomes, and we do our best to get those outcomes within the law of the land and the administrative frameworks we operate within.

Senator O'BRIEN—But the views of the department and the views of any appointed committee are subservient to the views of the minister at the end of the day, aren't they?

Mr Mortimer—At the end of the day the minister accounts for funding to parliament.

Senator O'BRIEN—Sometimes that can be a bit like pulling teeth, but you are obviously not required to comment on that. Can you describe to us any special provisions in this program which will differentiate it from others where discretionary funding is granted by a minister?

Mr Mortimer—Discretionary programs are of necessity discretionary programs—that is what the name implies and there is nothing that can change that. The only alternative would be to have the requirements set out very specifically in legislation. But that gets into a whole different set of problems, because legislation has to be pencilled in black and white and that makes a lot of activities very difficult.

Senator O'BRIEN—So the answer to my question is: there is nothing in this program which will differentiate it from other discretionary programs in terms of the way the minister ultimately exercises his discretion?

Mr Mortimer—I think we can draw on the experience the department has had with administering these programs. For example, as I said earlier, there were parallels between the way this program was established and the New Industries Development Program—similar arrangements. That program has, I think, worked very well. There is no question about the propriety or, indeed, performance of that committee and the officials and the minister around that. On that basis I would say there are prospects for a successful program.

Senator O'BRIEN—I hope you are right. Let us move on to the New Industries Development Program for the moment. Funding for this program drops by about \$1 million from this financial year to the next, according to page 19 of the PBS. Does that mean there will be changes in the program that will lead to that reduction?

Mr Mortimer—Essentially, in brief, the government announced—I think it was last year—this moving to a new phase of the Backing Australia's Ability set of programs. NIDP is

one of those programs and, as a result of the reconsideration and reconfiguration, that program will move to a reduced—a lower level—of annual funding. What we are seeing in 2005-06 is a transition year as we move from a higher level of funding to a lower level of funding.

Senator O'BRIEN—I now recall that you dealt with that earlier.

Mr Mortimer—Yes.

Senator O'BRIEN—On page 43 of the PBS the benchmarks for this program are listed as: Agribusiness enterprises gain the business skills and resources required to successfully commercialise new agribusiness products, technologies and services as measured through: - a minimum of 16 Pilot Commercialisation projects are approved and effective monitoring of existing projects; - a minimum of 13 scholarships are awarded and effective monitoring of existing scholarships.

And in addition to that:

Effectiveness of Planning Educational tools and services in the area of Supply Chain Management, Business Enterprise Development and Market Analysis and Planning gathered through follow-up evaluation.

Tell me: how has the program performed against the benchmarks?

Mr Souness—The program has been judged successful. There has been a review undertaken as part of a mid-term review of that program, and it was judged to have been very successful. It met its objectives in terms of the pilot commercialisation project grants that had gone out, and also the scholarships. The program also runs a number of activities that extend the learning that comes out of both the scholarships and the grants program. For example, they run a business readiness workshop for the majority of those grant recipients to develop their skills in terms of doing a business plan, running their business and how to work with the financial sector in attracting investment and finance. The program has also developed a CD-ROM based learning package on how to get your product to market, and they draw on the experience of grant and scholarship recipients to allow people self-paced learning processes.

They have run a number of initiatives. There was a recent conference that drew heavily on the grant recipients. Through this program we draw heavily on those people who have received money and been successful in taking an innovative idea and getting it to market. We use that for a relatively small program to get much broader learnings, and we work closely with state development agencies and small business answer offices to ensure that the material that comes out of this program gets out to regional and rural Australia as well. The states rely heavily on the learnings that we develop—our publications and CD-ROM that I mentioned.

Senator O'BRIEN—How many enterprises—new or otherwise—have gained skills and resources that have enabled them to commercialise new products? Can you quantify that?

Mr Souness—For an accurate answer I would have to take that on notice. There have been approximately 120 PCP grants over the life of this program. It commenced in 2001. Those people have obviously benefited, but it is difficult to quantify too those small companies that have taken advantage of the training packages and the material that we have developed. We have a mailing database of close to 8,000 people and small businesses et cetera around rural and regional Australia that receive our material. As I said, we also rely on the state agencies

that distribute our material as well—the training package on a CD, ‘How to get product to market’, for example. So it is difficult to quantify the exact benefits that are flowing, but based on the distribution of product through states and also our mailing list of 7,000 people we see that we are getting quite a good spread.

Senator O’BRIEN—There was a mid-term review. There must be some objective data.

Mr Souness—There was an internal review.

Senator O’BRIEN—I do not know whether it was mid-term or internal—I am not sure whether I missed it.

Mr Souness—It was undertaken by an independent consultant. That is available. It was done about a year ago.

Senator O’BRIEN—Where is it available? Can you supply it to the committee?

Mr Souness—It is available and we can make it available to the committee.

Senator O’BRIEN—Were 16 pilot projects approved?

Mr Mortimer—I think this is prospective, Senator. This is looking at the year ahead. It is the way these documents are set out. They are setting out how we are going to measure our performance over the 2005-06 year.

Senator O’BRIEN—Have there been any pilot commercialisation projects approved in the past?

Mr Souness—As I said before, I am not sure of the exact figure. I think from memory it is about 120 in total since 2001.

Senator O’BRIEN—How many scholarships have been awarded?

Mr Souness—There is one round of scholarships each year and from memory it is about 10 per annum. So we are probably looking at about 40 to 60, but I can confirm the exact figure if you like.

Senator O’BRIEN—Perhaps the review document will tell us this, and if that is the answer do not hesitate to tell me: how do you measure the effectiveness of the planning education tools and services in the areas of supply chain management, business enterprise development and market analysis and planning?

Mr Mortimer—I think the review document is probably the best source on that. It is a complex issue and it is dealt with in the document.

Senator O’BRIEN—That will give me some sort of comprehensive response to that question?

Mr Mortimer—I think so.

Senator O’BRIEN—What is happening with the retail grocery code that was to be in place 100 days after the election?

Mr Mortimer—I think you are talking about the horticulture code of conduct. Mr Pittar has responsibility for that and he can take you through it. Essentially, the department is taking

steps to develop and implement that code of conduct consistent with the government's election commitment.

Senator O'BRIEN—What was the election commitment? I thought it was broader than a horticulture only code.

Mr Mortimer—I think it was very much specified on horticulture.

Mr Pittar—The Deputy Prime Minister announced on 18 January, following the election process, that work was commencing in relation to the code for the fruit and vegetable wholesale sector. That outlines the nature of the work that was advanced from there.

Senator O'BRIEN—That outlines the post-election commitment.

Mr Mortimer—No, I think it is consistent with the earlier commitment. You are quite right to reference it. There had been some review or work on the broader retail code of conduct, which is the responsibility of the Department of Industry, Tourism and Resources, but there was a specific issue raised by the horticulture sector. In the election campaign the government said that it would consider ways and means of introducing a mandatory horticulture code of conduct.

Senator O'BRIEN—Is the horticulture code limited to growers and wholesalers?

Mr Pittar—The code is focused on the wholesale sector. Consistent with other areas of agriculture there is a supply chain there so the wholesale sector comprises growers and wholesale operators. In central markets, for example, wholesale operators are elsewhere in the value chain. It is essentially trying to capture that wholesale relationship that exists between growers and those to whom growers sell.

Senator O'BRIEN—Do you know why a decision was taken not to deal with the relationship between growers and retailers under the code, given that pretty clearly the major retailing food chains in this country have a substantial effect on growers?

Mr Pittar—In relation to the retail sector it is also important to recognise that there is a voluntary produce grocery industry code as it is now called. It was previously called the retail grocery industry code. So there is a voluntary arrangement that already exists which informs the relationships between those in the retail sector and those who supply to retailers.

Senator O'BRIEN—The government has indicated then that it is satisfied with that as dealing with the problems in terms of the relationships between growers and retailers.

Mr Pittar—The voluntary produce grocery code as it is now called was subject to a review, as I think Mr Mortimer was intimating earlier. That review was conducted in 2003-04, from memory, and the government responded to that review in 2004.

Senator O'BRIEN—Is the answer to my question yes?

Mr Mortimer—If the arrangements remain the same, the government has responded by leaving the arrangements in place or with whatever changes were made and continuing on with that. To take the question I think you are asking essentially, notwithstanding that broader framework there are issues that were of further concern in the horticulture industry focusing on the operation of wholesale markets, and that is the issue that is going to be investigated.

Senator O'BRIEN—That is not the point of my question but we will come to that. Are you saying that as far as the department is aware, the government's position is that it is satisfied with the produce grocery code as you have described it as resolving the issues between growers and retailers? The parliamentary secretary may have an answer to that matter. I am keen to know whether we now have an indication that the government is satisfied with the regulatory framework around the relationships between retailers and producers.

Mr Mortimer—The government effectively accepted and endorsed the arrangements put in place and they continue.

Senator O'BRIEN—Is that right, Senator Colbeck.

Senator Colbeck—That is correct, and the proposals that you are asking about specifically relate to the horticulture code of conduct, which was the commitment that was made by Minister Anderson during the election campaign.

Senator O'BRIEN—Where does that code leave egg producers, chicken producers, and anyone else who is not a horticulture producer, who were hoping that they might be able to make use of the mandatory code in their dealings within the supply chain?

Mr Mortimer—They are dealt with by the produce code of conduct.

Senator O'BRIEN—The voluntary one?

Mr Mortimer—Yes.

Mr Pittar—The horticulture guide covers the horticulture sector and it is not contemplated that it is thrown more broadly than that.

Senator O'BRIEN—We cannot expect to see a new code in action in relation to those other primary producers?

Mr Mortimer—That is right.

Senator O'BRIEN—Is consideration being given to giving the Ombudsman some sort of legal protection or privilege for decisions that he or she makes?

Mr Pittar—The Ombudsman fits under the Produce and Grocery Industry Code of Conduct and the mandatory code at this stage has not been through the process of extensive consultation with industry to see what, if any, role the Ombudsman, under the produce and grocery industry code, would have. It may be that they are kept entirely separate; it may be that there will be some role. That is work that is essentially in progress at the moment.

Senator O'BRIEN—I understand that they may or may not have a role; what I was asking was whether, given that they do have a role in terms of the voluntary code now, any consideration was being given to some sort of legal protection or privilege for decisions that the Ombudsman may make?

Mr Pittar—As Mr Mortimer mentioned earlier, the produce and grocery industry code is essentially administered by the Office of Small Business sitting in the Department of Industry, Tourism and Resources, so it is essentially not our portfolio responsibility, so I cannot answer that.

Senator O'BRIEN—Does this department have any input into that code or the administration of the produce code?

Mr Pittar—We do not have a direct role in that.

Mr Mortimer—We are obviously interested and consult on it. Indeed, we were part of the process that reviewed it and this department was represented on the review committee, which has been talked about, but we do not have the day-to-day operation and running of it.

Senator O'BRIEN—So, if I wanted to know whether protection against possible victimisation is going to be put in place to protect those who might seek to use the voluntary code, that again would have to go to the other department? This department would have no input into that?

Mr Mortimer—For a direct response, that certainly would be the best place to go. Any response from this organisation would need to be indirect in terms of consulting with or getting advice from the Department of Industry, Tourism and Resources.

Senator O'BRIEN—How do these two codes work with one another?

Mr Mortimer—The proposition is that they work under the aegis of the ACCC, so that organisation would have the key role, and the different government portfolios are essentially putting policy frameworks around that.

Senator O'BRIEN—The code administration committee for the existing code: does that lie in the other department?

Mr Pittar—That is correct.

Senator O'BRIEN—This department is not a member of that committee?

Mr Pittar—No.

Senator O'BRIEN—Who decided the composition of the committee—the minister or the department? Do you know?

Mr Pittar—Again, that is a matter for the minister for small business.

Senator O'BRIEN—Is there no doubt whatsoever that it is their responsibility and all the questions relating to the intersection of the two codes should be raised with the Department of Industry, Tourism and Resources? I ask that because they are on next week and I am happy to ask them.

Mr Pittar—What I would like to clarify is that the operation of the two codes, how they will operate in a complementary fashion, is essentially work in progress. A key requirement in developing the mandatory code will be to ensure that there is clarity around that, and to ensure that there is appropriate clarity around that it is necessary to consult with the users and stakeholders of both systems, if I can put it that way. So we expect to talk with the produce and grocery code administration committee, and in fact we have had an initial discussion. There is water to flow under the bridge and work will need to continue to progress with the committee.

Senator O'BRIEN—Is that an interdepartmental committee, or just an informal consultation process?

Mr Pittar—We are liaising with the code administration committee to give them an idea of what the process is for developing the mandatory code. They had a number of questions similar to those you were asking. But at the Australian government level we are liaising closely with the Office of Small Business, the Department of the Treasury and the ACCC in moving forward on the water program for the mandatory horticulture code.

Mr Mortimer—As to your question about where to ask questions, if they are essentially about the operation of the produce code, which is what I think you are getting to, the most direct route would be to go to the Department of Industry, Tourism and Resources.

Senator O'BRIEN—And where there is an intersection between the two codes or some confusion, are we going to get bounced between the two for an answer?

Mr Mortimer—I would hope not but, as Mr Pittar has said, we actually have not got a horticulture code of conduct at this point. The process has just been started, and indeed we are happy to answer any comments about that process and what it might entail. But, in terms of other issues about how the existing produce code operates, the direct responsibility lies with the Office of Small Business, in Industry, Tourism and Resources.

Senator O'BRIEN—As to the code administration committee, I know that farmers were looking for increased representation on that committee, which they see as being stacked at present in favour of wholesalers and retailers. What representations has Mr Truss made to his ministerial counterpart Mr Macfarlane about those concerns?

Mr Mortimer—I cannot answer that question, because it is not something we are aware of.

Senator O'BRIEN—Are you aware, Senator Colbeck?

Senator Colbeck—No, I am not.

Senator O'BRIEN—Can you advise the committee on notice?

Senator Colbeck—I am happy to take that on notice.

Senator O'BRIEN—Can you tell me how many citrus growers affected by citrus canker are in receipt of assistance from the Commonwealth?

Senator Colbeck—There are a number of people involved in relation to citrus canker. I think they are available to come to the table. There are several divisions: Product Integrity, Animal and Plant Health and, potentially, Food and Agriculture. We are happy to deal with it now, but could I suggest that we deal with all of citrus canker now in the one bloc if it is convenient for you.

Senator O'BRIEN—It is convenient for me if it is convenient for you, and it will probably help the chair as well because I think he has questions.

Mr Mortimer—I think your first question, which we can answer, related to the number of growers who have applied for assistance.

Senator O'BRIEN—Yes. I said the number in receipt of assistance, but if you have the number who have applied that would be helpful as well.

Mr Pittar—Eight producers have applied at this stage. Their applications are being assessed by Centrelink at this stage, but no payments have been made.

Senator O'BRIEN—How many citrus nurseries are in receipt of assistance?

Mr Pittar—That is an aggregate figure. I do not have it broken down by citrus producer as opposed to citrus production nurseries.

Senator O'BRIEN—So they could be within the eight, could they?

Mr Pittar—Pardon?

Senator O'BRIEN—There could be nurseries within the eight?

Mr Pittar—There could be. I cannot answer that question.

Senator O'BRIEN—There is an interest subsidy as well as income support. Has there been any draw on farmers in that regard?

Mr Pittar—No draw at this stage. As I mentioned, Centrelink is continuing to assess those applications, and we would expect a result in the fairly near future. So five of the eight applications relate to interest rate subsidies; three of the eight applications relate to income support.

Senator O'BRIEN—Exclusively? Are the five who are applying for interest rate subsidies not applying for income support?

Mr Pittar—There may be some who are applying for both. I do not have that data in front of me.

Senator O'BRIEN—So the cost to date is zero?

Mr Mortimer—That is right. No funds have actually been put out at this stage—until the applications are finalised with Centrelink.

Senator O'BRIEN—How long is the support program scheduled to run?

Mr Pittar—Essentially two years, so until June 2006.

Senator O'BRIEN—That is only a year and a bit.

Mr Pittar—That is correct, but from February. So a year and a half. Two financial years of support.

Senator O'BRIEN—Page 21 of the PBS shows \$3.5 million as estimated expenses for 2004-05. Will that roll forward or will there be retrospective income support payments and interest rate subsidy payments?

Mr Pittar—That line item you are referring to on page 21 relates to the eradication program—

Senator O'BRIEN—Sorry.

Mr Pittar—as opposed to the assistance program.

Senator O'BRIEN—Where do I find the assistance program?

Mr Pittar—The assistance program has been drawn from existing allocations within the department.

Mr Mortimer—It is not shown separately here.

Senator O'BRIEN—Which allocations are those funds to be drawn from?

Mr Mortimer—I am not sure of that.

Senator O'BRIEN—Can anyone help?

Mr Banfield—We might come back to you in a few minutes on that, but, as Mr Mortimer said, that is a cost that the portfolio is absorbing. We will come back with any more detail on that shortly.

Senator O'BRIEN—Okay, we will come back to that. Those numbers on page 21 relate to the technical eradication component of the program. We are expecting \$3.5 million to be spent on eradication this financial year, are we?

Mr McCutcheon—Yes. The answer to your question is that that money will be fully expended.

Senator O'BRIEN—It is all committed?

Mr McCutcheon—Yes.

Senator O'BRIEN—How much has actually been paid out to date?

Mr McCutcheon—As at the end of March 2005, approximately \$3,070,000 had been expended.

Senator O'BRIEN—What about the amount committed to 2005-06? What do we know about that in terms of the likelihood that it will be expended as well?

Mr McCutcheon—That depends on the eradication program itself. The way this disease has spread from the first infected property to the second infected property, it would be our expectation that that money would probably be utilised, but again it will depend on the biological behaviour of this particular disease.

Senator O'BRIEN—Can you describe progress to date on the eradication program—what has actually happened?

Mr McCutcheon—I will ask the chief plant protection officer to talk about that.

Ms Ransom—The eradication program is progressing. As you would be aware, there have been two infected properties. Both of those properties will have all of their trees destroyed and the native host, *Citrus glauca*, removed to an area of 600 metres around the properties. Queensland has just commenced an additional round of surveillance which is for 100 per cent of trees in commercial orchards within the pest quarantine area at Emerald. That started just a few days ago and is continuing.

CHAIR—You just keep moving the boundary out.

Ms Ransom—The pest quarantine area boundary has not moved.

CHAIR—No, but as there is a new infection you go another 600 yards.

Ms Ransom—That has been the policy to date.

CHAIR—Which is a bullshit policy. It just does not work.

Ms Ransom—The policy was modified to expand the eradication to the boundaries of IP2 and beyond the boundaries of IP2, on scientific reasoning. There had been a number of outbreaks on that property; the disease had been shown to move; so the rest of that property was deemed to be infected.

CHAIR—Have you worked out how it is moving? Is it cookies?

Ms Ransom—A number of means are indicated. Certainly the last outbreaks on IP2 implicated fruit picking and normal orchard management operations.

CHAIR—I understand the constitutional position. I have a series of questions, which I will come to, but I think everyone is in for a hard time from me on this. Is that what you would call a realistic approach to life?

Senator O'BRIEN—Has the nature of the quarantine controls changed at all since last February, when the committee last discussed this?

Ms Ransom—That would be the quarantine controls enforcing the pest quarantine area?

Senator O'BRIEN—Yes.

Ms Ransom—No, they have not. There has been some additional signage put into the area to indicate the fines that are now in place by Queensland—\$75,000 if people move material out of that area without the permission of a DPI officer. There is an ongoing awareness program within the area to ensure that people who are there understand fully what the pest quarantine area is about.

Senator O'BRIEN—Page 48 of the PBS, under the heading 'Performance information for output 5' refers to 'early intervention and response to emergency incidents'. What are the details of the nature of the Commonwealth's early intervention in relation to citrus canker?

Mr McCutcheon—I might answer that question. Like all emergencies, as soon as the combat state, in this case Queensland, notified the Commonwealth and other jurisdictions of the outbreak of the disease, the Commonwealth immediately convened the emergency management arrangements that we have in place to basically ensure that there was a national response to this particular outbreak. As I think was explained at the last hearings of this committee, the Commonwealth takes a leadership role in ensuring that a national approach is developed, and then each jurisdiction—in this case, primarily Queensland—has a role in terms of proceeding with the containment and eradication program.

CHAIR—So it is Queensland's job to enforce the quarantine, is it?

Mr McCutcheon—That is correct, yes.

Senator O'BRIEN—Can you give us a bit more detail about the agreed activities specified in the national eradication strategy to deal with the canker outbreak?

Ms Ransom—There are a number of activity areas. As Mr McCutcheon said, they do vary over time depending on the biological activity and the outcomes of the activities. They are continually being reassessed. The program to date has utilised surveillance to identify where the disease is in the way of delimiting it. The original response was applied to the whole of Queensland because we had no way of knowing in the early stages whether the disease was just contained within the pest quarantine area. Sequentially through surveillance and trace-

back and trace-forward activities, we have been increasingly confident that the disease is occurring only in the Emerald region. There has been substantial surveillance through the Gayndah-Mundubbera management zone, as we refer to it as. The only infections we have found have been on IP1 and IP2 within the PQA.

Senator O'BRIEN—There was a report on the ABC on 21 April that the disease had been found by staff at 2PH farms near Emerald. At that stage there was testing to be undertaken to confirm diagnosis. It was reported that the owner of the property said: 'It is a scattered area which would encompass several acres, as have previous ones. It is on the Selma Road property, and it would appear that this is the third finding that will trace back to the rain events of January and February 2004. It has obviously been borne in by wind during that period.' What role has this department or AQIS played in the ongoing management of that outbreak?

Ms Ransom—There have been a number of outbreaks on IP2, which is the Selma Road property that was referred to. Following confirmation of each infection, a 600-metre radius zone is established around each infection site—and that is from the extent of the infection, so it can be a bit bigger than that. All the trees in that area are then surveyed to ensure that the extent of the infection is identified. Those trees are then destroyed and the land is cultivated to ensure that there is no regrowth.

Senator O'BRIEN—You said IP2. This article refers to 2PH.

Ms Ransom—2PH is the company that operates a number of farms within the PQA. One of those farms is the Selma Road property, which we refer to as IP2.

Ms Hewitt—I believe 'IP' stands for 'infected property'. They take sequential numbers.

CHAIR—So the further bad news this week of a further infection is all part of what you are covering there?

Ms Ransom—That is correct. A suspect has been taken from a further property and that is in the process of being confirmed. I do not expect to get any formal confirmation of that until tomorrow at the very earliest.

Senator O'BRIEN—Do you have any indication of the cause of this latest outbreak?

Ms Ransom—The one on IP2?

Senator O'BRIEN—Yes. The one reported in April.

Ms Ransom—The epidemiology that has been undertaken by Queensland has indicated several trees that had infection that probably dated back to January-February 2004 when we believe weather events carried the disease from the first-infected property. From there, the epidemiology suggest that there has been movement in the orchard, primarily along rows, which would indicate some transfer through picking or pruning operations as people have moved along rows or possibly through the movement of machinery.

Senator O'BRIEN—I noticed that ABC news in Central Queensland carried the story last Friday that two itinerant workers were caught taking fruit from an infected property. Apparently they were caught by a citrus grower from another property who just happened to be passing at the time and understood the seriousness of the situation, which seems to indicate

that it was a fluke that they were caught. Given those circumstances are you satisfied with the current arrangements to quarantine the disease to the Emerald area?

Ms Ransom—As we pointed out, the enforcement of the pest quarantine area is carried out by the Queensland Department of Primary Industries and Fisheries under their state legislation. You would appreciate that it is not an easy job to do. I am confident that, to the extent of the resources available to them, Queensland have a full commitment to ensuring that there is no movement of fruit or planting material out of that area.

CHAIR—In effect, Queensland is failing grossly in this regard. Not only have they done this but they have been to the police, they have identified the people and they have identified the car. I could go up there this afternoon and help myself to a bit of road kill just by jumping a fence. What a load of rubbish!

Senator O'BRIEN—There was also a report that a batch of Queensland mandarins ended up on the shelves of a supermarket in the Riverland in South Australia, which seems to point to a threat being posed to a major citrus production area by the transfer of potentially infected fruit. How was a shipment of mandarins from an area that was subject to quarantine restrictions able to find its way to South Australia?

Mr McCutcheon—I think you are moving into areas that are beyond our sphere of influence in terms of legislative control. Essentially, as we have said a couple of times now, the enforcement of the quarantine zone is a Queensland government responsibility. The issue of fruit landing in South Australia is essentially a South Australian and Queensland government responsibility. Those issues are certainly brought to the attention of the consultative committee, which this department chairs, as part of the eradication program, and those states are expected to go away and improve their enforcement activities.

Senator O'BRIEN—This is an indication that the agreed procedures are not effective, isn't it?

Ms Hewitt—Could I just make a comment here? I am not sure that it has been alleged that the fruit in the Riverland came from PQA. As Lois Ransom has explained, there is a difference between fruit from Queensland, some of which has been cleared for access to domestic markets, and the fruit which remains firmly quarantined under the Queensland management arrangements. Obviously there was some local concern in the Riverland and that is how the issue found its way into the press. I cannot confirm this—I am sure it would have been investigated by South Australian and Queensland officials—but I think you will probably find that it was fruit that was cleared for entry to the market.

Senator O'BRIEN—That report on 18 May about Queensland fruit—

Ms Hewitt—Not all Queensland fruit is banned.

Senator O'BRIEN—That report was only a week ago. Has there been some activity since that date to establish that the fruit came from a non-infected area?

Mr McCutcheon—We would certainly expect so because, of all the jurisdictions, South Australia has probably been the state most sensitive to the issue of fruit coming out of Queensland. I do not have evidence that they have, but I am pretty confident that they would have followed it up.

Senator O'BRIEN—Have confirmed cases of the disease been completely confined to the Emerald area or has citrus canker been found elsewhere?

Ms Ransom—Citrus canker at the moment is confined to the Emerald area; there are no other active infections within Australia.

Ms Hewitt—I believe there was one previous episode in the Northern Territory but that was fully eradicated some years ago.

Senator O'BRIEN—Can I go back to the very beginning of the outbreak, which I think was in early 2001? I understand that the disease was found on a property called Evergreen Farm which was owned by Pacific Century Production Pty Ltd. Can you tell me exactly when AQIS first became aware that citrus canker had been found on the property?

Ms Gordon—We were first advised of the allegations through a Redline call, which is a call that people make when they want to give us information when they think there has been a breach of quarantine. That call was made on 12 June 2001. Subsequent to that, as we investigated we took cuttings and samples from various plant materials on the property and those plant materials were tested. We never identified citrus canker in those samples and indeed there are still some samples, taken at that time and now growing in our Eastern Creek Quarantine Station in Sydney, which still show no evidence of citrus canker.

CHAIR—Was the outbreak confirmed in July 2004?

Ms Ransom—That is right, July 2004.

CHAIR—Was the cause investigated at the time of the 2004 confirmation of the outbreak? What was the outcome of the investigation?

Ms Ransom—As part of the eradication program Queensland has been responsible for tracing the current infection as far back and as far forward as they could go, for the purposes of defining where the disease may actually be. We have not yet seen a formal report from Queensland although we have been provided with details.

CHAIR—Are you surprised that you have not seen a report? This is a fairly serious thing and I would have kicked the door down until I got the answer. Obviously the fairies did not bring the disease along. Have Queensland reported to you folks on what they think happened?

Ms Ransom—The reports we have had from Queensland have provided us with information only to the extent that would delimit and eradicate this citrus canker. I do not know how far their investigations have gone back. That is something we will have to wait and see about.

CHAIR—There is a serious, serious mess in constitutional barriers to a decent full-on, full hearted investigation, where one mob can withhold information from the other mob. This property was put into quarantine in 2001, wasn't it?

Ms Gordon—Yes.

CHAIR—After the reports of illegal importation?

Ms Gordon—Yes.

Senator O'BRIEN—That was diseased grape material, wasn't it?

Ms Gordon—The allegations were for a range of plant material, including citrus material.

CHAIR—And there is a whistleblower concern there, is there?

Ms Gordon—The person who provided us with that information had been a previous employee of the company.

CHAIR—He met his fate as a result. Has any investigation been undertaken to establish whether or not there was any link to 2004 and 2001?

Ms Ransom—The Queenslanders have been investigating rigorously. They have been in contact with the AQIS officers who undertook the investigation in 2001 and have been meeting throughout the program to compare notes. My understanding from Queensland is that they have been unable to identify anything further to what was gathered through the AQIS investigation.

CHAIR—So have they actually put on a piece of paper: ‘We don’t know the answer’?

Ms Ransom—At this point in time we do not know the answer.

CHAIR—So it’s was the fairies at this point. In 2001 the quarantine on Evergreen was lifted after about six weeks. Is that right?

Ms Gordon—As I recall.

CHAIR—Why did AQIS enter into a deed of arrangement with the owners, Pacific Century Production Pty Ltd?

Ms Gordon—The Federal Court had approved AQIS to have access to the property for monitoring purposes and to take samples for a period of six weeks. That period of time was not considered sufficient by us to actually undertake the extensive monitoring and testing that we believed might be necessary to determine whether there were any problems on the property in terms of the alleged smuggling of the material and/or any quarantineable diseases that may have been present. The company agreed to enter into a deed of arrangement that gave us rights of access and monitoring for a further 18 months.

CHAIR—But lifted the quarantine?

Ms Gordon—Part of the agreement was that we would have access to the property for the purposes of monitoring—

CHAIR—But lifted the quarantine?

Ms Gordon—and we would lift the quarantine.

CHAIR—Serious mistake.

Senator O’BRIEN—Can I go back to the 2001 issue. You say that AQIS was first told on 12 June 2001 of allegations about citrus canker on the property. I am told there is evidence that AQIS was told on or about 17 March 2001 and that the member for Blair, Mr Cameron Thompson, was at a meeting on 22 March 2001 involving AQIS, where the issue was raised. What do you say to that?

Ms Gordon—My understanding is that we were first advised of the allegations by a telephone call to our redline number on 12 June.

Senator O'BRIEN—That is the only thing on AQIS's files, is it?

Ms Gordon—As I understand it, the first advices we got were on 12 June.

Senator O'BRIEN—The deed that Senator Heffernan referred to dealt with arrangements for both grape and citrus crops, did it?

Ms Gordon—It enabled us to go onto the property and monitor the specified plant materials on the property. The owners voluntarily destroyed some material on the property at that point in time that were part of the allegations.

Senator O'BRIEN—What sort of material?

Ms Gordon—I think it was the citrus material, but I would have to check on that.

CHAIR—Did you collect some samples before it was destroyed?

Ms Gordon—Yes.

CHAIR—In what way was the evidence that was collected insufficient to mount a prosecution?

Ms Gordon—As I understand it, the allegations were not substantiated subsequently by any evidence that would be acceptable in a court. But I have not being directly involved in that investigation; it was undertaken through our compliance unit.

CHAIR—We are about to embark on a voyage of discovery on some of this stuff. Was the evidence reasonable to confirm the allegations that this crowd may have had foreign material on their farms, even though there was not enough evidence for prosecution?

Ms Gordon—I could not comment on that. I understand that a brief of evidence was put to the Director of Public Prosecutions who are in a position to make a judgment as to whether the evidence was sufficient. My understanding is that they came to the conclusion that it was not.

CHAIR—The difficulty with that for the practical farming person who has been subject to all of this is that the courts are about the law not necessarily about the truth. We will endeavour to overcome that. Why was the deed of arrangement made confidential?

Ms Gordon—My understanding is that in these sorts of circumstances it is normal for deeds of arrangements to be confidential. The company at the time was concerned about their commercial reputation. There was no evidence at that point that indicated one way or the other that there was illegally obtained material on their property or that there was any particular problem. The arrangements that we entered into enabled us to monitor and to review the evidence over the following 18 months.

CHAIR—Are you saying that the evidence collected, despite all the expertise and science that is available, could not be proven to be a strain that did not actually originate in Australia?

Ms Gordon—I am sorry, I did not understand your question.

CHAIR—The particular strain of tree cutting—could we not prove that it was foreign to Australia before it arrived there?

Ms Gordon—It is my understanding that the tests that were done were not able to determine that they were illegally obtained material and whether they were exotic to Australia.

CHAIR—The minister made the deed public in 2004. It provided for ongoing monitoring of the property—is that correct?

Ms Gordon—The deed allowed us to monitor the property for 18 months.

CHAIR—Did this monitoring continue for that period?

Ms Gordon—We went onto the property and took samples on four occasions in that time. There was no indication that any of those samples carried the quarantineable diseases.

CHAIR—The frequency was four times. When was the last inspection of that 18 months?

Ms Gordon—I would have to come back to you on that one. I cannot tell you.

CHAIR—While you are doing that, could you come back and tell us who actually carried out the inspections?

Ms Gordon—The inspections were carried out by scientific officers of AQIS. I will have to check but I understand that officers of the Queensland department were also involved at varying times.

CHAIR—Could you give us the dates of those inspections?

Ms Gordon—Yes.

CHAIR—So what form does an inspection take? Is it visual; do they take samples?

Ms Gordon—The officers did both visual inspections and took samples.

CHAIR—How long does it take to inspect an orchard?

Ms Gordon—I would have to come back and give you the details of how long they were on the properties and what activities they were involved in.

CHAIR—Would it be days, hours or minutes?

Ms Gordon—My understanding is that they were on the properties for considerable periods of time—at least a full day and days at varying times. Again, I would have to confirm that.

CHAIR—Could you give us the details set out on a map of what blocks they did inspect in each inspection?

Ms Gordon—I believe we would be able to do that.

CHAIR—Were any of those blocks then subsequently found to be infected with canker?

Ms Gordon—I cannot comment on which particular blocks are now infected with canker.

CHAIR—We will ask you to provide us with the fact or the fiction of where they went for a start and then blow me down if later on from where they went perhaps canker turned up. What I am trying to look for is whether the outbreaks of canker were outside the inspected area or inside the inspected area. What did they do with the samples they took away?

Ms Gordon—The samples were sent to a number of laboratories, our own Eastern Creek quarantine station, and, as I recall, to both New South Wales and Victorian laboratories for diagnostic testing of a variety of sorts.

CHAIR—What was the outcome?

Ms Gordon—None of the tests indicated the presence of quarantineable diseases. Certainly, citrus canker was not identified in any of the samples taken.

CHAIR—Studies show that the citrus canker found in 2004 would have been present on the farm during the deed of arrangement. Is that true?

Ms Gordon—I cannot comment on that.

CHAIR—Can you come back with an answer on that?

Ms Ransom—I can perhaps provide some light on that. It is very difficult to age citrus canker lesions beyond 18 months. Apparently it depends on the way that the plant grows to identify the age of the plant or their leaf material rather than the age of the lesion itself. Eighteen months, I am told, is the most reliably we can go back. So 18 months from January-March last year, which we believe was the time that the infection occurred on some properties.

CHAIR—So where does that leave you in terms of your 18 months earlier? Does it cross over?

Senator O'Brien—That is July 2002, isn't it?

CHAIR—When did the period end for this so-called inspection?

Ms Gordon—I would have to come back to you with that detail.

CHAIR—Someone must have it. Can't you do the arithmetic now?

Senator O'Brien—It was within 12 months of the quarantine, I think.

CHAIR—Did it cross over or not?

Ms Ransom—The last inspection, I understand from AQIS, was December 2002. If there was a crossover it was very limited. From what we have seen on subsequent infected properties, if there are only a few lesions, they would be very difficult to find.

CHAIR—They are pregnant, though. Either it crossed over or it did not.

Ms Ransom—We just cannot tell. When you are dealing with biological systems, it is very difficult to tell.

CHAIR—Did the last inspection occur at the end of the 18 months, six months from the end of the 18 months or the last 24 hours?

Ms Ransom—The last inspection was in December 2002.

CHAIR—How far from the end of the designated 18 months was that? Was it one day, one minute or six months?

Ms Gordon—It would have been a number of months. I cannot recall precisely.

CHAIR—Why wouldn't you test it towards the end of the period, for God's sake? I am warning you: you are in for a good time. Samples were taken away for testing during the original AQIS raid in 2001. They were tested for diseases and also to determine what variety those samples were. What did that variety test show?

Ms Gordon—I would have to come back to you with the details, but as I understand it there was no definitive indication that they were exotic varieties of citrus.

CHAIR—Some of the samples are now growing as trees at Eastern Creek—is that right?

Ms Gordon—Yes, they are growing as test plants at Eastern Creek.

CHAIR—Does the food on these trees look like the Chinese variety, conkin mandarin?

Ms Gordon—I cannot comment on that. We can provide you with information.

CHAIR—Who can? Would it be possible, given it is in the season now, for some kind soul to go to Badgerys Creek, pick a bit of the fruit and identify it?

Ms Gordon—I cannot comment whether in fact the samples that are growing at Eastern Creek are actually fruiting, but we will certainly provide you with some details.

CHAIR—They are certainly in season. If they are, as this afternoon, can someone go and pick a bit of fruit there and see what it is? This is almost Dad and Dave stuff. If you cannot establish what variety these fruits are after four years, what does that say about our capacity to work out what we have got in this country? I am not an expert in citrus, but I can certainly tell varieties. I could tell what variety the oats were that were fed to those sheep at Pooncarie the other day, just by having a look at them.

Ms Hewitt—I am sure the people who are directly involved in that part of our process could do that, and we will get the information to you as quickly as we can. I think Ms Gordon indicated that it was the AQIS compliance scientific staff who have been doing this work.

CHAIR—What troubles me is that this is so obviously a need-to-know thing that you do not know.

Ms Hewitt—I am sure it is known in the system, it is just that the question is of a sufficient degree of technical—

CHAIR—People are very unhappy in the local area in the way that this has spread. You keep moving the boundary out. As I understand it, a proposition was put up by the Commonwealth to do it properly in the first place, which became the subject of a contest between Queensland and the Commonwealth. Is that right?

Ms Hewitt—We have been working through the issues at a scientific level and at the national management group level, which is more of a senior level policy group which meets to work through the direction of the national eradication program. There had been a strong preference on scientific advice early in the process to work on the so-called Florida protocol—the 600 metres around detected infections. That had apparently been a proven approach in the United States. There may be some factors that are different in the way that the weather and wind patterns and so on operate in Australia. It is the first serious outbreak we have had of this disease in Australia. So it is a bit difficult to predict accurately what is the best way to proceed.

CHAIR—But it would be fair to say that it is not contained—that is, you have not been able to keep it inside a border. For unknown reasons it keeps moving.

Ms Hewitt—It has not moved outside the area of the plant quarantine boundaries, so that is a great relief to all concerned. But to pick up your earlier point, different jurisdictions have had different views at different times and we have pulled all of those together and tried to come up with the best agreed position across all jurisdictions. It is a national program and the costs of managing the program as well as setting the policy for it are shared between the Commonwealth and all the state governments.

We started with the Florida protocol. As you say, at a certain point we felt there might have been a case for moving more quickly, taking a more pessimistic view of what the risks might be and going into full eradication of the trees in the area. Other jurisdictions were not persuaded that that was the right way to go. I am looking at my colleagues here, because I have not been present at all these discussions but I certainly have been present at some.

CHAIR—I will make a little guess, as I did this morning, with fire fighting. It is the same thing. It becomes an argument over whose money is going to be spent. I presume this is going to come down to an argument over whose bloody money is going to be spent. Is that right?

Ms Hewitt—That is certainly part of the discussion, because it is a program which operates on 50 per cent Commonwealth contributions and 50 per cent shared by the other jurisdictions in proportion to their share of the value of the national citrus production. I think Queensland pays something like 12 per cent. Is that right?

Mr McCutcheon—It is less than that. The Queensland contribution is 9.85 per cent.

CHAIR—While we are arguing over whose money is being spent, these poor buggers are seeing this thing gradually creeping towards them.

Ms Hewitt—The group has focused very strongly on trying to make the best judgments for the eradication program, linking it carefully to the evidence that has been available. When it became clear that the thing was spreading faster than had been anticipated, it was agreed—as Ms Ransom said, ‘You move on.’

CHAIR—Is there a more aggressive quarantine procedure up there?

Ms Hewitt—There is. One of the properties has now been fully eradicated.

CHAIR—One thing about human failure is that it is really accelerated by experts—a lesson I learnt early in life from putting in a firebreak. A good example of that was the Pilliga Scrub fire a few years ago. The Sydney people took over the control of the Pilliga fire and kept putting in firebreaks that were too close to the fire. The fire kept keep jumping them. It sounds to me as if you have the same problem.

Mr McCutcheon—One of the issues that the national management group is going to have to grapple with, particularly in consultation with industry, is the various scenarios that are going to play out. Growers in that region are in a bit of a dilemma: ‘Do we make a decision now to basically eradicate our trees on our orchards, which effectively means that we won’t have any fruit crop for five years, or do we hang onto our trees in the hope that in the surveillance period over less than two years nothing will be found?’ It is because of the biology of this disease that it is a very difficult call.

CHAIR—So there are a lot of unknowns and a lot of good people have put their minds to it, but despite all of that it is still growing. Would it be fair to say that the constitutional arrangements which constrain, and have constrained, all of this in this type of event need to be rethought?

Mr McCutcheon—I do not necessarily see that as a constraint. Like all emergency disease or pest outbreaks jurisdictions are well placed to deal with those.

CHAIR—With great respect, if I were in charge—and I am not; you are lucky—I would have thought that if I could drive down the road up there this afternoon, jump the fence and pick a bucket of mandarins and take them to Adelaide or Melbourne, that would be a risk. What is the risk of this disease spreading by hand picking the fruit and carting it away?

Ms Hewitt—We have been concerned about exactly that, as have other jurisdictions and Queensland. We did reach agreement in the national management group to pick and bury the fruit as soon as possible precisely because of that leakage risk.

CHAIR—With great respect, if it is possible this afternoon to drive down the road and pick fruit there, unless that bloke happens to stumble along as happened the other day, what does that say about the security of the quarantine arrangements?

Ms Hewitt—It is certainly a matter of concern. For that reason we are very anxious to get this crop off the trees and buried. We did reach agreement on that on Monday afternoon.

CHAIR—Which is why this committee does not see any politics in any of this stuff fearlessly and why we are really concerned about the events surrounding Brazilian importation of meat from a country that has foot-and-mouth. This is a really good demonstration of what could go wrong. The prospect of a banana thing is a good example. Some serious thinking needs to be done about our best barrier, the ocean around us, and once you get inside the ocean we are in trouble.

Ms Hewitt—Could I just come back to your point about the Constitution? Obviously that is a reality for us and we cannot avoid having to work in a multi-jurisdictional decision-making group—

CHAIR—As it is with the rivers—you are not on your own.

Ms Hewitt—to get this done. But I would say in fairness to all of the participants in the process that, though it has taken a lot of time and effort to get decisions—some of the telephone hook-ups go on for three hours and Lois's consultative committee at the scientific level has met several times a week on occasions and they are meeting again here in Canberra this week—there has been a spirit of cooperation and we have been able to reach sensible decisions, I think, based on the scientific evidence. There can be argument whether you can go faster or slower but the scientific committee will again be looking at the question of whether the strategy in place now needs to be reviewed and hastened and the very issues that you are thinking about in terms of more radical eradication of trees will be debated and discussed and a conclusion reached. Obviously if we were a unitary government managing some of these things would be simpler. But in the circumstances at least we have had a workable set of processes and there has been pretty good cooperation.

CHAIR—But a quarantine area in which the average punter in the street was able to just drive in and help himself would really be a dad and Dave arrangement.

Ms Hewitt—I think we would all agree with that.

CHAIR—We will move off that because we intend to go into a lot more depth. When you say ‘bury the fruit’, is this disease also soil borne?

Ms Ransom—No, this disease is not soil borne. It remains in the plant part, the fruit or the leaf, until such time as that breaks down. It does not form spores so it is not a long-lived organism.

CHAIR—So it cannot live in the skin of the fruit?

Ms Ransom—It will infect the skin.

CHAIR—If on my way back to Brisbane I peel a mandarin and chuck the peel and a bird picks it up and goes and sits on a branch in the next orchard and drops it there, can that spread it? This was my banana peel argument?

Ms Ransom—You are talking about a series of events that may or may not occur.

CHAIR—But it is possible.

Ms Ransom—The biology of the organism is such that it is not tremendously robust. A defined set of conditions must be in place for the infection to occur, and that is high temperatures and high humidity. A whole series of ducks have to be lined up for the infection to occur.

CHAIR—But I imagine we will learn from this experience. This committee also deals with the dilemma of fire blight and one of the criticisms I had of the regime there was that the visual inspection is subject to huge risk of human failure—it is called eyesight—and I would hope that out of all of this will come a more aggressive first-up response to all of this stuff. I mean, the first loss is always the best loss.

Ms Hewitt—We do have this learning from the experience very much in mind. Also, as I think I mentioned to you separately, Senator, we have reached agreement with the other jurisdictions to establish a review committee with very wide-reaching terms of reference to take this episode from its beginning to the end to come up with the lessons from the experience. Obviously there has been a little bit of learning as we go but that is very much at centre stage and we have appointed an independent chair to take that review forward.

CHAIR—Given that this committee deals with all these issues, one of which being if we ever had to go to a zonal operation because of foot-and-mouth or BSE or something, I presume that this is a little lesson to everyone about how difficult it is to stop a feral pig crossing the quarantine line at night.

Ms Hewitt—Yes. Citrus canker, as my scientific colleagues have said to me, is known as the foot-and-mouth disease of the citrus industry. It is a very difficult problem.

CHAIR—I am not too sure what you do about the feral pig.

Senator O'BRIEN—I want to ask questions about the deed of arrangement between Pacific Century Production and the Commonwealth of Australia. It was originally marked

confidential but it was published on the department's web site in July last year, and I see you are the signatory, Ms Gordon.

Ms Gordon—Yes.

Senator O'BRIEN—When was it signed? It is not dated.

Ms Gordon—It was signed on 22 October 2001.

Senator O'BRIEN—The deed deals with arrangements for both grape and citrus crops. I want to deal with the grapevine material first. What concerns did AQIS have at the time about grape production on Pacific Century Production's Emerald property?

Ms Gordon—The original allegations were that grape cuttings from California, citrus and lychee cuttings from China, pawpaw seeds from the Philippines and watermelon seeds from China had been brought illegally into the country so we were looking at all those materials on the property and seeking to identify whether there was any evidence that there were quarantinable diseases, in the first instance, and any indications that they had been brought in illegally.

Senator O'BRIEN—What was the nature of the investigations into the source of this material?

Ms Gordon—I would have to come back to you with the details of that. AQIS originally sought to get samples of the materials so we could identify whether, in fact, they were exotic strains of the materials and had any quarantinable diseases. But subsequently there was a full investigation by our compliance unit of the allegations—interviewing of people who were involved at the time—and then a brief of evidence was put to the DPP.

Senator O'BRIEN—Which the DPP declined to pursue.

Ms Gordon—As I understand it, the DPP came to the conclusion that there was insufficient evidence to prosecute.

Senator O'BRIEN—So as far as AQIS was concerned there was evidence worthy of consideration and prosecution?

Ms Gordon—No, I do not know that we could necessarily draw that conclusion. We were following up the allegations that there had been material illegally brought into the country. I cannot comment in particular on the nature of the evidence that was adduced following that investigation.

Senator O'BRIEN—Did AQIS in its investigation discover any material which was consistent with the information that caused it to initiate its investigation?

Ms Gordon—My understanding is that the tests that were undertaken on the materials that were allegedly illegally brought into the country did not indicate definitively that they were exotic materials that ought not be brought into the country. As you know, AQIS has a fairly robust procedure for the importation of plant materials which requires import permits. It requires them to be brought into post-entry plant quarantine stations and monitored for a period of time, depending on the nature of the plant material, to ensure that they are not carrying quarantinable diseases or pests. We had no indication that any material had been brought onto that particular property that had gone through our quarantine stations. So we

were looking to see whether there was any evidence that would indicate that they had been brought in by some other means. As I understand it, we did not at the time identify any evidence of that sort.

Senator O'BRIEN—The term you used was 'definitive evidence.' What does that mean?

Ms Gordon—I am not sure of the particular plant material—I would have to check for you—but there were indications that there was a range of citrus tristeza virus in the plant material; however, it was not definitive that they were exotic strains of citrus tristeza. As I understand, there is a variety of strains. Perhaps Ms Ransom could explain it to you in some more scientific detail, but it was not possible to determine definitively that it was a strain of a disease that had not been present in the country already.

Senator O'BRIEN—Was there other evidence of importation, namely witnesses prepared to give evidence of importation?

Ms Gordon—I cannot comment on that. I would have to come back to you with the detail. It was not the AQIS plant programs area that conducted those subsequent investigations; it was through our compliance unit.

Senator O'BRIEN—I take it therefore that there were no proceedings or consequences for any individual or company in relation to the allegations of importation of the grapevine material.

Ms Gordon—No.

Senator O'BRIEN—Is there any evidence of spread of diseases of grapevines?

Ms Gordon—Not that I know. I am not sure that there has been any indication of any subsequent disease of grapevines.

Senator O'BRIEN—Does AQIS still have concerns about the grape material on that property?

Ms Gordon—As I indicated, there are still some samples growing in our Eastern Creek quarantine station. I am advised that those samples still show no signs of any disease. From an AQIS point of view, the issue now is the presence of citrus canker, which is beyond the bounds of our legislative responsibilities.

Senator O'BRIEN—My question was about grapevines, so I take it from your answer that you have no such concerns.

Ms Gordon—We have no reason to believe that there are any grapevines on the property that are of concern to AQIS.

Senator O'BRIEN—There are therefore no restrictions on movement of grapes or grape material or machinery from the property.

Ms Gordon—AQIS would not be involved in putting restrictions on the movements of material on the property, unless there were a more recent allegation that some other material may well have been brought in illegally. But beyond a very brief point in time when we have legislative responsibility, the powers would lie with the Queensland Department of Primary Industries and Fisheries.

CHAIR—Have there been samples taken to test the variety? Has someone gone in and had a look? If there is smoke, there is fire and usually you turn up to put it out. Has someone gone to have a look, as there is alleged illegal importation of grapes?

Ms Gordon—At the time, as I recall, there were tests done for both the presence of diseases and to determine the varieties.

CHAIR—Who would have done those tests?

Ms Gordon—The testing was variously done by AQIS's own scientific officers and by scientific officers of, as I recall, New South Wales and Victoria, depending on their particular expertise.

CHAIR—So it would be possible to get the details.

Ms Gordon—I would have to get advice for you on what information is available.

Senator O'BRIEN—Returning to the citrus issue, are you able to tell us how the disease became established on Evergreen Farms in the first place?

Ms Ransom—The epidemiology suggests that there was a widespread dispersal at a point in time we believe to be January-February 2004. I understand that the infection was quite widespread through their nursery area. I also understand that the spray equipment operated by the farm recaptured the spray and then reapplied it. So, in that sense, there was a very useful vehicle for spreading the disease around. As I recall, there really was no and has been no indication from Queensland that could pinpoint the actual point of entry of the disease.

CHAIR—It was a January 2004 discovery?

Ms Ransom—No, it was confirmed in July. The bulk of the infections on IP1 tended back to January-February 2004, which suggests that at that time there was a rapid multiplication of the disease.

Senator O'BRIEN—You said earlier that you could establish a life of the infection but only as far back as 18 months.

Ms Ransom—That is my understanding.

Senator O'BRIEN—Did you actually establish that any infected plant, where you could establish the disease, had been present for that long?

Ms Ransom—That is the indication we have got from Queensland. I have not seen anything in writing that actually pinpoints the time that they believe the infection became visible.

CHAIR—But it begs the question, doesn't it? To get this into simple language for a simple mind, in January 2004, what happened?

Ms Ransom—There were weather events—stormy weather and wind-driven rain—that were widespread across the Emerald area.

CHAIR—Did you discover the infection then?

Ms Ransom—The infection was reported in late June and confirmed on 6 July 2004.

CHAIR—So what has January got to do with it?

Senator O'BRIEN—That is the weather event.

Ms Ransom—It is the weather event that we believe contributed to the spread.

CHAIR—That is the suspected weather event. But in July the infection discovered could have gone back at least 18 months?

Ms Ransom—That is the information that I have got from the Queensland people.

CHAIR—So that really does mean—we will get the bloody calculator out after—that maybe the inspections failed or there was human error.

Senator O'BRIEN—Let us come to that, because there are some issues about the inspections that I want to deal with. I take it that AQIS was not involved in establishing the origin of the disease discovered in July 2004?

Ms Gordon—No.

Senator O'BRIEN—Is it common for AQIS to enter into a formal deed of arrangement with the owners of a property suspected of harbouring a plant or animal disease?

Ms Gordon—This was a particular circumstance where we wanted to be able to monitor the property for an extended period of time. Our legislative power would not normally have given us the right to do that. The owners of the property agreed to enter into that sort of arrangement in a way that protected their commercial interests over that period of time.

Senator O'BRIEN—So that is a unique deed of arrangement?

Ms Gordon—This is the only deed of arrangement that I have been involved in in the period of time I have been monitoring these issues.

CHAIR—Given the need for that and the inadequacy of powers to allow you to do what really should have happened, should there be consideration given to more powers, because this is a glowing example of something that has gone wrong?

Senator O'BRIEN—You are jumping ahead.

CHAIR—You are getting to that, sorry.

Senator O'BRIEN—You are jumping. Let us deal with these things in bits.

CHAIR—Righto. You like to creep up on them; I just like to—

Senator O'BRIEN—Get that sledgehammer and put it back in your kit bag! Do you know of any other deeds of arrangement—ones that you have not experienced? Perhaps you could take this question on notice: have any other such deeds of arrangement being entered into by AQIS in the past and how many?

Ms Gordon—I am happy to take it on notice, but my understanding is that this would be the only one.

Senator O'BRIEN—And therefore there are none in operation now?

Ms Gordon—None that I am aware of.

Senator O'BRIEN—Why was this deed marked confidential?

Ms Gordon—As I understand it and on the advice we had at the time, these sorts of arrangements to resolve a particular legal matter are normally marked confidential. The owners of the property were concerned at the allegations that were made about them and, while they were happy to ensure that any investigation that needed to be taken to protect their interests could be done, they wanted to have their commercial reputation protected at the same time.

Senator O'BRIEN—What about the public interest right to know whether there was a potential threat of a livelihood threatening disease?

Ms Gordon—At that particular point in time the court had given us six weeks to go onto the property and to monitor it. Because of the nature of the diseases that we were concerned about we believed that we required a much more extended period of time. The way in which we were able to effect that was to enter into this arrangement with the owners of the property.

Senator O'BRIEN—Is there a judgment that the committee can see which would give us insight into the reasons of the court?

CHAIR—What was in the mind of the judge?

Ms Gordon—The court's decision is publicly available. I am sure we can make a copy of that available to you.

Senator O'BRIEN—I would appreciate that. Why did AQIS agree to a provision that allowed only a single AQIS supervisor to oversee compliance with clause 1 of the agreement relating to the harvest of the grape crop? Surely with so much going on at one time, one AQIS supervisor could not, on their own, verify that the company was complying with all aspects of the agreement relating to the grape harvest.

Ms Gordon—As I recall it, at the time, the company was concerned to ensure that there was no interruption to the harvesting of their crop. The officer that we had available to attend the property was a very experienced officer. We remained in close contact with him and he did the job very well.

Senator O'BRIEN—So AQIS had no concerns about the restriction?

Ms Gordon—That particular provision of the deed was carried out to our satisfaction at that point in time.

Proceedings suspended from 1.01 pm to 2.03 pm

CHAIR—I call the committee to order.

Mr Banfield—Senator, before lunch we took a couple of questions on notice with a commitment to come back to you later in the day. The first was in relation to the movement in the appropriation funding for the portfolio. The second was in relation to the source of the funding for the citrus canker package—the adjustment assistance package. We have the answers to those questions. We are happy to provide the answers now or later in the proceedings.

CHAIR—Strike while the iron is hot.

Mr Gaukroger—There were a number of questions this morning on the administered appropriation variances between the budget estimate for 2004-05, the estimated actual of

2004-05 and the budget estimate for 2005-06. We have developed a table in response to those questions which I will table for the committee. We can work our way through the items and see where the major variations have occurred.

I draw your attention first of all to the top columns. We have first of all the budget estimate for 2004-05, which is the portfolio budget statements for 2004-05; then we have the estimated actual for 2004-05, which is on pages 20 and 27 of the 2005-06 portfolio budget statements; and then further across we have the budget estimate for 2005-06, which is the budget for the next financial year.

We also have two columns for variances. The first variance column is the estimated actual taken away from the budget estimate as per the portfolio budget statements. The second variance column is the budget estimate compared against the estimated actual for 2004-05. It is broken down into the three separate categories of appropriation: bill No. 1, bill No.2, and special appropriations. Under each of those subtotals we have a cross-reference back to the relevant page of the portfolio budget statements so you can work your way back to those particular references.

Comparing the estimated actual to the budget estimate for 2004-05, we had a total administered funding of \$1.712838 billion for the portfolio budget statement budget estimate for 2004-05 and we are estimating that it will come in at around \$1.457226 billion, which is an underspend of \$255.612 million. The major categories where we estimate that will occur are, firstly—apologies for the acronym—the Sugar Industry Reform package of 2004. There is a budget estimate of \$192 million and an estimated actual of \$129 million, giving an underspend of \$63 million. For Farm Help there is \$34.4 million with an estimated actual of \$12.8 million, giving an underspend of \$21.6 million. The other ones further down are fairly small. That gives a total underspend under bill No. 1 estimated to be \$78.9 million.

If we go to appropriation bill No. 2 there are several items. For the National Action Plan for Salinity and Water Quality there is a budget estimate of \$147.5 million, an estimated actual of \$87.4 million, with an underspend of \$60 million. For exceptional circumstances, which is a demand driven program, there is a budget estimate of \$248 million and an estimated actual of \$132 million, leaving an underspend of \$116 million, given the demand driven nature of that. There was actually an upward spend on the eradication of the red imported fire ant. Additional funding was approved for that program during the course of 2004-05. The forest industry restructure package is a rephrasing from the previous year, which boosted the estimated actual, so the additional estimates show the increased figure there. There is a small variation in the national landcare program. In total for bill No. 2, there is a budget estimate of almost \$465 million against an estimated actual of \$307 million, with an underspend of \$157.5 million.

The variations are a lot smaller for special appropriations. For the Farm Household Support Act, which is the exceptional circumstances relief payment, there is an underspend of \$10 million. For cotton R&D there is an underspend—depending on production volumes—of \$5.6 million. All in all that gives an underspend of \$255.612 million, and a good deal of that relates to demand driven programs.

We move then further over to the budget estimate for 2005-06 and compare that to the estimated actual. At the bottom there we have a total of \$1.4 billion—\$1.400750 billion—as

against an estimated actual of \$1.457226 billion, which gives you a decrease in the budget estimate of \$56.476 million. If we go up to appropriation bill No 1, the budget estimate is lower compared to the estimated actual by \$45 million. Farm Help is up \$29.7 million. A lot of this is phasing—the budget profiling for 2005-06. The Murray-Darling Basin Commission: \$4.4 million. The national action plan: \$6.5 million. Food processing in regional Australia: \$4 million. The recreational fishing community grants: \$4.7 million. Both of those are new budget measures. And expenditure under the Fisheries Administration Act: \$6.9 million—from recollection, that is the AFMA money, an annual appropriation. So there is an increase overall there of \$16 million.

Under appropriation bill No 2 there is a small variation, between the budget estimate and the estimated actual, of \$2.4 million. There are a couple of fairly significant movements in there. The national action plan: \$73 million. For exceptional circumstances, the budget estimate is down \$72.7 million. The forest industry restructure package is due to cease, so minus \$13.3 million. The Living Murray initiative, which was announced in the portfolio budget estimates statements and from recollection was in the contingency fund then, has been reassigned over to the DAFF portfolio this time around. There is a \$25 million increase.

Then we go into the special appropriations, and with the Farm Household Support Act and the exceptional circumstances relief payment, the budget estimate is lower than the estimated actual by \$85 million. That brings a variation overall there to \$75 million. So overall the administered funding for the budget estimate compared with the estimated actual is \$56 million lower.

Senator O'BRIEN—So it is \$312 million over 2004-05, 2005-06, estimated actual and estimated forward.

Mr Gaukroger—That is correct.

Senator O'BRIEN—Is that where the government's drought plan funds come from in part?

Mr Banfield—As Mr Gaukroger said earlier this morning, any unexpended funds, whether for drought or the majority of other programs—unless the government takes a decision to roll over the funds—go back to consolidated revenue. It is a separate matter for the government to consider what, if anything, they might do for particular policy areas.

Mr Gaukroger—Senator, you also asked a question this morning about revenue from other sources—table 3.1 on page 16 of the portfolio budget statement. You asked about the original budget estimate for 2005 being \$6.8 million and why there was such a variation in what was revenue from other sources. That is predominantly the National Residue Survey—the receipts for that particular program. That figure can vary from year to year, depending on pricing decisions. For example, in 2004-05 there was a deliberate decision made to run down the cattle levy because of the amount of reserves there. That can lower that revenue for that particular year, but then when it goes back to normal pricing that can cause those upward and downward movements.

Senator O'BRIEN—So these figures have nothing to do with projections of animals attracting a levy in some way?

Mr Pahl—They are but, as Mr Gaukroger pointed out, you would have to look over a number of financial years in aggregate to actually see that, because the decision in 2004-05 to drop the reserve, which had been building for some time, meant that the actual amount recovered was less than the expenditure in particular areas in the National Residue Survey. That then had them draw down from their reserve to make up the shortfall. So effectively they have run a deficit in the current financial year and funded that deficit from overrecovery of levies in previous years.

Senator O'BRIEN—Is it possible to get a more in-depth explanation of the way that the revenue has been calculated, attributing the other sources individually? It says 'revenue from other sources'. I would like a breakdown of what is involved.

Mr Pahl—Of the \$9.8 million?

Senator O'BRIEN—Yes, and the expectation for 2005-06—estimated income.

Mr Pahl—That is no problem.

Mr Gaukroger—The final issue you raised this morning was in relation to when the combined departments' appropriation and Biosecurity Australia's appropriation was combined, leading to a variation of close to \$15 million. We mentioned this morning the budget measures for 2005-06, which made up a portion of it. You also asked about the difference. There were a number of components that we were able to identify that have contributed, if you add the two figures together. One was the increase in the 40 per cent contribution to the export program of almost \$4.5 million. There was also the full-year effect of the Department of Foreign Affairs and Trade overseas post transfers. We brought that to account for the first time in 2004-05, which was for a part year. This is bringing in the full-year effect for that.

There are also a couple of phasings—the budget profiles changing. The first was the Building a National Approach to Animal and Plant Health. That was almost \$600,000. There was some phasing for the Northern Australia Quarantine Strategy, NAQS, of a little over \$600,000. The remainder of it is a whole raft of minor variations from budget measures from previous years, but that predominantly makes up the difference.

Senator O'BRIEN—How much do those four items account for? You ran through some figures quickly. I did not get them down.

Mr Gaukroger—That will bring it up to another \$7 million in 5.1 for the budget measures.

Mr Pahl—The citrus canker assistance costs that you asked about prior to lunch are spread over three financial years—the current financial year, 2005-06 and 2006-07. The total over that period is \$1.51 million. The breakdown for 2004-05 is: Centrelink delivery costs are \$146,000, the costs of a market facilitator are \$50,000 and income support is \$534,000, for a total of \$730,000 in 2004-05. In 2005-06, Centrelink delivery costs are \$57,000, the market facilitator is again \$50,000 and income support is \$591,000, for a total of \$698,000. In 2006-07, Centrelink delivery costs are \$25,000, there are no costs associated with the market facilitator and the income support component is \$57,000, for a total of \$82,000. Of that amount, the Centrelink delivery costs, which in aggregate come to \$228,000, will be absorbed within the food and agriculture departmental allocation in each of the financial years, for the

sums that I have already given you. The industry partnership program will contribute the \$100,000 for the market facilitator. FarmBis, in 2005-06 and 2006-07 will contribute \$648,000 and the remaining \$534,000 in 2004-05 will be sourced from funding underspends in other areas. Again, the total there will be \$1.51 million.

Senator O'BRIEN—How do you know you will get \$534,000 in underspends? Is that just from the history?

Mr Pahl—No. Once we were aware that we would have to fund this internally, Mr Gaukroger and his team ensured that we would have sufficient funding available to transfer in to meet those expenses when they fall due in the current financial year.

Senator O'BRIEN—Is it normal procedure that you manage deliberate underspends of funds?

Mr Pahl—We manage our total funding base around ensuring that we deliver on the government's programs throughout the financial year and we always look to have what we would regard as a modest surplus of about one per cent of our total to ensure that we can deal with swings and roundabouts as they occur.

Senator O'BRIEN—But you specified \$534,000 worth of underspends.

Mr Pahl—We have not done the wrap-up for the financial year—we are still in the financial year. All I am saying to the committee is that that will be the source of that \$534,000. Until we see the end of May accounts I am not quite sure exactly where we will take that from.

Senator O'BRIEN—Thank you for those answers. There will probably be more questions subsequently arising from those latter answers about the underspends. Going back to Emerald, I was asking questions about the provisions of the deed of agreement. I note your answer about the provision that allowed only a single AQIS supervisor to oversee compliance with clause 1 of the agreement relating to the harvest of the grape crop. Why did AQIS agree to their supervisor only being able to communicate with a nominated liaison officer or a director of the company? Surely, in order to do the job properly, the AQIS supervisor would need to talk to all sorts of people involved in the harvest.

Ms Gordon—The officer that we had on the property during the harvest obviously did have interchanges with pickers and packers on the property. But the company believed it was important—and we agreed with them—that if there were to be instructions to vary the way the picking or packing was done to satisfy our requirements it needed to be done through property managers, not with a whole series of individuals. So this particular term was put in there to make it clear to whom we would issue instructions, directions or requests and how those communications would be formally managed.

Senator O'BRIEN—So there was no inhibition or limitation on the AQIS supervisor proceeding and interviewing whomsoever the supervisor wished to in the course of the process?

Ms Gordon—Under the terms of the deed of arrangement, that person was there to supervise the picking and packing of the grape material to ensure that there was no leaf or stem material packed and taken off the property, because at the time our advice from the

scientists involved was that if the material was infested in any way it would be in that part of the material and the grapes themselves would be okay. So their job was not to monitor or investigate any of the allegations. Their job was to ensure that the way the material was picked and packed limited any potential quarantine issues if, in fact, there was infested material on the property.

Senator O'BRIEN—I note it was agreed that in certain circumstances AQIS would meet the costs associated with the destruction and disposal of citrus plants on the property. Did AQIS eventually have to meet any of this cost?

Ms Gordon—I will have to confirm that, but it is my recollection that we did not and that the company voluntarily destroyed the citrus at its own cost.

Senator O'BRIEN—If that proves not to be the case can you let us know what costs AQIS incurred?

Ms Gordon—Yes.

Senator O'BRIEN—The agreement allowed for two AQIS officers only to enter the property on 24 October 2001 to take samples of citrus plants. Depending on which version you accept, that is between four and seven months after the outbreak became known. Given the threat to the industry of the outbreak, this restriction on the ability of AQIS to inspect the property and take samples seems unusual. Can you explain why there was a restriction to two officers?

Ms Gordon—The allegations that we had received were about a particular block of citrus. It was not about citrus over the entire property. The allegation specified where the person believed that the citrus they were alleging had been smuggled in were planted on the property. It was quite feasible for two AQIS officers to take samples from those plants on the property, and they did that. The purpose of that provision in the deed was for us to have samples of the allegedly illegally brought in material prior to the destruction of those blocks so that if, subsequently, testing proved there had been any quarantinable disease in the material we would have that evidence.

CHAIR—But you did not go wider—you did not err on the side of caution?

Ms Gordon—Our officers had originally surveyed the whole property and could find no evidence or indication that there was disease on other materials in the property.

CHAIR—But they did not find disease where they were, did they?

Ms Gordon—No, they did not find disease on the allegedly illegally brought in material.

CHAIR—Why didn't they take some samples from further out? Surely it was not just because they did not see anything.

Senator O'BRIEN—The deed said they could not.

Ms Gordon—I think I said previously that we would give you details of the samples taken and the tests done, and I think that will indicate that samples were taken from around the property. This clause, however, was to take samples of those citrus trees that were to be destroyed so that we would have those should there subsequently prove to be any disease present.

Senator O'BRIEN—Clause 4 of the agreement limits AQIS to two technical monitors on the property at any one time. I am not sure if I understand it properly but it seems to be saying that they were restricted to areas of the property where grapes and citrus were grown and limited to one inspection visit every three months. Is that a fair understanding of the agreement?

Ms Gordon—Yes, because at that point in time the concerns for quarantinable diseases were in both the citrus and the grapes and they were the materials that we were seeking to have some ongoing control over.

CHAIR—Why wouldn't you want unlimited access? This mob is going to get away with it. Why are they calling the shots? Why couldn't you say, 'We want to go in whenever we want to and as often as we want to'?

Ms Gordon—The court had already determined that the powers that we had had been limited to a six-week period. We were operating under the provisions of the Quarantine Act and we did not and still do not have unlimited powers to go onto properties. Powers to undertake the ongoing monitoring that I think you are suggesting would have been with the Queensland department of primary industries.

CHAIR—Do you think it would be useful to have the powers to do as you feel you should? I do not want to fly in the face of the magistrate, but the law is about the law; it is not about the truth often. Is that a good way to protect Australia's quarantine—based on what some magistrate somewhere thinks is a fair thing? What scientific back-up would he have?

Ms Gordon—The Queensland Department of Primary Industries and Fisheries, under state legislation, is the appropriate jurisdiction for ongoing monitoring in these circumstances. The decision was taken by a judge of the Federal Court that we had six weeks, and that was consistent with our jurisdictional powers under the Quarantine Act on the basis of the allegations that had been made. We did not identify that there was any ongoing concern that brought it within the Quarantine Act and, therefore, we had limited powers beyond that period of time.

CHAIR—But, if you had wanted to go in twice instead of once, you would not have been able to. It is crazy!

Ms Gordon—We were able to go onto the property and to take materials for sampling purposes during the period of time where we were given powers to do so. But, once that time was over, at the end of the six-week period, the only capacity that we had to undertake any further monitoring or sampling was by way of an agreement with the owners of the property, and that was the purpose of this deed of arrangement.

CHAIR—They were calling the shots. Obviously, this is a thing that can incubate and take a long time to turn up, and yet you cannot call the shots; the property owner is calling the shots. What faith could cockies have in a system that has that as an outcome? It is inadequate. I am sorry to do this, but—

Ms Gordon—As we have discussed earlier, powers in these circumstances are shared between the state and the Commonwealth. The Commonwealth's powers are under the

Quarantine Act. The ongoing monitoring and control powers that you are suggesting should have been exercised would lie with the Queensland state department.

CHAIR—I understand that, so one can hide behind the shelter of the other, but it is no comfort to the people who are now going to lose their life's work up there. Surely to God we should err on the side of caution. The person who owns the place should not necessarily be able to call the shots, which is what has happened. This is totally inadequate. I just cannot believe this.

Senator O'BRIEN—Point 7 talks about the destruction of citrus in block 182. Can you explain that? I thought nothing was found.

Ms Gordon—I am sorry; I do not understand your question. Are you asking why they agreed to the destruction of the citrus?

Senator O'BRIEN—Yes, why they agreed to the destruction of the citrus if nothing was found, no disease was discovered in the material that you sourced.

Ms Gordon—I understand that they were concerned at that point in time to ensure that they could harvest their grape crop. My understanding—and it is simply my understanding—was that the citrus was of lesser value to them at that point in time and they believed that, if they removed the citrus, they would be in a position to negotiate about the arrangements under which we went ahead to permit harvesting of the grape crop.

Senator O'BRIEN—Was block 82 the area that you took the samples from?

Ms Gordon—We took samples from the block that was destroyed, prior to its destruction. I believe that they are the samples that we still hold at Eastern Creek.

Senator O'BRIEN—So you do not hold samples of the area in which the disease was discovered in 2004, from back in 2001?

Ms Gordon—I would have to ask Lois Ransom and we would need to check and probably come back to you to confirm whether they were adjacent blocks or—

Senator O'BRIEN—It is not the same block, clearly?

Ms Ransom—I do not believe it to be the same block. The property did renumber the blocks on the farm. My understanding is that the block of particular concern to AQIS was adjacent to where the disease was first picked up on the infected property—

Senator O'BRIEN—In 2004?

Ms Ransom—In 2004, but by that time it was also quite widespread through that property on both of the major citrus-growing blocks that they had.

CHAIR—The samples that you took back to Badgerys Creek—

Senator O'BRIEN—Were from a block that was destroyed.

CHAIR—Why did you pick those samples from that block?

Ms Gordon—I cannot tell you why the particular samples were taken.

CHAIR—What was the allegation—that they planted a row of trees that came from Woop Woop? And you allegedly took samples from trees or cuttings?

Ms Gordon—I would have to go back and check our records on that matter. We focused on the particular blocks that the informant advised us contained the illegally imported material.

CHAIR—Was it alleged that the whole block with illegally imported material had some trees with grafts or whatever on them?

Ms Gordon—I cannot tell you that. I would have to check.

CHAIR—It would be possible to wander through and take some samples and if the illegal trees were random you could randomly miss them—and what might be back at Badgerys Creek might be as useful as a bull's foot. Just to revisit that: isn't there any way of determining for sure, with all the sciences available, what a particular tree is?

Ms Gordon—We had to take advice from scientists at the time. We were in close liaison with the then chief plant protection officer about how to undertake our sampling, what needed to be done, and we followed those advices. We also had our own scientific officers involved who are familiar with taking samples. We took samples from the blocks that we had been advised contained the illegally imported material.

CHAIR—What was the nature of the advice that enabled you to go to that block? Was it a written advice?

Ms Stanton—My understanding of the compliance aspect, the investigation aspect, and to the best of my knowledge, is that all we had basically was a call to the redline number. Our compliance investigators then went out and interviewed the informant. So to that extent it is written down; there are interview records.

CHAIR—Would it be possible to get a copy of the record of interview for this committee?

Ms Stanton—Obviously there will be an issue about whether or not the committee may have it in camera. The one thing we do need to understand, though, with any of these statements is that, even though the DPP has indicated that the brief of evidence we gave was not sufficient to proceed, we have not yet closed our investigation. In fact, I know that quite recently there have again been attempts to get further information from people who may have statements to make, so I am concerned about giving parts of an ongoing investigation which might subsequently jeopardise that.

CHAIR—I can understand that. When the DPP said, 'Sorry, you've missed out,' did he set out a number of reasons why that was so on a bit of paper?

Ms Stanton—I have not seen the DPP's response. I asked to see it during the lunchbreak, but I have not seen it yet.

CHAIR—So there is a written response with the reasons why you missed out.

Ms Stanton—There is definitely a written response, but I do not know what it says. I am in the process of checking what it says.

CHAIR—It still intrigues me that we have some trees at Badgerys Creek and no-one knows what they are.

Ms Stanton—The trees at Eastern Creek are at our facility there. We have tested them on a number of occasions. I believe we have even sent samples overseas—to experts, to the US.

There is no evidence that they are exotic. The latest information I have is that the DNA testing is indicating one or a couple of varieties, but neither of them are—

CHAIR—Foreign to Australia.

Ms Stanton—not present in Australia. They are present in Australia.

CHAIR—So when the block was destroyed after those samples were taken, did anybody bother to conduct a wide-scale test of what they were destroying? These were just random samples. How many samples did they take? For instance, was it every second tree or every fifth tree?

Ms Stanton—As Ms Gordon indicated earlier, we will get the information for you. We do not have it right now, but it is part of what I understood that we took on notice earlier.

CHAIR—God help us.

Senator O'BRIEN—Just to make it clear, was the block that was destroyed the block identified to AQIS as containing material which had been illegally imported?

Ms Stanton—That is my understanding, but I would have to confirm it.

Senator O'BRIEN—How did AQIS identify that block? Clearly, you were given some information orally.

Ms Stanton—That is correct.

Senator O'BRIEN—Were you given a map?

Ms Stanton—I would have to check with our compliance officer. I suspect the answer is yes, we were given a map.

Senator O'BRIEN—How big was the block? What sort of area are we talking about?

Ms Stanton—I am not sure. Perhaps Ms Ransom can assist.

Ms Ransom—My understanding is that quite a small number of citrus plants were alleged to have come in and it was only a part of the block.

Senator O'BRIEN—So we are not talking about a big block

Ms Ransom—No.

Senator O'BRIEN—But the company conceded that those plants would be destroyed and they agreed to do it without compensation.

Ms Ransom—That was my understanding.

Senator O'BRIEN—I am not sure that you would know; I am asking AQIS that question.

Ms Gordon—I can only go off the detail of point 3 in the deed of arrangement, which refers to the fact that there were eight horizontal rows of citrus plants previously identified by us as the ones we were advised were illegally imported, with approximately 600 plants in them.

Ms Stanton—And that does confirm that it is block 182, in fact.

CHAIR—Let's go right back to when they were put in the ground. They were somehow smuggled into Australia in what form and what shape? How much room would it have taken to smuggle them in?

Ms Gordon—I understand the allegation was that cuttings were smuggled in.

CHAIR—How big? A foot, two feet, two inches, half an inch?

Ms Stanton—I am not sure. We would need to look at that statement of evidence.

CHAIR—But surely someone knows.

Ms Stanton—Somebody probably does know—

CHAIR—Well, let's have the answer.

Ms Stanton—but it is in the statement of evidence, which I understand is in Queensland at this point. It is what I asked for over the lunch break.

CHAIR—This is four years later. For God's sake, hasn't anybody been curious enough to ask if they were little six-inch bits that you would put in an esky or six-foot bits. What were they?

Ms Stanton—I am sure they have been, Senator, but I have not been.

Senator FERRIS—Someone must have.

CHAIR—Can we have the alleged method of entry described to us?

Ms Stanton—Certainly.

CHAIR—Given the crisis, no-one here honestly knows? Were they things they could just run along and plant? Did they have to graft them? What did they do? How did it happen?

Ms Gordon—My understanding is that they were grafted, but that would have to be confirmed. We will get back to you with some information.

CHAIR—When you were looking at the trees they were grafted onto, was it a partial graft on a tree to get more tissue or were they grafted on rootstock which produced just the foreign material or was it grafted onto a tree using just two trunks of the tree as other material?

Ms Stanton—We will find that information for you.

CHAIR—It is a bit hard to get my mind around what all this means in terms of how they were planted, whether they were kept in cold storage and so on. I understand that plenty of people who work in and around the place were very aware of the allegations because they were part of carrying out the work associated with the allegations, and yet this crowd seem to be able to thumb their nose at Australia.

Ms Stanton—I think one of the things we need to remember is that, although we had one informant, in the end we did have only one informant.

CHAIR—Yes, and I can understand that, because these people probably want to keep their jobs, they do not want to lose their homes and we will sort all that out in a week or two.

Ms Hewitt—We have been at pains to make it very clear that if anyone has further information we would be very interested in receiving it. As Meryl Stanton has indicated, the

case is not regarded as closed. We would be absolutely delighted if we were able to get further evidence.

CHAIR—I am amazed that the front row in the church has not been informed about the actual detail. Wanting to know how it all happened might perhaps be what you call micromanagement, but I call it human curiosity. How does someone bring in—I do not know what they were—trees or cuttings? Were they this big or that big? How did they allegedly bring them in? Was it in a coffee chest or something?

Ms Stanton—I think the allegation initially had to do with a tea-chest.

CHAIR—Was it one or 50 or a container full?

Ms Stanton—I would need to check whether it was one or more than one, but the allegation did relate to a tea-chest.

CHAIR—Are you not curious enough to want to know about that without me asking you?

Ms Stanton—Senator, I am sure that at one stage I did know, but I just cannot recall it today.

CHAIR—My radar is locked on, so the best of luck.

Senator O'BRIEN—The deed provides that the director of quarantine and the minister be fully briefed on the matter. Did that happen?

Ms Stanton—Indeed it did. Let me say that, in terms of the brief, certainly the director of quarantine was fully briefed. The minister was briefed at the time of the discovery. The minister was not further briefed about the deed of arrangement until after the 2001 election.

CHAIR—So are you saying that the director of quarantine was fully briefed?

Ms Stanton—I suppose there is an argument about what is 'fully'. We may not have indicated what you might call a full brief, but certainly the director of quarantine—

CHAIR—Will he be here later today?

Ms Stanton—The director of quarantine at the time was the then secretary, Mr Taylor.

Senator O'BRIEN—We will talk to him later. The minister was briefed following the election?

Ms Stanton—The minister was briefed about the discovery of the citrus canker at the time, but on the deed of arrangement the minister was not briefed until after the election.

Senator O'BRIEN—So it was in that year, 2001?

Ms Stanton—No, I think it was in February 2002 that the minister was briefed.

Senator O'BRIEN—What caused the minister to place the expiry of the deed on the web site?

Ms Stanton—I do not think the minister placed the deed on the web site particularly. The director of quarantine cleared the placement of the deed on the web site. It was not necessary for it to be a minister.

CHAIR—Were we in caretaker mode?

Ms Stanton—We were in caretaker at the time of the deed of arrangement.

Senator O'BRIEN—Can you get us, on notice, the exact details of the timing of the briefings of the minister and the director of quarantine?

Ms Stanton—Certainly.

Senator O'BRIEN—If there is a documentary brief can the committee have a copy of it?

Ms Stanton—I will take that on notice.

CHAIR—I suppose our difficulty is going to be trying to get some answers from the state government, and I am sure that Senator O'Brien will have a lot of influence up there in that regard, because as I understand it the supervision of the quarantine area was a state issue—is that correct?

Ms Stanton—Yes.

CHAIR—Were there allegations of illegal importation of grape cuttings?

Ms Stanton—Yes.

CHAIR—Do we know whether it was half a boxful or a boxful? Can you get all that detail for us?

Ms Stanton—Certainly.

Senator O'BRIEN—I want to talk about sugar. Firstly, can I have an update on the revenue flowing in from the sugar tax?

Mr Pittar—The sugar levy has raised \$33 million as at 30 April 2005.

Senator O'BRIEN—The last advice we got, in February, was that at 31 January you had collected \$26 million and that this financial year you expected to collect \$22 million. Can you update that number as well?

Mr Pittar—As at 30 April 2005 the levy had collected \$16.7 million for this financial year.

Senator O'BRIEN—Funding for the Sugar Industry Reform Program was estimated in last year's PBS for 2004-05 at \$192.8 million. We have just been given some updated figures which show that the estimated actual has gone down to \$129.434 million—

Mr Mortimer—That is on page 19 of the documentation, Senator.

Senator O'BRIEN—a reduction of \$63.354 million. At the last hearings we were told that for February there were 1,605 farmers receiving income support and it was due to end on 1 March. Did the support end on 1 March?

Mr Pittar—It did.

Senator O'BRIEN—Can you give us some indication as to where those people have gone? What are the elements of the package they may have access to?

Mr Pittar—Of the recipients of income support a number of those customers accessed other elements of the package, which is I think the question that you are asking. We understand that the 519 applicants accessing income support received the restructuring grant. Fifteen applicants who received income support were subsequently paid the re-establishment

grant. Seven hundred and ninety-one business planning redemptions were received from customers on income support. That is what I have at this stage.

Senator O'BRIEN—So about 300 went back into the ether.

Mr Mortimer—That 300 did not access any further assistance.

Senator O'BRIEN—During the February hearings you advised that plans coming from the regional advisory groups were not up to scratch and that, as a result, the second tranche of payments was not made. The minister put out a media statement on 2 February this year saying that there needed to be a greater sense of urgency shown by these regional groups. We are at the end of May. Nothing seems to have happened. Does that mean that these groups did not take the minister's advice?

Mr Pittar—No. The industry oversight group provided further advice to the minister in early May in relation to progress with the regional plans. The minister considered that advice and put out a media release on 18 May. In that media release he indicated that he had taken the advice of the IAG that additional professional assistance should be provided to the regional advisory groups to assist them with further developing the regional plans.

Mr Mortimer—If I can speak on that, Senator, there is no sense that the regional advisory groups had not done what the minister had requested. Indeed, they had done that. But the result, on the basis of the advice given, did not give the satisfaction that the plans had sufficiently advanced. The minister's press release of 18 May makes the point that 'there was still insufficient evidence in the regional plans of progress with realistic and genuine structural reform plans'. Further on, the minister commented that the regional plans 'need to give greater emphasis to quantifying the expected benefits of the proposed industry reforms'. The upshot is that it is a work in progress and that the minister has agreed to provide the additional assistance to the RAGs so that they can bring those plans in as soon as possible.

Senator O'BRIEN—Am I correct in saying that originally, of the six groups in Queensland, the only plan that was anywhere near satisfactory was the Herbert River plan?

Mr Mortimer—I am not sure whether such a specific comment on plans has been provided.

Mr Pittar—Ultimately the recommendation from the industry oversight group to the minister was that none of the plans at that stage were addressing the issues that Mr Mortimer has just outlined in a sufficient manner. That was essentially what has prompted the minister to—

Senator O'BRIEN—Have any revised plans been submitted to the minister through the oversight group since the February statements by the minister?

Mr Pittar—Yes. The plans went to the industry oversight group as the body responsible for providing advice on the plans to the minister. The IAG, the industry oversight group, is the primary mechanism for the minister to be advised on the level of satisfaction with the regional plans.

Senator O'BRIEN—The reason I am asking is that Mr Mortimer told us that Mr Truss had asked that new draft plans be provided by the regional groups by the end of February. I

wanted to know whether such revised plans have been submitted to the minister through the oversight group since February.

Mr Mortimer—What happened was that the IAG and the RAGs asked if they could get an extension of extra time to do the plans. That extension—I think it was about six weeks or so—was agreed to by the minister.

Senator O'BRIEN—Which would have taken them to mid-April.

Mr Pittar—That is about right. The IAG then assessed those regional plans during the latter part of April and subsequently provided their advice to the minister in early May.

Senator O'BRIEN—So the plans were still not acceptable at that stage?

Mr Mortimer—That is what the minister has agreed, and he has announced that in the press release that I referenced.

Senator O'BRIEN—At an earlier hearing of this committee, Mr Mortimer, you told us that funding for the advisory group network was \$8 million. Has all of that money now been spent?

Mr Mortimer—No, it has not. Mr Pittar might be able to give you details. I think I should say that that \$8 million was money to be spent over the entire life of the program.

Mr Pittar—That is correct. The \$8 million was for the period 2003-04 through to 2007-08. The short answer is no, not all that money has been spent. The allocation for this financial year was in the vicinity of \$2.6 million. As at 25 May, we are anticipating an end-of-year result on that where we are probably closer to \$2.8 million or \$2.9 million. Essentially we expect the allocation for the IAG and RAGs for this financial year to be spent.

Senator O'BRIEN—Can you give us a breakdown of where it was spent—how much, if any, within the department and how much by the advisory group?

Mr Pittar—I cannot give you a breakdown by advisory group. This is essentially money that goes to the external parties, if you like, involved in the administration. The industry oversight group has received in the vicinity of \$0.34 million to date, the sugar executive officers have received in the vicinity of \$0.8 million, the regional advisory groups have received in the order of \$7,000, and there are some further disbursements and so on due to be made between now and the end of June.

Mr Mortimer—If I can just clarify, none of that money actually comes into the department. Departmental expenses are provided separately.

Senator O'BRIEN—How do these outside bodies acquit their expenditure?

Mr Pittar—They are required to submit expense claims to the department, along with appropriate receipts and that sort of thing. Their costs associated with travel are reimbursed by the department.

Senator O'BRIEN—Can you explain how the DAFF secretariat worked in these regional advisory groups as these plans were being developed.

Mr Pittar—The DAFF secretariat played a role, along with a number of other groups, if I can put it that way. The industry oversight group essentially takes the lead in liaising and

meeting with the regional advisory groups. Each regional advisory group also has a sugar executive officer there to assist it in its work. The DAFF secretariat essentially supports the work of the industry oversight group—essentially as a secretariat to that industry oversight group. I would stress that the industry oversight group is exercising the leadership, if I can put it that way.

Senator O'BRIEN—What is the estimated cost of the provision of the secretariat services?

Mr Pittar—I will have to take that on notice. I do not have it at my fingertips.

Senator O'BRIEN—Whatever that cost is, it adds to the \$8 million?

Mr Pittar—No, that is separate from the \$8 million.

Senator O'BRIEN—It adds to the \$8 million.

Mr Mortimer—No, it is separate. It is provided by departmental funding. It is not administered funding.

Senator O'BRIEN—If we are looking to cost this program, the \$8 million is exclusive of whatever the departmental costs are?

Mr Mortimer—Yes, quite so.

Senator O'BRIEN—Given the departmental secretariat involvement, when did the department become aware that these plans were well short of what was required by the government in order that the second tranche payments could be made?

Mr Mortimer—The industry oversight group reports to the minister. The secretariat, while it is provided by the department, operates under the instruction of the industry oversight group and it was the industry oversight group that gave its report to the minister. The secretariat does not try to pre-empt that in any shape or form.

Senator O'BRIEN—So officers in the secretariat were not in a position to know what the plans were before they were presented?

Mr Mortimer—As I said, the secretariat is there to help the industry oversight group and is essentially directed by the chair and members of that group. They effectively await their instructions on those matters, and until the industry oversight group forms a conclusion and advises the minister it would be improper for the secretariat officers to try to make any separate conclusions of their own.

Senator O'BRIEN—So they effectively closed their eyes, did they?

Mr Mortimer—No, they are not closing their eyes; it is a matter of responsibility. They are working for the industry oversight group.

Senator O'BRIEN—I do not know how they could not be aware of the nature of the plans. Are they instructed: 'You are to have no view, nor are you to communicate any view to anyone about what you have seen'?

Mr Mortimer—They may well have a view but that view is something they can discuss with industry oversight group members if the industry oversight group wishes. Indeed, they

can express that view but it has no particular status. It is for the industry oversight group to make its advice to the minister.

Senator O'BRIEN—That is certainly true. Was there any information passed to officers of the department from officers within the secretariat about what was taking place in the industry advisory groups and how their plans were developing?

Mr Mortimer—There may well have been conversations but they were just conversations.

Senator O'BRIEN—So there was some intelligence within the department about what was taking place prior to the minister's statements.

Mr Mortimer—No.

Senator O'BRIEN—Was any intelligence taken to the minister?

Mr Mortimer—No, the minister was not advised on the IOG position until the IOG had settled its position.

Senator O'BRIEN—In terms of the additional assistance for the industry advisory groups, where will that money come from?

Mr Pittar—That will come out of that \$8 million allocation that you were referring to earlier for the IOGs and RAGs.

Senator O'BRIEN—Do we know yet how much more money will be provided up front?

Mr Pittar—In relation to that professional assistance?

Senator O'BRIEN—Yes.

Mr Pittar—We estimate that that will be in the vicinity of \$0.8 million.

Senator O'BRIEN—Do have someone in mind to pay for that professional assistance?

Mr Pittar—We are in the final stages, we hope, of settling a contract with a successful company but those arrangements have not yet been formalised.

Senator O'BRIEN—There is one company and you are expecting to pay them \$800,000 for their services in providing professional advice to the industry advisory groups?

Mr Pittar—No, they will provide professional advice to the six regional advisory groups in Queensland and New South Wales.

Mr Mortimer—Could I emphasise that following the minister's announcement we called in tenders from three respected service providers and they provided tenders. They have been assessed and, as Mr Pittar said, a preferred tender has been identified. We are in the process of settling a contract, virtually as we speak.

Senator O'BRIEN—Who were the three selected tenderers?

Mr Pittar—The tenderers we approached were KPMG, PricewaterhouseCoopers and Ernst and Young.

Senator O'BRIEN—I understand that the regional advisory groups are made up of industry participants. They are linked with mill supplier committees, cane grower executives and the mills. Doesn't that mean they have had access to expertise in DAFF and other expertise, and have resources to buy in their own expertise?

Mr Mortimer—They may well have had access, but essentially the view from the IOG was that it was desirable to have advice from professional companies that are familiar with, and regularly deal with, strategic corporate planning exercises. As well, they would bring a commercial and economic focus to bear—I am just using layman’s language—and that was the sort of capability that was considered desirable. Indeed, they could bring that in in a very specific and direct way so that the providers of the service would be able to interact directly with the RAGs and be there, with the bill paid, to do the job in the shortest and most effective way possible.

Senator O’BRIEN—In the coming financial year there is \$84 million available—a reduction of \$45 million?

Mr Pittar—As per page 19 of the PBS, \$84 million.

Senator O’BRIEN—In the unlikely event that that is spent, how much will have been spent over the four reform packages since 1998?

Mr Mortimer—We do not have that figure with us. I will have to take that on notice.

Mr Pittar—Whilst we do not have that figure, I can tell you that the first package to focus on reform was the 2002 package, of which this one is an extension.

Senator O’BRIEN—I see, the others were just hand-out packages.

Mr Mortimer—No, that is not what Mr Pittar was saying. He is making a distinction between the focus of this particular program and the others. All of the programs have been intended to improve the competitive position of the industry and help them deal with difficult situations.

Senator O’BRIEN—Only since 2002, according to Mr Pittar. He just said the reform packages started in 2002.

Mr Mortimer—I think that is taking his words in a slightly unreasonable way.

Senator O’BRIEN—The term ‘reform package’ does not have the normal English meaning of reform?

Mr Mortimer—No, this set of arrangements has a particular focus on reform, in part because of the changes that are happening with the arrangements for the sugar industry in Queensland that are being driven by the Queensland government. But I would not take it any further than that.

Senator O’BRIEN—How would you categorise the packages between 1998 and 2002?

Mr Mortimer—All the packages have been designed to assist the industry to improve its competitiveness, to deal with structural change and to prepare for issues coming over the horizon—and those in front of them—in the business world and in the international trading environment.

Senator O’BRIEN—We are up to package No. 4. How is the industry better off—and I look forward to the answer on how out of pocket taxpayers are—as a result of those four packages? You have already taken on notice the amount of money that has been spent—including that which is committed for the current financial year, in the perhaps unlikely event

of it being spent—since 1998. I want you to explain to us how the industry is now better off than it was in 1998 as a result of that expenditure.

Mr Mortimer—There are a number of strands to that, but in broad terms the industry is still operating at a significant level and it is still exporting significant amounts. So, on those fairly straightforward and simple indicators, the industry has been able to deal with the range of different challenges that come from time to time and keep itself in operation and, indeed, in broad terms operate with prospects for a future.

Senator O'BRIEN—Because it is still operating rather than not operating?

Mr Mortimer—Absolutely. That is one indicator. There are examples of industries that have contracted and are not operating at the same level as they should be, so it seems to me that that is a reasonable proposition. But also the industry is essentially going through the sort of change that industries go through as they restructure and reorganise. We are seeing that in all sorts of ways. There is no reason to expect that the sugar industry will not be operating in Australia for some time to come, albeit in a different form, a different shape and so on.

Senator O'BRIEN—How many growers have taken the industry exit package since 1998? We have 15 in the current package.

Mr Mortimer—I think that number has grown a bit since we last had a conversation.

Senator O'BRIEN—I thought that was a number you gave us today.

Mr Pittar—No. That was the number of growers who had been on income support and who had subsequently exited. It was a subset of the total number who had exited.

Mr Mortimer—Mr Pittar, can give you an update on the number of growers who have received re-establishment grants, certainly for the current program.

Mr Pittar—As at 13 May, 82 re-establishment grants had been approved.

Senator O'BRIEN—So we are down to something approaching 1,500 growers, are we?

Mr Pittar—Could you say that again.

Senator O'BRIEN—I thought there were about 1,600 growers in the industry.

Mr Pittar—No. There are more growers in the industry than 1,500 or 1,600.

Mr Mortimer—I think the figure that Mr Pittar gave you earlier was for the number of growers who have received income support. You then asked a subset of questions about where those growers went for assistance after that income support was no longer available.

Senator HOGG—What areas are the 82 who have exited from?

Mr Mortimer—I am not sure of the most up-to-date figures. I think we gave an answer to a question on notice from the February additional estimates hearing which gave some information on that, which I might be able to find. It will not be up to date but it will give you a sense of it.

Mr Pittar—In response to the question on notice at the last hearing, when there were a total of 78 recipients—

Senator HOGG—So there are only four additional?

Mr Pittar—There are four additional from the answer we gave at the February additional estimates. That is as at 24 March. By region there were five exits in northern New South Wales-Brisbane, 24 in Bundaberg-Maryborough, 25 in Mackay-Whitsundays, three in Townsville-Ayr, five in Ingham and 16 in Cairns, Innisfail and Tully, giving a total of 78.

Senator O'BRIEN—Mr Mortimer, during the February hearings you told us that you had not personally seen any of the regional plans. Is that still the case?

Mr Mortimer—That is the case. I have not seen any of the regional plans.

Senator O'BRIEN—I take it you are the most senior officer directly responsible for what was the \$444 million sugar reform package. Why had you not even looked at the very proposals that were theoretically to underpin the restructuring of the industry?

Mr Mortimer—I have outlined the process the department operates. The IOG gives us advice on the regional plans. The department advises the minister in terms of the situation in front of it and the secretariat is in a situation to make any comment on the regional plans. I personally do not need to make my own assessment. The minister gets combined advice from the IOG, the secretariat and the department on the situation, and I expect that is very adequate information and advice. Certainly I give broad-ranging advice in terms of any options and possible processes and approaches to dealing with the situation, but I would not claim that my advice or experience on whether a regional plan is a good one is any better than, say, the IOG's.

Senator O'BRIEN—Have you seen the IOG's advice?

Mr Mortimer—Yes, I have seen the IOG's advice.

Senator O'BRIEN—Can you provide the committee with information as to what the general thrust of the regional advisory group's plans are and where the weaknesses are?

Mr Mortimer—I am not sure that it is appropriate for me to do that here and now. I think the minister gives the best exposition of that in his press release. The department's advice is not normally passed out. It is confidential between the department and the minister.

Senator O'BRIEN—I think there is a difference between information and advice. If you are advising the government on a course of action I can understand that being withheld, but information about the general thrust of plans is hardly anything more than information as to matters of fact.

Mr Mortimer—Effectively, I think your request is to see the substance, if not the hard copy, of the IOG report, and that is really a matter for the minister.

Senator O'BRIEN—No, I did not ask for that. I certainly asked for some information on the general thrust of the plans. Can you give us that?

Mr Mortimer—In very broad terms the nature of the comments relate to issues such as: the plans taking a partial, patching and repairing approach to the situation in front of the industry rather than focusing on a genuine structural reform; the need for greater emphasis on specific realistic and measurable targets, as well as more detail on how a change would happen; quantification of benefits of proposed approaches; and, indeed, a sharper thinking on

viability and sustainability. These are some of the key issues that were commented upon as needing addressing.

Senator O'BRIEN—I understand they may be views as to the deficiencies. I asked for the general thrust of the plans themselves. I may be able to interpret that from that. What does a 'patching and repairing approach' mean?

Mr Mortimer—It means not presenting a coherent strategic approach that has a sense of where you will be in five or 10 years time, providing a pathway to it, but rather doing different jobs, so to speak, around the industry here and now.

Senator O'BRIEN—Can you give some examples of the patching proposed?

Mr Mortimer—No, I do not have examples with me. I am not in a position to do that.

Senator O'BRIEN—You do not remember any?

Mr Mortimer—No, I do not. It would be potentially misleading for me to try to draw that up from my memory here and now.

Senator O'BRIEN—Could you take that on notice?

Mr Mortimer—Yes, we will take that on notice.

Senator O'BRIEN—The terminology 'patching and repairing' implies to me that we are talking about dealing with some small and specific issues rather than a holistic approach. Is that a fair understanding?

Mr Mortimer—Yes, I think that was more or less what I was saying.

Senator O'BRIEN—Can we get an identification of the issues that were sought to be addressed in those regional advisory group plans?

Mr Mortimer—I am sorry; what are you looking for?

Senator O'BRIEN—The issues, the matters to be patched and repaired in those advisory group plans.

Mr Mortimer—In broad terms, the regional assessment groups were asked to develop plans that provided a framework for action to adopt whole-of-industry systems approaches, to consider alternative scenarios, to examine alternative activities and so on. Indeed, they were asked to provide specific and measurable milestones, time frames, performance indicators as well as measures for implementation.

Senator O'BRIEN—When were they asked this?

Mr Mortimer—It was all part of the terms of reference for the regional advisory group.

Senator O'BRIEN—So when you talk about them taking a patching and repairing approach, what particular items were they seeking to address in that approach?

Mr Mortimer—Again, I will not try to give examples here because I would not claim to have the most reliable memory on some of those issues. I might be unfair as to different groups. But, consistent with what I have said, the RAGs were asked to provide a more comprehensive approach and, as I said, that was specified in their terms of reference.

Senator O'BRIEN—Can you supply on notice examples of the particular items the regional advisory groups were talking about when, as you describe it, they were taking a patching and repairing approach?

Mr Mortimer—We will do that.

Senator O'BRIEN—In February we were told there had been 870 successful applicants for assistance to develop business plans. You gave us a numbers earlier of 791 business plan redevelopment applications.

Mr Mortimer—I think the number I gave earlier related to the number of farmers on income assistance.

Senator O'BRIEN—So are there likely to be more?

Mr Mortimer—Yes.

Mr Pittar—The number of growers who have accessed business planning support stood at 1,679 as at 13 May.

Senator O'BRIEN—What is the potential number of farmers and harvesters that could take up funding to undertake this project? What number was the budget allocation based on?

Mr Pittar—I cannot recall the precise number, but it would be in the vicinity of 6½ thousand.

Senator O'BRIEN—At the beginning of February this year we were told that there were six applications from eligible mills; four at that stage had been approved and they all got \$100,000. What happened to the other two?

Mr Pittar—As at 13 May, the number stands at seven mills.

Senator O'BRIEN—Did they all get \$100,000?

Mr Pittar—My recollection is that the majority of them did. There are one or two whose business plans are not seeking that amount of money.

Senator O'BRIEN—So have they received a lesser amount of money or are they still waiting?

Mr Pittar—They have received a lesser amount of money.

Senator O'BRIEN—What are the amounts?

Mr Pittar—One of the applicants will be getting in the order of \$50,000, for example.

Senator O'BRIEN—What is the total cost of the 82 exit grants?

Mr Pittar—As at 13 May, the expenditure is \$8.7 million.

Senator O'BRIEN—In February you told us there were 248 applications, that 87 had been rejected and 113 were still being assessed. Can you update those figures?

Mr Pittar—Yes. For the re-establishment grant, 366 applications were received, with 107 rejected.

Senator O'BRIEN—So there are about 270 outstanding?

Mr Mortimer—Yes, that is about right.

Senator O'BRIEN—How long would it take to assess those?

Mr Pittar—Each application needs to be considered on its merits according to the information that the applicant puts forward against the criteria for the program. So there is not a specific answer to that.

Senator O'BRIEN—What are the grounds for rejection, mainly?

Mr Pittar—The grounds for rejection fall into a number of categories relating to the criteria which centre around whether they are regarded as a cane farmer or not, whether their assets limits fit within the criteria of the program, and income generated off-farm—those sorts of things.

Senator O'BRIEN—Can you get us a breakdown of the 107—not individually, of course, but how many rejections fall into which category?

Mr Pittar—We can take that on notice.

Senator O'BRIEN—At the last hearings, we were told that there were 70 applications received for funding through the regional and community grants program. The minister was considering those. What is the process of assessment?

Mr Pittar—I think we covered this at the last hearing as well. Essentially it involves applications feeding through the respective regional advisory groups. The regional advisory groups' advice on those applications under regional and community projects then feeds through to the industry oversight group and the industry oversight group assesses that further and ultimately makes its recommendations to the minister.

Senator O'BRIEN—How many of those 70 have been recommended and how many have been approved?

Mr Pittar—On 18 May the minister announced three successful applicants for that first round.

Senator O'BRIEN—Only three? Is that all: three out of 70?

Mr Pittar—Three applications.

Mr Mortimer—In fact, that was announced in a press release dated 18 May, where the minister said—

Senator O'BRIEN—I am just checking that they are the only ones.

Mr Mortimer—That is right.

Senator O'BRIEN—What about the other 67? Are they the subject of recommendations?

Mr Pittar—All applications were considered by the IAG. The IAG made its recommendations to the minister and the minister has agreed to fund the three. That is essentially the process. I would point out that there will be further application rounds within the regional and community projects component of the Sugar Industry Reform Program.

Senator O'BRIEN—Have there been cases in which the minister has not accepted the industry oversight group's recommendation?

Mr Mortimer—In terms of the three grants that were given, I believe the minister was of the same view as the IAG.

Mr Pittar—I think the minister agreed with the IAG on the three programs.

Senator O'BRIEN—Have there been occasions on which the minister has not agreed with the industry oversight group's recommendation in relation to a regional community project's application? That is the sort of information we have been able to get from other committees in a general sense rather than dealing with specific recommendations.

Mr Mortimer—Essentially, the minister has to come to a view on these matters. IAG provides advice on all of the applications. I am not sure that there is much more we could helpfully say on that.

Senator O'BRIEN—There is. You can say on how many occasions the minister has not accepted the recommendations of the industry advisory group, and that is consistent with responses that, for example, Finance and Public Administration has received in relation to the consideration of ACC recommendations by the Minister for Transport and Regional Services in approving or not approving Regional Partnerships grants.

Mr Mortimer—We will take that on notice; I do not have it with me.

Senator O'BRIEN—Also, I would like a breakdown of the number of projects recommended for approval by the industry oversight groups and the number of projects recommended not to be approved and also, as I have already said, the number of occasions on which the minister has not accepted the oversight group's recommendation.

Mr Mortimer—We will take that on notice.

Senator O'BRIEN—Again, the provision of that advice would be consistent with the provision of advice to the Finance and Public Administration References Committee's inquiry into the Regional Partnerships grants.

Mr Mortimer—I will take that on notice; we do not have that information with us.

Senator O'BRIEN—Did the department make any recommendation to the minister in relation to any regional and community grants program applications?

Mr Mortimer—The department provided its comment on the IAG advice, Roland advises me.

Senator O'BRIEN—On each of them?

Mr Mortimer—Yes.

Senator O'BRIEN—On how many occasions did the department disagree with the advice of the IAG in this regard?

Mr Mortimer—I need to take that on notice.

Senator O'BRIEN—Is it true that the assessment of these applications would have been against the regional structural plans developed by the regional advisory groups and the overarching group?

Mr Pittar—The assessment of the plans that the IAG undertook took into account priorities for reform that had been identified by the regional advisory groups, given that the plans addressing those priorities are still in the process of being further refined.

Mr Mortimer—I think the senator was asking whether there is a linkage between the regional community projects and the plans. I think the answer to that is yes. I think there is an issue of alignment there and the intention was that the RCP projects be able to fund and indeed drive implementation of plans at the regional level. So that is a very relevant issue.

Senator O'BRIEN—Has that been a barrier to the approval of more applications?

Mr Mortimer—It may well have been. As I said, I do not know the details of it.

Senator O'BRIEN—I suppose it would be fair to say that projects submitted might have considerable merit but you do not have a regional strategy to fit them into yet?

Mr Mortimer—That is a fair observation. The framework is important in taking the industry adjustment and reform process forward and indeed, as I mentioned a minute ago, it was always the intention that the RCP projects be aligned with those and help drive the change in a productive way.

Senator O'BRIEN—The original budget for retraining and employment assistance was \$7 million. Last February we were told that nothing had been spent. Has any money been spent or committed since February?

Mr Pittar—We understand that 54 applications have been granted under retraining and, as at 13 May, the expenditure is in the order of \$7,000.

Senator O'BRIEN—How much expenditure is committed, as distinct from having been actually spent?

Mr Pittar—I only have an expenditure figure at this stage.

Senator O'BRIEN—Can you take that on notice?

Mr Mortimer—I am sorry—did you ask for the amount allocated or committed?

Senator O'BRIEN—Committed.

Mr Pittar—The allocation for that element for this financial year is \$6.8 million. No, that is the total for the program—my apologies.

Senator O'BRIEN—With the 54 applications granted, is the sum of money involved in total as a result of those grants \$7,000?

Mr Pittar—That is correct.

Senator O'BRIEN—At the February hearings we were told that 41 applications for intergenerational transfer had been received and two applications had been approved. Can we get an update on those numbers, please—and whether any applications have been rejected.

Mr Pittar—Seventy applications for intergenerational transfer have been received as at 13 May; 10 applications have been granted and 20 applications have been rejected.

Senator O'BRIEN—Can you give us a breakdown, perhaps on notice, of the reasons for rejection of the 20 applications?

Mr Pittar—We will follow that up.

Senator O'BRIEN—Senator McLucas has a number of questions on the *Notice Paper* relating to the South Johnstone Mill which were lodged on 27 April, so they are outside the 30-day time limit, or near enough. They are Nos 561-575. Have draft answers to these questions been completed and provided to the minister's office?

Mr Pittar—Not at this stage. There are some complexities associated with the questions, given that they go to a hearing that was before the Queensland Supreme Court during 2003. So we are needing to get as a range of legal advice in terms of appropriately framing the response to those questions.

Senator O'BRIEN—They are about a hearing that has been concluded, are they?

Mr Pittar—That is correct. The hearing was concluded on the basis of a confidential settlement arrangement that involved the Commonwealth. So we need to be mindful of the orders under which that settlement was made.

Senator O'BRIEN—Why was it a confidential settlement?

Mr Pittar—Other parties were involved in the settlement. The arrangement is not an unusual one where a matter is settled within a Supreme Court so, essentially, that was how the arrangement was struck.

Mr Mortimer—I think it was the wish of the parties, essentially, and it was part of getting an agreement to the issue.

Senator O'BRIEN—I sought some information about this matter as to process and the cost, and at that time Senator Macdonald suggested that I wait until the process was complete. It is now complete and Senator McLucas has asked these questions, so the offer that was made to me has been taken up by Senator McLucas. I cannot see any reason why we cannot have the answers, given that we were patient and waited until the process was complete, as was requested. I do not believe we should be now waiting for some other process.

Mr Pittar—We can talk about the Commonwealth contribution—if I can describe it that way—to the settlement but it would be inappropriate for us to talk about elements contributed to the settlement by parties other than the Australian government.

Senator O'BRIEN—How much Commonwealth public money was expended on this case?

Mr Pittar—Ultimately as part of the settlement arrangement the Commonwealth needed to write off \$1.1 million.

Senator O'BRIEN—What legal costs did the Commonwealth incur?

Mr Pittar—I do not have that information at my fingertips; I will have to take that on notice.

Senator O'BRIEN—Can you provide a list of all meetings which the minister, his staff, officers of the department or officers of other Commonwealth departments attended to discuss the financial situation facing the South Johnstone Mill in 1999 and 2000?

Mr Pittar—I believe that they are the questions that Senator McLucas provided on notice and we are in the process of preparing answers to those questions.

Senator O'BRIEN—But you implied you have taken legal advice—they are not questions you are taking legal advice about?

Mr Pittar—We are taking legal advice on a range of questions and seeking guidance as to which of the questions that have been asked are potentially relating to the confidential settlement arrangement or potentially relating to the possibility of some future action, and we need to be very careful so as to not potentially prejudice the Australian government if a future action is being contemplated.

Senator O'BRIEN—That is a novel defence: there might be a future action so we will withhold the information, not only about an action that has taken place as to some alleged confidential settlement, but because there might be a future action we will decide what we will give you as well. Has that been used anywhere else, Mr Pittar, do you know?

Mr Pittar—The nature of the questions, though, indicated a certain legal risk which we therefore are obliged to run past our legal advisors so that we can understand the potential risks associated with answering particular questions. We expect that there will be questions where there will not be a problem. As you can appreciate, for example in relation to the question that you asked, the process requires a fairly extensive file search going back to 1999 and pulling information together. It is not a small task. Ultimately there are 77 questions.

Senator O'BRIEN—There is something in excess of \$1 million of public money involved.

Mr Mortimer—That is entirely accepted and, as Mr Pittar said, we are in the process of pulling together a response to that. Certainly that response will be provided and we hope to be as helpful as possible.

Senator O'BRIEN—What future legal action do you envisage might arise, given that there has been a settlement? The Commonwealth has apparently written off \$1.1 million.

Mr Mortimer—I think that was just a reference to a potential risk. That is part of the sorts of issues that lawyers always run in front of clients on these matters.

Senator O'BRIEN—Yes, I suppose lawyers are wont to say that there are risks in almost anything.

Mr Mortimer—Yes, it is one of those difficult issues. We will manage in a sensible way and provide as much information as we helpfully can.

Senator O'BRIEN—Has the department sought to assemble the information to answer the questions?

Mr Mortimer—Yes, actions are in train to start pulling that together—more than start; it is well in hand. We will certainly do the job; there is no question of that.

Senator O'BRIEN—When was this legal advice sought in relation to the questions?

Mr Pittar—It would have been sought within a couple of days of us having received the questions. The advice has been received over the period of time since.

Senator O'BRIEN—Surely you can tell us what safeguards the department, or any agent on behalf of the department, put in place to protect the interests of the Commonwealth and Australian taxpayers prior to providing for the financial assistance to the South Johnstone mill, the financial matters having been resolved?

Mr Mortimer—I would prefer to take those questions on notice. Essentially, it is not something that either Mr Pittar or I were involved in. Neither of us were in our current job at that stage. While I am sure that as many protections as possible were taken in terms of the legal framework and the contracts et cetera around that funding agreement—in fact, I think technically, it was legal indemnity—it would be best that we had the advice in front of us before we started saying too much.

Senator O'BRIEN—How far away is the legal advice? Do you have any idea of when you will actually get the advice?

Mr Pittar—We were receiving legal advice as recently as early this week. We need to go through our normal processes—

Senator O'BRIEN—So you have the advice?

Mr Pittar—We have the advice as at earlier this week. We will be framing the responses for the minister to consider.

Mr Mortimer—If it would be helpful we could discuss with the office and the minister the prospect of providing responses in instalments, depending on those that are readily answerable as opposed to those that are more complex. We are happy to take up that option and see whether we can expedite the process.

Senator O'BRIEN—Has any draft of the answers to the questions been prepared?

Mr Pittar—The drafts are in the process of being prepared but they are not complete.

Senator O'BRIEN—When would you expect that they will be complete?

Mr Pittar—Again, I would hope that is something we can settle within the space of the next week at the most. It is something we want to progress, but there is considerable complexity associated with it.

Senator O'BRIEN—I would be much happier if you can assure us that we will have the answers within the next 14 days.

Mr Mortimer—We will do our best. It is not entirely within our control because all questions on notice need to be signed off by the minister but—

Senator O'BRIEN—I understand that, which might require you to get advice to be able to answer that question. Is that possible during the hearings?

Mr Banfield—We will certainly relay your request to the minister and seek his advice but, as Mr Mortimer said, ultimately—you know the process—we prepare drafts and they need to be considered by the minister. But we are very happy to relay your request to the minister that the answers be provided within the next two weeks. For our part, I think Mr Mortimer was saying that we will do our best to comply with that.

Senator O'BRIEN—That is not an impossible request, as I understand what you are saying?

Mr Mortimer—No, at the end of the day an answer can be given to the best of the information and sometimes a judgment has to be made as to what can be honestly said as opposed to what cannot and we just do it to the best of our capabilities.

Senator O'BRIEN—For the moment then we will proceed to another subject. I want to look at the government's response to the 2004 wheat marketing review. What progress has been made in implementing the recommendations flowing from that review?

Mr Mortimer—In broad terms, the minister announced the government's response to the review in the first week of April at an industry conference called Grains Week. The essence of the recommendations requires changes to be made by AWBI, as the holder of the export monopoly, and the Wheat Export Authority in particular. Indeed, the minister asked that those organisations come back to him with a progress report by 30 June—and I think that was made clear in the press announcements. As a result of that, those bodies in particular are doing a number of jobs working on issues.

But to go to the headline issues, there is a requirement, essentially, to develop a more strategically focused performance monitoring review framework which the WEA will use in assessing AWBI's performance, and work is proceeding on that in consultation between WEA and AWBI. Another key recommendation is related to developing new arrangements for export consent arrangements for non-bulk wheat—in other words, that wheat the WEA could authorise for export—and, again, proposals for that are being developed by WEA in consultation with AWBI and other industry members.

Senator O'BRIEN—What are the proposals?

Mr Mortimer—The proposals have not been settled, but essentially the minister has asked the organisations to implement a long-term consent system consistent with the recommendation from the 2004 panel report, but there are aspects of that that need to be dealt with in terms of how it is doing and also how it is done in a mechanical sense. That will require changes to existing processes. Indeed, the WEA was asked by the minister to do a number of things around consent arrangements, including streamlining the application process, improving the consultation arrangements, providing clearer business rules and so on. The WEA will report back to the minister with a package which, hopefully, has been agreed by all parties. The intent is that it will be implemented by 1 October, which is the next operational year for the AWB and the pool based system of exports.

In terms of the headline issues for change, the other key area of attention is separation between AWBL, which is the parent company for AWBI, and AWBI as a fully owned subsidiary which holds the export monopoly power. That is a matter that AWBI are working on and they will also report to the minister by 30 June as to where they have got to on that.

Proceedings suspended from 4.01 pm to 4.15 pm

Wheat Export Authority

Senator O'BRIEN—Mr Besley, congratulations on your appointment as Chair of the Wheat Export Authority. Do you currently hold any other government appointments?

Mr Besley—I do. I am the chairman of the CO2CRC on greenhouse gas technology, which is partly funded by government, and I am chairman of the ARC—the Australian Research Council.

Senator O'BRIEN—Table 5.1 on page 300 of the portfolio budget statement reports that the WEA's estimated actual revenue for 2004-05 will be \$3.451 million, of which \$3.4 million will be derived from the wheat export charge. Is that estimate on track?

Mr Besley—The short answer is: yes.

Senator O'BRIEN—What is the long answer?

Mr Besley—Yes.

Senator O'BRIEN—You expect to receive \$3.209 million from the wheat export charge in 2005-06. Is that estimate subject to the strength of the drought?

Mr Besley—That could vary. We may have more up to date information on that.

Mr Taylor—We are currently looking to ABARE to get some updated estimates to revise that forecasted levy figure.

Senator O'BRIEN—Table 3.1 on page 294 of the PBS shows that between July 2004 and October 2004 the Wheat Export Authority spent \$618,000 'providing assistance to the review panel reporting on Australia's wheat export arrangements'. I presume that is accurate?

Mr Besley—That is the last payment for the work done by the wheat export review panel. The total cost of that exercise was \$780,000. It started off at \$750,000 but you would recall that there was an extension sought and agreed to, which pushed the cost up a little bit. But the figure of \$618,000 that you have there is a remaining figure.

Senator O'BRIEN—So that is assistance of at least \$38,000 a week over 16 weeks. Was that what the review was costing?

Mr Besley—I think your arithmetic is impeccable. If you take the \$618,000 and add it to the \$490,000 that was spent previously, you get a total of just over \$1 million. That is the cost of the review panel's exercise, which was \$780,000 plus \$230,000, which was a cost incurred within the Wheat Export Authority and in respect of which there was a question asked. We gave an answer on notice to that, so that closes that circle.

Senator O'BRIEN—You have already given an answer breaking down the \$230,000?

Mr Besley—The question was: how much was spent within the authority? And we gave that answer on notice at \$230,000.

Senator O'BRIEN—How can we understand that \$230,000? How was it apportioned? Was it travel? Accommodation? Salaries? Can you give us a breakdown?

Mr Taylor—The Wheat Export Authority has previously responded to a question from you providing a breakdown of the components of the \$230,000.

Senator O'BRIEN—Can you give me the question number so I can look it up? It does not necessarily have to be right now. Was that \$230,000 in addition to the \$1.1 million or part of it?

Mr Besley—It is part of the \$1.1 million. It is actually \$1.01 million.

Senator O'BRIEN—I was just adding \$618,000 and \$490,000 and that gives me \$1.18 million.

Mr Besley—I think we are possibly talking at cross purposes, but I believe the total was \$1.01 million.

Senator O'BRIEN—The PBS on page 299 says:

During 2004-2005 the direct estimated actual expenditure on the 2004 Wheat Marketing Review is expected to be \$0.318m.

Is that part of the \$618 million that we are talking about, or is it a different figure?

Mr Taylor—That \$318,000 was an estimated actual that was subsequently prepared by the Wheat Export Authority in anticipation of what its costs were going to be in implementing the findings from the review panel.

Senator O'BRIEN—That is in addition to whatever the costs of the review were and the Wheat Export Authority's involvement in it. That is an estimate of the cost of the Wheat Export Authority's implementation of the review?

Mr Taylor—That is correct.

Senator O'BRIEN—During 2004-05? Or will it run into 2005-06 as well?

Mr Taylor—I think that figure will run into 2005-06 as well. At this stage the authority has not done a more comprehensive review of its costs of implementing the recommendations of the review panel. The authority had that activity on hold pending the response from the government to the recommendations of the review panel. It is something that is clearly on the agenda for the authority to get on to and to have a look at. It is a difficult exercise to anticipate those costs not knowing what was going to be fully involved until the government had responded.

Senator O'BRIEN—What is the estimated actual service fee paid to the department's levies branch for the administration of the wheat export charge collection and disbursement and the exporters charge collection in 2004-05?

Mr Taylor—I cannot find a reference at this point but my understanding is that the cost is generally around \$27,000 per year. I will confirm that for you on notice.

Senator O'BRIEN—Would that be your estimate for 2005-06 as well?

Mr Taylor—That is correct.

Senator O'BRIEN—I believe that estimated income from the export application fee is \$25,000 in 2004-05 and in 2005-06. Is that right?

Mr Taylor—That is correct.

Senator O'BRIEN—Apparently the WEA conducted an export application fee review in August and September of 2004. What recommendations did you make to the minister about the fee level?

Mr Besley—We saw no reason to change it, and indeed that is the way it ended up. As you recall, we have to consult with the Grains Council one way and they consult with us on the other way leg of it. Although there was agitation in the industry to make the application fee

reflect the kinds of costs associated with it and thereby have a scale of fees, the minister's position at the end of the day was to leave it where it is.

Senator O'BRIEN—Going back to the indicative cost calculation to implement the review panel's recommendations, on what basis was this indicative cost calculated?

Mr Taylor—Could I clarify the number you are referring to?

Senator O'BRIEN—I think you told me the estimated indicative cost was \$318,000.

Mr Taylor—The basis for that figure was in estimating additional resource within the Wheat Export Authority and additional operational costs and consultation activities with stakeholders.

Senator O'BRIEN—How many additional staff?

Mr Taylor—One.

Senator O'BRIEN—Was there any allocation towards office accommodation?

Mr Taylor—No, not in that budget.

Senator O'BRIEN—What was the estimated allocation for travel?

Mr Taylor—There was not an additional allocation for travel in that figure. That may change when the authority does as I indicated and revises that implementation budget more completely, having heard the response from the government to the implementation of the recommendations of the review panel.

Senator O'BRIEN—How much were you estimating in staff costs?

Mr Besley—Total staff costs?

Senator O'BRIEN—Within that \$318,000, yes.

Mr Taylor—Over the period 2004-05 the additional staff resource was about \$24,000 and in 2005-06 it was about \$33,000.

Senator O'BRIEN—So where does the other \$261,000 end up?

Mr Taylor—I do not have that detail with me, unfortunately.

Senator O'BRIEN—It is the lion's share of the \$318,000. Could you give us a rough idea? I accept you will give us the precise detail on notice.

Mr Taylor—We will give you the detail of it on notice.

Senator O'BRIEN—But do you have any idea off the top of your head?

Mr Taylor—As I said, it was additional resources for a staff member, some consultation costs with stakeholders and also operational costs that we expected to increase over the period. Again, it was a baseline figure that was generated by the authority in trying to look forward at what the costs might be prior to the government responding to the recommendations of the review panel.

Senator O'BRIEN—Does 'consultation costs' mean engaging consultants or consulting with stakeholders?

Mr Taylor—That was the WEA consulting with stakeholders. There was no anticipation of consultants being engaged for that activity.

Senator O'BRIEN—Do you mean mail-out costs or production of printed material?

Mr Taylor—Any costs incurred in consulting with stakeholders. I would anticipate that there would be some travel costs incurred to meet with stakeholders and communicate with them about the implementation.

Senator O'BRIEN—I thought you said there were no travel costs in the figure.

Mr Taylor—There are no detailed travel costs that I have but I would anticipate that, in consulting with stakeholders, there are going to be some travel costs. As I mentioned, that was a baseline figure that was established by the authority. It is the subject of review and needs to be worked on in more detail.

Senator O'BRIEN—Given that the government responded on 5 April, are you saying that WEA has not been in a position to revise its estimated costs of activity in putting into place the government's policy?

Mr Besley—The position is that there is a lot of work going on not only on the key issues but on some of the less key issues. Mr Mortimer mentioned some of the headline stuff, which is the consent system, the performance monitoring review report. They are two key areas in respect of which there has been a lot of work done between the three organisations concerned—the AWB(I), the Grains Council and us. We have got down the track a fair way on that, but they are not final yet. You would have noticed from the minister's statement that we are required to go back to him and tell him what we plan to do to give effect of these recommendations so that he can make sure it does accord with the government's wishes and the government's decision in respect of those recommendations. So it is not that nothing has happened; there is a lot of work that has been done. We are required by the minister to report to him in June and December, and we will do that. I expect that we will be able to show some reasonably good progress in our first report in June.

Senator O'BRIEN—That is why I am curious to know why you do not have a better idea what it is all going to cost—how much should actually be included in the budget for this exercise.

Mr Besley—I think it is fair to say that the ink in respect of two of those things is scarcely dry. On the PMRR, for example: we had a board meeting last week at which we looked at a revised format for that, and it has subsequently gone to AWB(I) to have them look at it. My view is we need to work in harmony with each other in such a way that we do not detract from being able to carry out our duties under the respective charters under which will operate. If we can sit down and talk about it face to face, as I have done since I have been chairman, and work out a common position that meets all of our wishes and requirements then that is so much the better. That is the way we are attacking this. We are close to having a position that we can put in our report to the minister which hopefully will be the kind of thing he expects to hear from us.

Senator O'BRIEN—I certainly would not want to suggest that you should be approaching it from a point of view of disrupting harmony, but the purpose of these hearings is about the

budget estimates. I would have thought that Mr Taylor would have anticipated questions about costs which had been prepared in an estimate some time ago and that we would seek an update.

Mr Besley—From discussions I have had within the authority as recently as yesterday, I expect that when we finetune these estimates, which we will be able to do quite soon, we will find that we can accommodate the cost of responding to the government's decision on these recommendations within the budget as it sits. That will be partly because we had some money in there anyway and partly because we will be able to make some cost savings here and there. I do not expect that there will be a need for a significant increase.

Senator O'BRIEN—I am pleased to hear that. I look forward to a more detailed outline of how the costs will actually be incurred. The 2004 Wheat Marketing Review Panel was asked to prepare two reports: one for the minister and one for the growers. The panel gave Mr Truss the secret report in September last year and released the growers report in October. Did the WEA receive a copy of the report provided to Mr Truss?

Mr Besley—Not all of it, no. I understand that some parts of it were kept confidential because those people who made submissions to the review panel asked that that be the case and the minister respected that.

Senator O'BRIEN—When did the WEA receive its copy?

Mr Besley—The bowdlerised ministerial report?

Senator O'BRIEN—Bowdlerised!

Mr Besley—That is a word I remember learning a long time ago at school. It may be out of fashion.

Senator O'BRIEN—I am trying to remember what exactly it means.

Mr Mortimer—In literature it means that some parts have been taken out so as not to cause offence.

Mr Besley—I was searching in my memory for a correct word and I had hoped that I had found it. Thank you, David.

Mr Mortimer—That's okay.

Senator O'BRIEN—So you got the expurgated version rather than the unexpurgated version.

Mr Taylor—I believe that the authority received the report around November last year.

Mr Besley—It was about a month after the growers report was made public.

Senator O'BRIEN—When did the WEA see a response of the government response to the review?

Mr Besley—The minister announced the response to the review at Grains Week in April this year.

Senator O'BRIEN—That is when you saw it?

Mr Besley—Yes.

Senator O'BRIEN—Not before that?

Mr Besley—No.

Senator O'BRIEN—Mr Truss's media statement announcing the government's response on 5 April says:

The WEA has advised me of its support for most of the review's recommendations ...

Recommendation 12 says your organisation should be more pragmatic, recommendation 13 says the WEA should enhance its industry knowledge, recommendation 14 says the WEA should improve the quality of its assessment of AWB(I), and recommendation 15 says the WEA consultative group should be improved and have a greater focus on outcomes. Do you support those recommendations or not?

Mr Besley—With respect to the last recommendation on the consultative group, we have a proposal, which is subject to the minister's concurrence, that maybe the consult group is not needed any more. This is a view shared by all of us—the Grains Council, AWB(I) and the WEA—because we felt it better to deal with things through focused working groups. We have set two such groups right now: one to deal with the consent arrangements and one to deal with the performance monitoring review report. We also did one on seed wheat and we have also had a look at processed wheat. The view of the Grains Council, the AWB and the WEA was that by setting up a focused working group you would get done quickly the things you wanted done, and therefore we wondered whether there was a need for the consult group to act as a standing committee. But, as I said, that is something that we said was subject to the minister's final view, and that is where the position remains at the moment. All those other recommendations you read out we support.

Senator O'BRIEN—That was my follow-up question.

Mr Besley—The one recommendation we had difficulty with—and, in fact, we have said quite openly that we do not support it—is that we should equip ourselves with skills in foreign exchange management. That would be such a small task for a person that they would be sitting around doing not much else unless they were multiskilled—and, of course, that could be the case. Our view was that if we needed that expertise we would need it rarely and we could get it from outside much more effectively and cheaply than having someone on hand to do it.

Senator O'BRIEN—I take it that you will be in a position to report to the Grains Council in June this year, as Mr Truss has asked you to do, and to him on the implementation of the recommendations.

Mr Besley—Yes, we will

Senator O'BRIEN—Has that work been done or is it still being done?

Mr Besley—It is being done. We have set ourselves a date which occurs before the end of June, which is the cut-off date. We will meet that date.

Senator O'BRIEN—If we go through the recommendations, would you be able to tell me which areas you are able to respond on?

Mr Besley—Sorry, which areas?

Senator O'BRIEN—Which areas on which the Wheat Export Authority has developed its position and is able to respond.

Mr Besley—Let me begin by saying that from the outset we said that we supported all the recommendations except that foreign exchange one, and we had some slight reservations about the consult group. Where we will be in June, I am not too sure, but, as I said earlier, we have to go to the minister first to tell him what we are proposing on these things so that he can be satisfied that we are properly giving effect to the government's acceptance of the recommendations of the report.

Senator FERRIS—Mr Besley, the issue of the recommendation regarding greater transparency in the services provided by AWB Ltd to AWB(I) is something that this committee has had an interest in for some time. Can you be a bit more specific as to how you propose to play a role in the implementation of that?

Mr Besley—The way in which 'L' is remunerated by 'I'—if I shorthand that—is through a base fee, which used to float between a base and an upper level. It took some time to get back into costs, and I think this was the point that John Walter was trying to make last time he appeared before this committee. In our growers report last year, we did make the point that we had gone into the matter in some detail and we were satisfied that the base fee number for the year 2003-04, at \$51 million, was right. We were quite happy with that.

Since then 'I' have said that they are going to have a new remuneration arrangement which will be worked through and will have been decided—and was decided—by the end of the calendar year just passed. That will be based on a fixed, not a floating, base fee. You will perhaps recall that we said in our growers report last year that we favoured a fixed fee because it removed some of the variables that were a source of a lack of clarity and perhaps an argument. That fixed fee is going to be a bit higher than \$51 million. In fact, it will be \$65 million. The reason, as we understand it—and we will be looking at this in the next review, the one we are embarking on now—is that the AWB(I) has had a consultants' report on their future strategy as an input to deciding on their future strategy; the consultants are not just telling them exactly what to. One of the things in that report was that they needed to have in mind that the infrastructure which they have might not be as up to date or might be more rundown than it should be and therefore, in terms of keeping their game in front of the world wheat trade, they should look at all of that. The implication of that was that they would probably have to charge more to the growers through 'I' to fund that. The issue for us is: what benefit will the growers get from that additional money? It was \$14 million-odd. We will be looking into that in our PMRR report for the year that we are looking at now, which is for the pool that closed in April last year.

ACTING CHAIR (Senator Ferris)—When you said that the previous report had the figure about right, how did you come to that conclusion?

Mr Besley—We did quite a bit of data. I think you were asking once before—if I looked at the transcript, where you asked, 'Can you tell us item by item?' We got sufficient information to satisfy ourselves openly and fairly that that was a proper figure.

Mr Taylor—In the 2004 *Growers' Report* on page 18 there is a report by the Wheat Export Authority that outlines the process that it went through in looking at those remuneration

arrangements and the costs that are charged to the pool and I believe that provides a new level of transparency on that arrangement.

ACTING CHAIR—I will have a look at that. I think you would know from my questions over the years, particularly Mr Taylor, that this is an issue that is constantly raised by growers because it is currently extremely difficult to, if you like, unbundle many of those services and test them against market services and it is an issue that has been raised many times during enquiries by this committee. One of the areas that I would like to raise with you, Mr Besley, is the international transport of wheat and perhaps I can contextualise it by saying I am particularly interested in the difficulties currently facing AWB Ltd in the sense of its ships that are held up in Iraq. I am aware that the contents of the grain that is the subject of some contention about iron filings is in fact owned by the Iraqis but it is my understanding that AWB Ltd is in fact responsible for a portion of the demurrage costs. Have you looked at that issue?

Mr Besley—I cannot answer that.

Mr Taylor—I do not believe, if I understand you correctly, that WEA has looked at that specific issue in detail.

Mr Mortimer—The wheat exported to Iraq were bulk shipments so AWB(I) does not have to come anywhere near WEA to get approval for that.

ACTING CHAIR—I was not suggesting that but I would have thought that it fell within principal output No. 2 which, just to contextualise it, says:

To effectively monitor, examine, and accurately report to stakeholders on the export performance of AWBI and the resulting benefits to growers.

AWB Ltd has a chartering division paid by the national pool to provide ocean freight capacity to transport wheat to market and my understanding is that no other freight provider can even bid for business to AWB(I), that is, it is a monopoly. Therefore I would have thought that when a vessel is held up at the other end of a journey, such as the bulk ships that have been outside the Iraqi ports for some months now waiting to discharge wheat, that under output No. 2 it would have been of interest to the WEA to start looking at the effect on the return to growers through the pool of the continuing costs of demurrage. I am particularly interested in the liability for costs for this wheat that has now been held up for quite a long period of time while arguments take place about the quality of the wheat. As I say, I know it is owned by the Iraqis but the demurrage comes back to the pool costs and I would have thought that under output 2 that would have been of interest to you.

Mr Besley—I think we would like to take that on notice. The growers, of course, are paid before the wheat leaves—

ACTING CHAIR—I understand that.

Mr Besley—so what you are saying is that if the demurrage comes back and it is charged against the pool then it has an effect on the growers. I think we should look at that.

ACTING CHAIR—It is not unusual for that demurrage to be \$US30,000 or \$US40,000 per day. I do not know what it is in relation to these particular costs involving the Iraqi wheat that is held up but I imagine it is still within the same ballpark and therefore I would have

thought that it would be something that you would look at. Have you ever looked at the costs of demurrage and the current system that is a monopolistic system operated by the Wheat Board?

Mr Besley—No. There have been occasions when ‘L’ has taken the cost on of some things and not passed it on. I do not know whether this is one. I have heard what you have said and we will have a look at it.

ACTING CHAIR—There does seem to be an area that does fall within output 2.

Mr Besley—If it truly comes back to the pool, then it clearly does fall within output 2.

ACTING CHAIR—In the sense that there is no opportunity for other charter costs to be tendered, it surely does fall as one of those costs that needs to be tested in terms of its transparency.

Mr Besley—I suppose it depends where the cost stops. If ‘L’ absorbs it, that is the end of it. I do not know whether it does or not and we should find out.

ACTING CHAIR—My understanding is that growers themselves are responsible for a portion of this demurrage, and I think there is going to be some negotiated outcome. But this is only one example. There have been many of them and I suspect that in relation to this troubled country there will be many in the future. So it seems to me that it is an issue worth pursuing.

On page 4 of your report you refer to interaction of the 2001-02 and 2002-03 national pools and you say that AWB(I)’s tactic of extending the sales and finalisation of the 2001-02 pool resulted in growers capturing higher prices. I am wondering: has WEA carried out any analysis of the increased costs imposed on the 2001-02 pool as a result, and, if so, do these costs outweigh the extra sales revenue?

Mr Taylor—Can I confirm that you are looking at WEA’s *The Growers’ Report* for 2004?

ACTING CHAIR—Yes.

Mr Taylor—The Wheat Export Authority has previously looked at the costs, which I think you are referring to, of extending the 2001-02 pool that is referred to in that text. The WEA did report on those costs in *The Growers’ Report 2003*. I do not have that report with me but the WEA certainly came to the view that from a cost-benefit perspective the growers were significantly better off as a result of the decision to delay the closure of the 2001-02 pool, taking into account the additional costs that were incurred by the growers in that delay that was decided upon by AWB(I).

ACTING CHAIR—The AWB Ltd financial results published on their web site show that AWB(I) paid AWB Ltd \$19.4 million in outperformance fees in the 2002-03 national pool, which held at the time only 4.7 million tonnes of wheat. Page 6 of the report says that much of this wheat was sold into the Australian domestic market that was currently drought stricken. How is it that Ltd was judged to have outperformed the wheat industry benchmark for that pool year when there was only a small pool to sell and a larger than usual percentage was sold into the domestic market? I wonder if this indicates that the wheat industry benchmark is in need of review?

Mr Taylor—On page 4 of *The Growers' Report* that you have there, table 1 breaks down by pool sales of wheat to the domestic and export markets by AWB International. You will see that in the overall scheme of things it was a small proportion of wheat sold into the domestic market, but overall it was a greater volume than had been sold into the domestic market from the 2001-02 pool. In the context of your comments, the remuneration model is one that has been agreed between the boards of AWB International and AWB Ltd. We understand and see the perspective you are putting to us about how the remuneration arrangements operate. At any one point in time AWB(I) does manage several pools, so it may not be entirely fair to look at the total remuneration payments made to AWB Ltd in any one period against a particular pool, because there are usually three pools being managed at any one point.

ACTING CHAIR—But it is very likely, given this year's drought, that we will have the same sort of operation—that is, a large amount of wheat being sold into the domestic market, which again could affect the benchmark. That makes me wonder whether it is time to have another look at the benchmark.

Mr Taylor—The benchmarks, as you will see from *The Growers' Report 2004* and *The Growers' Report 2003*—being the hurdle and the wheat industry benchmark—have been the subject of very specific and detailed assessment by the Wheat Export Authority. We hear what you are saying about the possible need for a review of those benchmarks again. As the WEA chair has indicated, there is a new model being proposed by AWB(I) for introduction in subsequent pools, but it may be a matter that the board of the WEA wishes to take into account insofar as looking at those benchmarks again.

ACTING CHAIR—At page 16 of your 2004 report there is reference to the amended services agreement between AWB Ltd and AWB International. A wholly owned subsidiary, AWB Services, was formed to supply services to AWB International. Does the subsidiary supply services to AWB Australia, the domestic trading division? If so, how does AWB(I) ensure that the base fee of \$65.1 million is not cross-subsiding the operations of the domestic division?

Mr Taylor—The management of the pool is undertaken by staff who are employed under the AWB Services banner. It is those staff who are directly responsible for delivering against the performance outcomes set in place by the board of AWB(I) insofar as pool performance and it is that arrangement under which the remuneration arrangements are put in place. So there are specific services that are required by the pool negotiated by AWB(I) that are provided by AWB Services for the management of the pool.

I cannot answer your specific question as to whether that is subsidising the services provided by AWB Services to any other entity within the AWB group. I would need to take that on notice, if I may, and have a look at the structure that exists there and how AWB Services is providing services to other arms of the AWB group.

ACTING CHAIR—This goes back to the recommendation relating to transparency. These are issues that growers constantly raise with me and, as you know, I have raised them with you in the past. At page 16 of the report there is reference again to the 77 services. I notice that they are now condensed into a number of KPIs. I wonder whether that bundling could make it more difficult for you to assess their validity and transparency. I wonder how you are

going to do that. The text says that for a specific KPI there can be a number of services provided by more than one AWB Ltd service provider. It seems to me this is now becoming a very complicated area for WEA to do its work under output 2. Have you thought about that and what methodology do you have in mind for it?

Mr Taylor—There has been consolidation of the KPIs under that services agreement. On the whole, WEA considers that the KPIs that have been established are more measurable than some of the KPIs that existed under the previous model. Yes, that is correct. There are often on occasion several different areas responsible for delivery of those services. We believe that we are in a position of being able to see those strategic key performance indicators and also the reports that are made to the board of AWB International and also having seen the penalty provisions that are built into that services agreement against those key performance indicators to make a report to the growers that fairly and accurately reflects how AWB Ltd is performing in delivering those services to AWB International.

Senator FERRIS—A cynical person might say they have been made more complicated to make your life more difficult. Certainly, that is an issue that has been raised with me by some growers who have a long-term sense of frustration about the difficulties of unravelling the way in which this monopolistic bundle of services has operated in the past. I think it is fair to say that they were very reassured by the findings of the inquiry that they saw. But I look forward next time we meet at estimates to tracking this again because it is a subject I take a great interest in.

Senator O'BRIEN—Which was the foreign exchange recommendation you were referring to?

Mr Besley—That was one of the recommendations by the panel in funds management that we should have that kind of expertise. It was a general recommendation that we needed business skills and we also needed to have in our stable of expertise somebody who understood foreign exchange. I cannot tell you which one it is. Recommendation 16 says that WEA should further improve its trading and risk management capabilities so it is well equipped to undertake its key roles under the act and it goes on to talk about foreign exchange somewhere.

Senator O'BRIEN—So it is recommendations 13 and 16 that you had some difficulty with and the rest you agreed with.

Mr Besley—I do not have them in front of me.

Senator O'BRIEN—It is recommendation 15 not 13; you are right.

Mr Mortimer—Recommendation 16.

Senator O'BRIEN—Recommendations 15 and 16, consultative group recommendations.

Mr Besley—That is right. I said that AWBI, GCA and we felt that it would be more efficient to deal with issues that were formerly dealt with by the consultative group by setting up outcome focused working groups to deal with specific issues, but I made the point that, in commenting on that to the minister, we made it clear that that was, of course, a matter for him to have a final view on and that is where the position remains at the moment. But we have made it clear from the outset that we do not think we need foreign exchange expertise. You

will find that in the growers report by the panel where they specifically said that we needed to have hands-on expertise and operational experience in the key areas of foreign exchange and commodity trading. We felt that that was not something we needed to have on an ongoing basis. We can always get it.

Senator O'BRIEN—Looking at the past and current portfolio budget statements, in 2003-04 WEA's average staffing was 13, in 2004-05 it was 14 and next year it is expected to rise to 15. Why has the number of staff grown over recent years when your responsibilities have been diminished? In July 2003 you lost responsibility for the wheat marketing review.

Mr Besley—In terms of the kinds of things it has done, I think it would be fair to say it is a very lean organisation, but Glen can give you a more precise comment than that.

Mr Taylor—The increase in staff resources that you are referring to from 13 to 14 relates to getting someone in to assist with WEA communication activities. That was an area that had been identified as a weakness of the organisation. That resource had been beefed up, so to speak. Insofar as the possible increase to 15 staff members in 2005-06, that is for the recruitment of an additional staff member so that WEA staff will be able to assist with the implementation of the review panel recommendations.

Senator O'BRIEN—So it would have been 15 in 2004-05 if the review had come down sooner?

Mr Taylor—Possibly.

Senator O'BRIEN—Because you gave me some numbers for 2004-05.

Mr Taylor—Yes, possibly.

Mr Besley—In the longer term I expect the numbers can come down a little, but it is a very lean organisation.

Senator O'BRIEN—It still costs growers a considerable amount of money.

Mr Besley—I realise that, but growers need to be assured that they have somebody who is properly monitoring the activities of AWBI and hopefully effectively—and I believe it is—handling the consent apparatus for those who need consent to export their wheat.

Senator O'BRIEN—The annual report says the Wheat Export Authority has an equal employment opportunity program that 'seeks to encourage workplace diversity through the organisation'. That is a fine objective. Most agencies provide a table in their annual report demonstrating evidence of their commitment to equal opportunity. Your report is silent on that. I would like to ask you some questions. How many of your staff are women?

Mr Besley—There seems to be an awful lot, but let me ask Glen.

Mr Taylor—I believe five WEA staff are women.

Senator O'BRIEN—So that is five of 14?

Mr Taylor—Correct.

Senator O'BRIEN—How many staff are identified as Aboriginal or Torres Strait Islanders?

Mr Taylor—I do not believe any are identified as Aboriginal or Torres Strait Islanders.

Senator O'BRIEN—How many of the staff have an identified disability?

Mr Taylor—I am not aware of any who have an identified disability.

Senator O'BRIEN—How many of your staff were born overseas with English as a first or second language?

Mr Taylor—I would need to get back to you. I believe it is at least one—sorry, two.

Senator O'BRIEN—Two? Exponential growth! Am I correct in understanding that the chairperson and members of the Wheat Export Authority are engaged on a part-time basis?

Mr Besley—The chairman, yes.

Senator O'BRIEN—And the members?

Mr Besley—Absolutely, yes. Having been both, I can tell you it is slightly more part-time if you are chairman than if you are not.

Senator O'BRIEN—The rem. tribunal No. 12/2004 identifies a remuneration for the chair of WEA to be \$69,930 and the rate for members to be \$31,530, with determination 2004/03 providing that both categories are entitled to the highest class of travel available, including first class when travelling overseas. Have I read the remuneration tables correctly?

Mr Taylor—I believe so, yes.

Mr Besley—I can tell you, though, that we do not go overseas very often and when I did go overseas I did not travel first class.

Senator O'BRIEN—We will come to that. In addition to remuneration, what member expenses does WEA fund or reimburse?

Mr Besley—I think out-of-pocket travel expenses. For example, if I take my car to the airport and valet park it, it is cheaper than two taxi fares. So I do that and claim the cost of valet parking, which I think is responsible and reasonable. I have never claimed nor do I think have any of the members claimed postage or anything like that. I think we loaned one of the members a fax machine so that he could receive papers for board meetings. But there is really nothing significant.

Senator O'BRIEN—Would it be a problem to provide us with a breakdown for the current financial year?

Mr Besley—We can do that but I think you will find it is two-thirds of five-eighths.

Senator O'BRIEN—The most recent annual report says you conduct board meetings 'as required'—they are the words you use. Who makes the decision about when a board meeting is required? Is it the chair or is it a decision the board makes sometime during each meeting?

Mr Besley—It is driven by the chair and the board in consultation with the CEO. We were talking about this today—our next scheduled meeting is July but for a number of reasons we have decided today we should have one in June. It depends very much, as it should, on what is around and how often we need to meet to deal with what is around. We do not have any fixed ideas about no more than or no less than.

Senator O'BRIEN—How many meetings have there been in the current financial year?

Mr Taylor—There is a report in the annual report of the meetings that have been attended by WEA for the 2003-04 financial year. I think there have been two WEA board meetings this financial year.

Mr Besley—In addition to that, there have been telephone hook-ups. There will be one of those, for example, next Monday at half past four. There is an issue that needs to be settled by the board and we do not need to come together for that but we have used that technique quite a bit. It saves money and is efficient.

Senator O'BRIEN—You think there might be another meeting of the board in June?

Mr Besley—Yes. It is a question now of getting people's diaries in sync. I have told them when my diary is okay and we just need to figure out how the others are placed.

Senator O'BRIEN—You are a lucky man. Your annual report says:

Cost considerations along with access to stakeholder groups guide the selection of meeting venues. What does that mean?

Mr Besley—It means exactly what it says. We try to have a meeting or two away from Canberra. Indeed, if we are going to have, as we do from time to time—and we will probably do it more in future than in the past—board to board meetings with AWBI or meet with the GCA executive, we would plan to have one of our board meetings to coincide with one of theirs, which quite often is in Melbourne, so that we can get together in one hit, so to speak. We try to rationalise our travel to meet with the requirements to keep in touch with those key stakeholders when it is convenient for them to all be together, which is usually when they are having a board meeting.

CHAIR—You could have one in Western Australia.

Mr Besley—It is tempting.

CHAIR—They will be the key stakeholders because they are the only buggers that are going to have a wheat crop the way it is going.

Mr Besley—I think you are right.

Senator O'BRIEN—That might be mitigated against by the cost factor.

Mr Besley—As I said, it is tempting. We could easily make a case for going to the west once every so often, but you would not want to do it more than once every so often—once a year would be perhaps stretching it a bit.

Senator Ian Macdonald—Cost factors never worry parliamentary committees when they go right around Australia, but it is good to see it worries you.

Mr Besley—We have a pretty tight budget. Having done an inquiry for the government on telecommunications I know what you are talking about.

Senator O'BRIEN—Where was each board meeting held in the current financial year and what was the associated cost?

Mr Besley—We can provide that. Do you want the direct costs—travel costs?

Senator O'BRIEN—Travel costs, venue and accommodation.

Mr Besley—To get our grower members from where they are to our meeting place, whether it be in Melbourne or Canberra, invariably involves one if not both having to stay overnight somewhere.

Senator O'BRIEN—There may be occasions when it would be cheaper to bring a grower or two to a board meeting than to take the whole board and pay accommodation. It is how some committees of this parliament operate. We would have hearings in Canberra and pay for people to come to Canberra, rather than take Hansard and the whole committee to a venue for a short hearing. But we concede that for parliamentary accountability we do have to go and see the people where they are from time to time. But in relation to conflict of interest for members, your last annual report says there are 'declared interests recorded in minutes of meetings'. I take it they are not public minutes.

Mr Besley—No, they are not, but we follow the regular procedure that is adopted in government circles where we declare conflicts and handle them if there are any. I can tell you that there have not been any since I have been sitting in this position. There was one suggested as a possible conflict but it was not really. The point I make there is that the person saying that they had a potential conflict was bending over backwards to say, 'Look, just in case this is a conflict I'll tell you what it is,' but it was definitely not. So members handle that very carefully.

Senator O'BRIEN—Under the heading 'Conflict of Interest' the annual report says this:

Following declaration of a potential conflict of interest, the Chairman notified the Minister and the WEA that he would be standing aside from all duties on 27 July 2004. At 30 September the Chairman had not returned to WEA duties. Because there is no facility under *the Act* to appoint a temporary, or ongoing deputy chairperson, Members nominated Mr Tim Besley as presiding Member in the interim to assist the conduct of business.

That is a strange passage in the annual report. What does it actually mean? What happened?

Mr Besley—One of the questions I was asked by AWBI at one stage was, in effect, 'Is John Walter being paid for doing nothing and am I also being paid for doing the same job at the same rate?' My response was that, 'Yes, John is being paid, because those are the rules of racing under the Remuneration Tribunal that sets his salary but, if you are asking me whether we are paying two chairmen salaries, the answer is no, we are not.' We felt it important to make the point in our report that, for reasons that were good and sufficient at the time, he stood aside and I was in there as presiding member to keep the show going.

Senator O'BRIEN—On what date did Mr Walter notify the minister and the WEA he would be standing aside from duties as at 27 July last year?

Mr Besley—It would have been about that date. I do not have his letter with me, but we could tell you precisely what it was. He wrote to the minister and stood aside.

Senator O'BRIEN—Could we have copies of the correspondence?

Mr Mortimer—That is an issue for the department for the minister if Mr Walter wrote to the minister, but we are happy to see whether the minister is happy to do that.

Senator O'BRIEN—He wrote to the board as well. Can we have a copy of the letter to the board? There were two different letters.

Mr Besley—I would need to check that.

Senator O'BRIEN—Are you saying the minister got a copy of the letter to the board or vice versa?

Senator Ian Macdonald—Why don't we take it all on notice, check facts and see whether the minister is happy to release it?

Senator O'BRIEN—Okay. Can you tell us why he stood down from all duties and did not just resign?

Mr Besley—No, I cannot. That was a matter for him. He did not discuss it with me or any of us and whether or not he discussed it with the minister I do not know.

Senator O'BRIEN—I take it from your earlier comment that he was still being remunerated as a chair when he stepped down?

Mr Besley—Yes, he was.

Senator O'BRIEN—Did Mr Walter indicate that the conflict would be ongoing?

Mr Besley—Yes, as I understand it, and I think the reason was that his law firm was then acting for AWBI—for someone in the group, anyway.

Senator O'BRIEN—He joined Corrs Chambers Westgarth late in 2004 from Minter Ellison, so it was the Minter Ellison engagement that was a conflict.

Mr Besley—Minter Ellison, yes.

Senator O'BRIEN—Did the board seek advice from the department, the minister or its own lawyers about how it should conduct itself while it waited for Mr Walter to return to duties?

Mr Taylor—Yes, the authority did get legal advice on the situation that it faced with the then chairman standing aside.

Senator O'BRIEN—I have looked at the act and I cannot find the term 'presiding member'. What does the term mean?

Mr Taylor—In practice it meant that the authority members had to decide at each meeting of the members which of them would act as the presiding member over that meeting. The members determined at each meeting that they would nominate Mr Besley to fill the role of presiding member over that meeting.

Senator O'BRIEN—That was the nature of the advice that you had?

Mr Besley—I do recall that.

Mr Taylor—Our minutes record that.

Senator O'BRIEN—The minutes record that that was the advice the board had?

Mr Taylor—The minutes record that the members agreed to Mr Besley acting as presiding member for that meeting in the absence of Mr Walter.

Senator O'BRIEN—When I asked whether the board sought any specific advice about its power to appoint a presiding member, I thought you answered yes.

Mr Taylor—Yes, they did seek advice on the situation that the WEA board was faced with, with the chairman standing aside. That advice outlined for the WEA what scope it had and what options it had to function in the absence of a chairman.

Senator O'BRIEN—I wonder if the board would provide a copy of that advice to this committee.

Mr Besley—From the Government Solicitor?

Senator O'BRIEN—Yes.

Mr Besley—Again, I think the advice is a matter for the department. David, is it not?

Mr Mortimer—It is probably a board matter.

Mr Besley—If the board can do it, I do not have a problem at all with it. I am told that we sought it, and I see no problem in providing that advice.

Senator O'BRIEN—Thank you for that. Apart from presiding and signing off the annual report, what other functions, if any, did you, Mr Besley, perform as presiding member?

Mr Besley—I guess I did everything the chairman used to do, except get paid his rate.

Senator O'BRIEN—Mr Besley, when Mr Truss announced your appointment on 22 December last year, he said that you had been acting chairman of the authority for the past five months. That is not accurate, is it?

Mr Besley—I noticed that. I was never acting chairman. We were not allowed to have one. That was poetic licence, I think.

Senator Ian Macdonald—It described the function, not the technical position.

Mr Besley—It did.

Senator O'BRIEN—On what date did Mr Walter cease to be the chairman and a member of the board?

Mr Besley—You may recall that his original term would have finished in June last year. For reasons of helping out the government, he agreed to a six-month extension, whereupon he immediately found he had this conflict. So in fact he finished that extended term of six months, during which he was unable to act as chairman, on 31 December.

Senator O'BRIEN—So he did not resign; his term expired?

Mr Besley—His term expired.

Senator O'BRIEN—The WEA web site indicates that the independent member's position on the board is vacant. That was your position, was it not?

Mr Besley—That is correct.

Senator O'BRIEN—When announcing your appointment Mr Truss said:
A new Independent Member will be appointed to fill the vacancy on the WEA early next year.
Did that happen?

Mr Besley—No, it has not yet.

Senator O'BRIEN—How many board meetings have been held at which the independent member's position has been vacant?

Mr Besley—I would have to add them up. It is for the two that we have had this year—because while I was presiding member I was still the 'independent' member—and also for the minutes and telephone hook-ups that we have had. I cannot remember how many of those there have been, but at least two, I think. It would have been for all of those this year.

Senator O'BRIEN—Do you know of any reason why the position has not been filled?

Mr Besley—No, as far as I know it is a government appointment, and that is a process which you need to address to someone other than me.

CHAIR—They are trying to find someone with thick enough skin, I presume.

Senator O'BRIEN—They are trying to find someone independent who does not have a conflict of interest, perhaps. Mr Mortimer, do you have any light you can shed on the subject?

Mr Mortimer—The minister is certainly keen to fill the position, but clearly it is a matter of finding the person who best meets the set of expertise requirements, and the minister is still considering options on that.

Senator O'BRIEN—So you cannot help us?

Mr Mortimer—I cannot say any more than that; it is essentially a matter for government to settle.

Senator O'BRIEN—Do you know which part of the AWB group Mr Walter's law firm was acting for?

Mr Besley—I cannot recall. I think it is AWBL, but I do not know.

Senator Ian Macdonald—That question is not relevant to Mr Besley.

Senator O'BRIEN—There was a conflict of interest; it was about a key stakeholder, apparently. I am just trying to be clear on which stakeholder Minter Ellison were acting for.

Mr Besley—I do not know whether his letter to the minister was specific, but it may be in that letter.

Senator O'BRIEN—Do you know if the letter tells you when the firm started acting for the AWB group member?

Mr Besley—I do not know.

Senator O'BRIEN—I presume the conflict arose before he stood aside?

Mr Besley—I think the reason for his standing aside was that the conflict had arisen. I do not know what the juxtaposition was.

Senator O'BRIEN—Do you know whether the law firm continued to act for the AWB group member while Mr Walter was chair albeit having stood down?

Mr Besley—No, I do not.

Senator O'BRIEN—One presumes that is the case, because he did not return to the position for which he was paid.

Mr Besley—I cannot throw any light on that.

Senator O'BRIEN—According to your annual report, the WEA reimbursed the Grains Council of Australia for two meetings in 2002-03 to the tune of \$26,192. Has that figure been amended or changed in any way since the report was published?

Mr Besley—The rules of racing are that we do pay for their meetings. As I recall, their earlier invoices were pretty light and then more recently they have sent in full-blooded invoices, which are justified. While it might look like a big increase I think it is just simply that they have set about putting their costs down accurately—

Senator O'BRIEN—They have become black type, I take it.

Mr Besley—We are obliged to pay what they ask us to pay provided we are satisfied it is not outrageous.

Mr Taylor—The minister did issue some guidelines for reimbursement of costs to the Grains Council and it is against those guidelines that the WEA agrees to make any claims from GCA to recover costs for meetings with the WEA.

Senator O'BRIEN—What reimbursements have been provided for meetings in 2004-05 to date?

Mr Taylor—I would need to take that on notice.

Senator O'BRIEN—The list of stakeholders published on page 63 of your annual report lists eight stakeholders and it lists Australian wheat growers at No. 4. Do we then take it that, according to the WEA, the three stakeholders above the growers rank in higher importance?

Mr Besley—It is really a judgment issue. You could almost put the second, third and fourth all on the one line. I do not think it is meant to indicate there is a vast difference in the importance in which we hold the wheat growers compared with the AWB board and executive.

Senator O'BRIEN—I think the group that depends on the WEA the most at the moment is the growers.

Mr Besley—They look to us to make sure we do our two functions well.

Senator O'BRIEN—The parliament does on their behalf—that is certainly true.

Mr Besley—Yes, but let me assure you it is not meant to list them as second-class citizens at all.

Senator O'BRIEN—It appears that in 2003-04 representatives of the WEA, members and/or staff travelled to Vietnam, New Zealand, China and Italy. I would like to know what the total cost of overseas travel in that financial year and the current financial year has been.

Mr Besley—We will have to take that on notice.

Senator O'BRIEN—When you do, can you let the committee know which members and staff went on each identified overseas stakeholder consultation over those past two years?

Mr Besley—Yes, we could identify them. I can tell you that I went to China and that Glen and Robert Gooden came with me. Glen also went to Italy with Malcolm Heath and Robert

Gooden. Jim Flockhart and Glen Taylor went to Vietnam. We can give you a list of those names.

Senator O'BRIEN—One of the authority's key functions is to prepare a report on AWBI's export performance that examines and reports on how growers benefit from that performance. You produced two reports, one for the minister and one for the growers. Can you tell me what it cost to produce the 2004 report to the minister and the 2004 growers report?

Mr Besley—Not off the top of my head. We could get you that. We felt it important to lift our game a bit on the growers report to make it—to quote an expression that Sir Frederick Wheeler used to rub into me—'more visually highly digestible' and also, hopefully, more readily understood, picking up the point that was made by one of your colleagues earlier. We have tried to make sure growers really know what we do and how we do it. So there would be a bit of cost in that. We will find out what it is, but it seemed important to us to make it a report that they wanted to read.

Senator O'BRIEN—How was the report for the minister presented? Was it a similar format?

Mr Besley—No, it was not nearly as fancy as that.

Senator O'BRIEN—I presume there was more in it?

Mr Besley—Yes. There are some bits in it that are confidential, so there was more in it. But it did not cover any new issues. Some of the aspects of those issues which the growers report covered got into some confidential areas, but there was nothing in it that was not reflected in a non-confidential way in the growers report.

Senator O'BRIEN—A final question which goes to the issue of accountability to wheat growers and the parliament: page 58 of your annual report says the WEA's insurance contract 'prohibits the disclosure of the amount of premiums payable by the authority'. I would have thought the growers that fund the organisation and therefore pay the bills and the parliament that authorise the compulsory collection of that funding would be entitled to know every last detail of your finances. Who do you insure with?

Mr Taylor—I am not sure of the basis of that statement, but I would be happy to take that on notice and get back to you, if that is okay.

Senator O'BRIEN—I would like to know who insures and what the premium is, because I believe that growers are entitled to know. Can you quantify the value of the benefit of the single desk to Australian wheat growers after five years in existence?

Mr Besley—Immense. It would be very difficult to do that in dollar terms. If you want us to—

Senator O'BRIEN—We have had some dollar figures as a range.

Mr Besley—Yes, I know.

Senator O'BRIEN—That may be why you do not want to give us an estimate now.

Mr Besley—It is shaky ground upon which to stand, I think.

Senator O'BRIEN—After five years and many millions of dollars of growers funds, it is probably a question a lot would appreciate having answered.

Mr Besley—I think AWBI has had a shot at it. There are things they have put out—their fact sheet 'Your single desk'—but, unfortunately for them, some of those were not exactly—

Senator O'BRIEN—They might have a vested interest in that. They are looking for someone independent.

Mr Besley—They were not exactly correct and they had to be withdrawn. No, we could not give you a figure.

CHAIR—What parts had to be withdrawn? You are starting to get my curiosity up here. They were put out by—

Mr Besley—They put out some fact sheets, which we took a little bit of umbrage at. They accepted that it was reasonable for us to take umbrage. They withdrew it or they did not circulate it anymore.

CHAIR—You would not care to supply that to the committee, would you?

Mr Besley—I forget which one it was, frankly. I think it might have been headed 'Your single desk'.

Mr Taylor—There was a fact sheet associated with it.

Mr Besley—If they have not all been pulped, we can get you one.

CHAIR—I would be curious as to the spin. Could I ask a very simple question: if we are not allowed to know the amount, who is your insurer?

Mr Taylor—Comcover is the WEA's insurer.

CHAIR—Tell me what that means.

Mr Taylor—Comcover is a government insurer, and the WEA—

CHAIR—Is it the government, in other words?

Mr Taylor—Yes.

CHAIR—So it is self-insured.

Mr Besley—I think that is a requirement they have with all of the policies.

Mr Taylor—That is correct.

CHAIR—Self-insurance?

Mr Taylor—You may say that, Senator. The Wheat Export Authority is required to have insurance across a range of its responsibilities, and it has to be with Comcover.

CHAIR—I understand that. You might one day make a slip-up that needs insurance. There is a premium?

Mr Taylor—Correct.

CHAIR—What would be the logic for not disclosing the premium? Is it too high or too low?

Mr Taylor—I cannot answer that question for you at the moment.

CHAIR—This is your booklet, though?

Mr Taylor—That is correct.

CHAIR—And you say it, but you do not know why you say it?

Mr Taylor—I do not know why that statement has been made. I need to look at the background and then get back to you.

CHAIR—Who is the author of this?

Mr Taylor—That is something that is prepared across the WEA.

Senator Ian Macdonald—I think you are saying it is in the contract.

CHAIR—But if it is in this book it would be reasonable to expect you to know why it is there and that it is there.

Senator Ian Macdonald—It is a condition of the contract, no doubt.

CHAIR—The people that this document reports on do not know why it is there, so who does know why it is there? Who are you going to ask?

Mr Taylor—As it is reported it is a condition of the contract, I will —

CHAIR—When you leave here, who are you going to ask: ‘What the hell is that doing in there?’

Mr Taylor—I will have a look at the contract.

CHAIR—Yes, but who are you going to ask?

Mr Taylor—I will ask one of the staff from the WEA for a copy of the contract.

Senator Ian Macdonald—But what you are really saying is: ‘Why did you enter into a contract with that condition in it?’ That is just recording the actual fact, as I understand it.

CHAIR—I understand you are not necessarily across the fine detail of everything, but it is an extraordinary—

Mr Taylor—We have no choice in the service provision of the insurance the WEA needs to operate.

CHAIR—I understand all of that, but it just seems a bit wonky that you cannot actually disclose the financial details, which would make people think: ‘Hello’—a little alarm bell starts to go off—‘what’s this all about?’

Senator Ian Macdonald—There might be other reasons.

CHAIR—It might be a hell of a good deal. Anyhow, we would be interested to know. And I am sure you will be interested to know too, because I presume you do not know.

Mr Taylor—I will. I will be able to answer the question in future.

CHAIR—We will now turn to the area of market access.

Senator O’BRIEN—Can someone give us an update on the latest situation on the wheat shipments which have not been allowed to land in Iraq?

Mr Banfield—There are other divisions involved in this issue, if you want to talk about wheat to Iraq. Can I request that some of my colleagues from the Market Access Division join us, please?

CHAIR—Absolutely—the more the merrier. How many other insurance instances are there where the premium is not disclosed around the traps? Is that uncommon, or common?

Mr Banfield—I will take that on notice. I do not know the answer to the question. What I can say, though, is that certainly as a department we use Comcare, and I can assure you that we pay a premium for their services. I would be happy to take that on notice in terms of other requirements, if that helps.

CHAIR—Would there be other instances that you know of of that type of thing, given that it is the wheat growers who foot the bill?

Mr Banfield—I would not pretend to be an expert on Comcare or Comcover. The best I can do is take it on notice, and we will get you an answer.

CHAIR—Thank you.

Senator O'BRIEN—I wanted an update on the latest situation on the wheat shipments that have not been allowed to land in Iraq.

Mr Burns—The latest situation is that the Iraqi Grains Board have been conducting further tests. I do not know the outcome of that at this time but, following representations by Mr Vaile—and, I understand, Senator Hill during his visit to Iraq recently—the Iraqis have been looking into the issue and AWB Ltd has been liaising with the grains board. I understand there should be an outcome to that soon.

CHAIR—Have we—that is Australia—been over there and driven a probe into the wheat to find all this? Have we invited ourselves to do that?

Mr Burns—As I understand it, the ships were tested before they left Australia, as is required by AQIS and others. There were no signs of contamination at that time. I am not personally familiar with whether there has been any other testing by Australians, but I know that the Iraqi Grains Board has done so.

CHAIR—So someone has produced a sample that is contaminated?

Mr Burns—Not that I am aware of.

Mr Morris—When the minister was recently over in the Middle East, he met with Andrew Lindberg and Michael Long, who were just coming out of Iraq at that time, having had meetings in Baghdad with senior officials and the Iraqi Grains Board to discuss the situation. I understand that the original problem arose when officials brought forward a supposedly contaminated sample; that had been the start of the issue.

CHAIR—So such a sample still exists?

Mr Morris—I understand that the sample was brought in and shown with contaminated material in it. But there was some contest as to how that material found its way into the sample.

CHAIR—We were not invited to go and take a sample for ourselves?

Mr Morris—As Mr Burns said, there were samples taken before the wheat left Australia. So we had samples of the wheat here in Australia already that could be tested. They were found to be free of contaminants.

Senator O'BRIEN—What is the government doing to try to resolve the matter?

Mr Burns—The government has been liaising closely with AWB Ltd on how to do that. A range of actions have been taken, including the trade minister and the Deputy Prime Minister writing to their counterparts in Iraq. As I mentioned, Senator Hill made representations and was, I think, accompanied by representatives from AWB Ltd on his most recent visit to Iraq. It is also fair to say that AWB Ltd was very keen to be handling this issue as much as possible themselves.

Senator O'BRIEN—They have asked the government not to intervene? Is that what you are trying to indicate there?

Mr Burns—No. As I said, the government has made representations on their behalf.

Senator O'BRIEN—What does the comment 'they are very keen to handle this matter themselves' mean?

Mr Burns—They were very keen to travel to Iraq themselves and to deal with the people that they have a good commercial relationship with.

CHAIR—Is there a restriction zone around these ships that are sitting 100 yards offshore?

Mr Burns—I could not answer that question, I am sorry. I could find out.

CHAIR—It would be an interesting process to grade a bit of the wheat out of the ship and see what you come up with.

Senator O'BRIEN—Who is actually saying that it is contaminated—the Iraqi government?

Mr Burns—The issue first arose before the new ministers were in place in Iraq. I think the initial suggestions came from the Iraqi Grains Board, but I would have to confirm that.

Senator O'BRIEN—What are the ramifications for our continued market for wheat in Iraq if this matter is not resolved with us obtaining a clean slate?

Mr Burns—That is an issue that AWB Ltd would probably be best to answer themselves because they are involved in commercial negotiations and there are sensitivities around dealings on a range of commercial issues with Iraq at the moment. I do not think that is something we are well placed to go into at this stage.

Senator O'BRIEN—Could we have confidence that the sampling process that took place in Australia would give us absolute assurance that the wheat was not contaminated when it was loaded into the vessel?

Mr Burns—To the extent that normal practices were followed. I understand that it is a mandatory requirement under the Grain Plants and Plant Product Orders of 1986 that marine surveyors inspect the ships' holds for their sustainability and their ability to carry grains before they are loaded. Then the marine surveyor who does that reports to AQIS that it is okay to be loaded. AQIS inspects for infestable residues that may be in the shipment. There is also,

I understand, a facility for magnets to be passed through during the loading and anything is extracted. I would say based on that there is a low risk that there would have been a contamination.

CHAIR—The grain picks up a bit of the old header and things that fall apart at harvest time.

Mr Burns—I would imagine that is correct, but I am not an expert in that.

CHAIR—When the ships are emptied how do they clean out the little tight corners? Do they vacuum it?

Mr Burns—I have never seen the process and I am not involved in it.

CHAIR—What was the previous load in the ship?

Mr Burns—I would have to take that on notice. I cannot answer that.

CHAIR—That would be interesting to know.

Mr Morris—It is more than one ship. I think there were five ships involved.

CHAIR—It would be interesting to know what their previous load was and where it went.

Mr Burns—We could find out.

Mr Morris—As Mr Burns has said, prior to the wheat being loaded they were inspected both by AQIS inspectors and by the marine surveyor, so the likelihood of—

CHAIR—Are they grain specific ships, or ships that back load with other stuff?

Mr Morris—We could confirm that.

Mr Burns—We would have to find out. We do not have those details.

Mr Morris—AWB was confident that the wheat sent over there was clean.

Senator O'BRIEN—One would hope that the AWB is always of that view, but I presume there has been some reinvestigation of the processes that applied to that shipment. Is that so?

CHAIR—The consequences for these five loads show there is a blip in the supply chain over there. Who filled the blip?

Mr Morris—That has been a concern. In fact, I am not sure the blip has been filled. There has been concern about a shortage of wheat in the marketplace. We have been talking closely with the US embassy, or at least our embassy in Baghdad has been talking closely with the US embassy about the situation. They have indicated concern as well about the—

CHAIR—Have they kindly offered to fill the blip?

Mr Morris—No, it has been more in the context of a joint concern about the shortage of wheat in the market and a joint concern about trying to resolve the existing situation. Obviously, claims of this type are potentially of concern to all wheat exporters, not just Australia, and so other wheat exporters have a similar concern to ours to resolve it.

CHAIR—There are five ships, but have other shipments of Australian wheat successfully negotiated the port since these ones were knocked back?

Mr Morris—I do not believe so. We could double-check that, but I do not believe that is the case. I believe that two of them have unloaded, partly in Iraq originally and partly in Kuwait, and three are still to be unloaded. I am not aware of any other ships.

CHAIR—Was the wheat unloaded in Kuwait sampled, graded or looked at in any way?

Mr Morris—The wheat that was unloaded in Kuwait was found to be of the quality expected and free of contaminants.

CHAIR—Did the five ships that were knocked back come from five different loading points?

Mr Morris—We will double-check that. I am not aware of the details.

CHAIR—So you can let us know where they were loaded and what their previous loads were.

Mr Morris—Certainly.

Senator O'BRIEN—Given the reports of corruption emerging in Iraq, what concerns does the government have that there may be forces at play to disrupt our trade by deliberate misrepresentation of the cargo?

Mr Burns—I do not think we are in a position to answer that. That is a question that perhaps the Department of Foreign Affairs and Trade, who have people on the ground, are better placed to answer.

Senator O'BRIEN—Are they involved on an ongoing basis with this matter?

Mr Burns—Yes. Our ambassador in Baghdad has been dealing constantly with the new Iraqi trade minister.

Senator O'BRIEN—Thanks for that.

CHAIR—What other countries are suppliers of wheat to this market?

Mr Morris—I believe at present the US is now able to trade into Iraq. I am not sure who else would be trading at the moment.

Mr Burns—We have certainly traditionally been—

CHAIR—Would it be reasonable to assume that the US have delivered wheat into Iraq while our ships have been standing off?

Mr Morris—Possibly, although I seem to recall reading somewhere that they have been delivering through a different port from us—through Syria or somewhere rather than Um Qasar, which is a port in Iraq. I think it has been transhipped, but that is a recollection of having read it somewhere rather than necessarily knowing for sure. But I believe there is some transhipment of wheat from the US going in through other countries.

CHAIR—The less said the better.

Senator O'BRIEN—I have some questions about what is happening with the review of US quota administrative arrangements for beef.

Ms Standen—The minister has appointed a panel to review the current arrangements for quota administration for exports of beef to the US and exports of beef to the EU. The panel is

currently undertaking its investigations and is having discussions with interested industry groups. It is due to report to the minister by 30 June.

Senator O'BRIEN—Who is on the panel?

Ms Standen—The panel is chaired by Ms Jan Taylor, and the other members of the panel are Mr Ross Donald and Dr Sandra Welsman.

Senator O'BRIEN—What expertise do they bring to the matter?

Ms Standen—I am not sure. I do not have their—

Mr Mortimer—I think that was set out in a press release that the minister put out at the time. In brief terms, Ms Jan Taylor has a commercial background and has been involved in commercial and business issues; Sandra Welsman has been involved in agricultural and related matters, including as a consultant; and Ross Donald is an ex-farmer from WA who was a member of the previous review panel that did the last review a couple of years ago.

Senator O'BRIEN—The minister is expected to have a report by the end of June.

Mr Mortimer—Yes, that is right.

Ms Standen—By 30 June, yes.

Senator O'BRIEN—In 2004-05, the buffalo slaughter levy was forecast to be 20,000—that is on page 24 of last year's PBS. It is now estimated to be 5,000. How has that come about?

Ms Standen—I cannot give you any details on the changes in the buffalo slaughter levy. You are specifically asking why there has been a change in the estimates?

Senator O'BRIEN—Yes, why it has been reduced from 20,000 at the beginning of the financial year to an estimated 5,000 at the end of the—

Mr Mortimer—It is probably best if we take that on notice. Essentially, the different organisations that are responsible for R&D, and I presume it is an R&D levy, cooperate with different bodies—I am not sure whether it is ABARE these days or someone else—to get a forecast production which they use to assess levy rates and levy collections. That then provides a basis for determining a level of research expenditure and such like which can be raised to fund the activities which will be administered by the relevant body. In the case of buffalo, it would be the Rural Industry R&D Corporation. That is the broad framework. In terms of the details, we will have to take this one on notice.

Senator O'BRIEN—Can you tell me what work is being done to try and build our processed meat exports into markets that currently prefer to take live animals?

Ms Standen—Again, I cannot provide any specific details on the programs on Meat and Livestock Australia in relation to that, except to say that Meat and Livestock Australia does have a number of programs, particularly market programs, in those specific Asian markets that do work to encourage consumers in those countries to have more confidence with those type of products.

Senator O'BRIEN—So the department has no role in that work?

Mr Mortimer—The work is essentially done by MLA and that is consistent with the arrangements—MLA was established for that function. They keep the department advised and posted on the key strategies and, indeed, report on the broad range of MLA activities consistent with the levy funding for those activities, so that is all in place. We do not get greatly involved in how they do that. They have their ears and eyes on the ground in different markets. They have overseas representatives and overseas agents and they work through those parts of the business.

Mr Banfield—We do get involved in animal welfare practices—and when we get to market access Mr Morris might offer an additional comment. As part of the response to the Keniry report the government has provided some support for improved animal welfare practices particularly in the Middle East, so we do have a more direct role there. But as Mr Mortimer says, in relation to the market and the preference for meat as a product that is largely done through Meat and Livestock Australia.

Senator O'BRIEN—Obviously the issue of live exports has not gone away. I take it that the government agrees that it is in the interests of this country's agricultural industries—because many processing jobs are in regional Australia—that we develop markets for processed meat in export markets.

Mr Banfield—That is absolutely true and we are acutely aware of that.

Mr Mortimer—We accept that, but at the end of the day customers basically make the decisions about what they want and how they want their meat, and MLA is out there doing a whole range of promotion and marketing activities. Part of the rationale for the live animal trade, in all honesty, is that customers want it like that and they want to be able to slaughter it there according to their customs. It is a matter that does not change easily.

Senator O'BRIEN—I think there is no doubt an element of that, but if we do not try it does not happen.

Mr Mortimer—I agree entirely and it is being tried.

Senator O'BRIEN—So there are no joint programs; it is up to MLA to do the development?

Mr Mortimer—MLA raises funding through levies to do that sort of promotion and activity and the industry is comfortable that those activities are well targeted and effective and so they continue.

Senator O'BRIEN—Is Austrade involved at all, do you know?

Mr Mortimer—I cannot say specifically. My expectation is that MLA would be working with Austrade in different markets, but I cannot say with authority. If you like, I can take it on notice.

Senator O'BRIEN—I would appreciate that.

Mr Mortimer—Okay.

Senator O'BRIEN—I take it that there isn't actually a particular strategy from this department or the government as a whole to try and build a value-added product into these markets? It is a desire but it is not a strategy.

Mr Mortimer—It is a desire, and the strategy's responsibility lies with MLA.

Senator O'BRIEN—The government does not play a role in that—is that what you are telling me?

Mr Mortimer—No, that is right.

Senator O'BRIEN—Has Mr Truss played any particular role in promoting the desire of government in this regard?

Mr Mortimer—I am not quite sure what that question means.

Senator O'BRIEN—What has the minister done? If the government desires the development of strategies to build a value-added product into these markets, what is he actually doing about it?

Mr Mortimer—The role at the moment essentially is in any comment that he wishes to make upon strategic plans by MLA.

Senator O'BRIEN—I want to ask some questions about the Wine and Brandy Corporation.

CHAIR—Where would be the appropriate place to ask a few questions about what would happen if we happen to lob a BSE problem?

Mr Mortimer—It is here, product integrity. We call some staff from product integrity to the table to deal with the issue of 2,4-D and grapes, as it is essentially an issue relating to managing product integrity.

Senator O'BRIEN—The Wine and Brandy Corporation is responsible to the minister, Mr Truss?

Mr Mortimer—Yes, that is right.

Senator O'BRIEN—And Mr Truss has the power to direct the corporation if that is required?

Mr Mortimer—In a broad sense, yes. I am not sure whether there is a specific provision in the act that says the minister can direct, but in broad terms the government and the minister determine what the authority does.

Senator O'BRIEN—I want to go to the Australian Wine and Brandy Corporation Act 1980. One of the key provisions of the act is the provision to the corporation of responsibility for the promotion and control of the export of grape products. That must include ensuring the integrity of the product—not only exported, but also sold in Australia.

Mr Mortimer—Quite right.

Senator O'BRIEN—How does that corporation ensure the integrity of wine that is exported?

Mr Pittar—It essentially has a regulatory framework that it operates within. It has requirements in relation to standards that the wine must meet. It has a range of processes to ensure that wine meets those standards and is suitable for export.

Senator O'BRIEN—Does it go about sampling wine to ensure that what is claimed is, and that it is wholesome?

Mr Pittar—My understanding is that it has sampling procedures to test a range of quality parameters in order to meet the market needs of the market that the product is going to.

Senator O'BRIEN—Can you further elaborate on those processes?

Mr Pittar—It could be quality issues, ensuring that the wine in the bottle is as described on the label—those sorts of things. I cannot go into much more detail than that.

Senator O'BRIEN—I wanted to know if you can tell us what the sampling and testing regime is.

Mr Pittar—I cannot tell you that. I will have to take that on notice.

Senator O'BRIEN—I will have to wait for those answers on notice in relation to this area.

CHAIR—Where does 2,4-D come into it? There are allegations of contamination by 2,4-D.

Senator O'BRIEN—If those matters arise, they would arise later.

CHAIR—I presume that is where we are going.

Senator O'BRIEN—I do not have any more questions for this section. I am ready to go to Biosecurity.

CHAIR—Is it the ester or the amine?

Senator O'BRIEN—Is what the ester or the amine?

CHAIR—The contamination.

Senator O'BRIEN—I do not know. You tell me.

CHAIR—I was hoping you would tell me.

Mr Banfield—What is the question?

CHAIR—I heard a rumble the other day that there was some problem with 2,4-D. I just wondered whether it was the ester family or the amine family, which would indicate where it came from.

Mr Banfield—Sorry, I am having trouble hearing you.

Mr Mortimer—I am not sure. I am not a scientist. I cannot hope to answer that one. You might want to ask someone else.

CHAIR—Okay. We will move on.

[6.16 pm]

Biosecurity Australia

Senator O'BRIEN—Biosecurity Australia was established as a prescribed agency on 1 December last year under the Financial Accountability and Management Act 1997. What material changes to the operation of Biosecurity Australia have been the result of the change to its legal status?

Mr Cahill—Thanks for that question. With the committee's indulgence, before we start can I say that I am aware that the departmental secretary, Joanna Hewitt, acknowledged the committee's actions this morning in relation to the death of Dr David Banks. As the chief executive of BA, I also would like to thank the committee for their various condolences and for the actions that you took this morning. I would like to do that on behalf of BA, BA staff and also David's family. Obviously this is a matter that has hit the organisation very hard. It has hit David's family, obviously, much harder. It has been a very difficult time for the organisation in the last few weeks. As one measure of David's professionalism, commitment, loyalty and public service, he had agreed to appear once more before this committee before his retirement. I am sure he is here in spirit with us today. Going to the question that you have asked—

CHAIR—Could I just add to that: his loss is not just to your department and this committee; it is really a loss to Australia nationally. Besides the great loss to the family, he is a great loss to the nation. His contribution was a national one. A lot of people put a lot of comfort and trust in him; he is a great loss.

Mr Cahill—Absolutely. Thank you for that. As I understand it, your question was about the nature of the changes that have occurred to Biosecurity Australia since it became a prescribed agency. I am happy to identify some of the things that have occurred in the period since 1 December, when BA became a prescribed agency.

The government made three commitments in relation to BA. The first was that it would become a prescribed agency, to boost the independence of the organisation and reinforce the science based nature of the import risk assessment process. The second commitment was that we would review and reissue import risk assessments that were then in progress. There were five of those at that time, all in the plant area, and I will come back to what we have done about that in a moment. There was a third commitment to regulate the IRA framework, and that is a matter that we are preparing some advice on for the government to consider further.

There were two other things that happened that are relevant to BA's activities that we have been involved with. One was the earlier decision by the government to establish an eminent scientists group, which is intended to ensure that, on the final draft of IRAs, stakeholder comments have been taken properly into account. Also, as you are probably aware, the government agreed to establish a centre of excellence for risk analysis. It funded that in the last budget for the next four years. The arrangements to set that up are being handled through the Bureau of Rural Sciences, and they can perhaps answer questions on the centre of excellence in more detail if you need that.

In relation to the review and reissue of IRAs that I mentioned, as I said, there were five of those. We have undertaken a review of those five in terms of where they were up to and what further action was required. Two of those were applications to import limes from New Caledonia and grapes from Chile. Further drafts of those were issued after the review that we undertook. They were issued for a period of 45 days for further comment. They had previously been issued as drafts. That comment period is now closed. BA is looking at the comments that have been submitted and doing some further work on that to prepare the final of those reports. A third IRA that was in progress concerned the application to import citrus

from Florida. That application is back with the US authorities to provide further information. There is no further action we can take on that at this point in time.

The two others—the major IRAs that were in progress at that time—were apples from New Zealand and bananas from the Philippines. I indicated in other hearings of this committee in another forum that substantial work needed to be undertaken on both of those IRAs and that that work is continuing. That is in response to substantial comments made by stakeholders and in response to the inquiries that this committee undertook into both of those processes. The import risk analysis teams are continuing to work through those issues and progress that work.

In addition to that, since BA became a prescribed agency, as you know, we have been engaged with this committee in relation to its inquiries on apples and bananas. We participated in further hearings of the committee. We have also had some particular issues to manage in addition to the day-to-day business that we have been working on—the importation of beef from Brazil, which we talked about at the last hearings and may well talk about again this evening, and issues arising from the permitted seeds list, the importation of weeds into Australia and the modification of that list to restrict those importations. We have been involved in activities to do with quadrilateral and bilateral discussions as well as some further technical cooperation activities that we have been undertaking in neighbouring countries, which is an important part of BA's continuing work.

Senator O'BRIEN—Are you dealing with elephants from South-East Asia?

Mr Cahill—Not recently.

Senator O'BRIEN—There is a proposal. I thought it might be you.

Dr Martin—Biosecurity Australia has developed a policy for the importation of elephants from Thailand. However, there are some issues, I gather, with the Department of the Environment and Heritage, which they are looking at—whether a permit will be issued by them.

Senator O'BRIEN—So it is not a biosecurity issue?

Mr Cahill—We have not undertaken recent work on that. Our bit of that assessment has been undertaken.

Dr Martin—It is completed.

Mr Wonder—If I could interrupt, I think the answer is that the Biosecurity Australia element of any work has been completed, so it is a biosecurity issue, but the Department of the Environment and Heritage have particular responsibilities from the point of view of their portfolio, and they are still completing their work.

Senator O'BRIEN—That is what I thought. Thank you. I took it that the involvement had been the preparation of an assessment.

Mr Cahill—Also, since prescription, I have put a new senior management structure in place for the organisation and advertised and filled senior executive positions, of which there are three. I have also, as part of the prescription, been obliged to have an additional position of chief finance officer, so I have advertised and filled that position. We have completed the

work in relation to the financial separation of Biosecurity Australia from the Department of Agriculture, Fisheries and Forestry. We have reset the 2005-06 budget in that context. We have also achieved a renewal of funding that was lapsing in the next financial year.

That is the essence of the tasks that we have been undertaking in addition to the continuing day-to-day work that we have been doing as part of normal business.

Proceedings suspended from 6.26 pm to 7.31 pm

Senator O'BRIEN—What I was asking earlier, Mr Cahill, was how the change to a prescribed agency has materially changed the operation of Biosecurity Australia from what it was before.

Mr Cahill—Before the break I outlined some of the things that had happened in BA, and most, if not all, of those changes are material to the organisation in the way it does business. Re-establishing the organisation in a quite different form to the one which existed before 1 December has essentially been the task that we have been doing for the last six months. All of the things that I identified are part and parcel of that material change to the organisation: the prescription, the financial separation, addressing the review and reissue of IRAs; moving forward with the financial separation; looking at issues to do with our governance, work program, priorities and resources.

Senator O'BRIEN—A number of those would have continued without the change to prescribed agency?

Mr Cahill—Some of those may have occurred but certainly not the financial separation part of it, not the new structure, key people coming into the organisation; a fundamental start, if you like, to a somewhat different way of perhaps doing business in the future.

Mr Wonder—If I can just add one point: in respect of the governance issues that Mr Cahill referred to, that is establishing independent financial systems and governance mechanisms in BA. Under the Commonwealth Financial Management and Accountability Act Mr Cahill is accountable for reporting on financial statements, not the Department of Agriculture, Fisheries and Forestry. Therefore, the sign-off of those is an independent activity for the conduct and responsibility for handling the resources of the organisation.

Senator O'BRIEN—Can you clear up for me the line of reporting. It is direct to the minister, is it?

Mr Cahill—No. The job of Biosecurity Australia is to undertake quarantine risk assessments and provide policy advice, and that is essentially to the Director of Animal and Plant Quarantine, who is responsible under the Quarantine Act for making those decisions.

Senator O'BRIEN—Is there a memorandum of agreement between Biosecurity Australia and the department?

Mr Cahill—We have a draft memorandum of understanding which relates to services that the department will continue to provide to Biosecurity Australia, principally management services, payroll, some accounting services and other things. We have not finalised that yet, but that will be in an MOU between me and the secretary of the department.

Senator O'BRIEN—Can this committee have a copy when it is finalised?

Mr Cahill—We are happy to provide that, yes.

Senator O'BRIEN—What staff level changes have resulted from the changed status? I think you said there were some more staff, some new staff?

Mr Cahill—Yes. The average staffing level for 2005-06 is 103. I do not think the staffing level was separately identified in previous documentation because of the different organisational form that BA had, and also because it was previously part of the then Market Access in Biosecurity group of the department. But, to compare with the 103, the base staffing before prescription was in the order of 94.

CHAIR—Do you have insurance?

Mr Cahill—We are covered under the usual insurance arrangements. We remain part of the department of agriculture.

CHAIR—But you do not have separate professional indemnity?

Mr Cahill—No.

Senator O'BRIEN—What was the budget for Biosecurity Australia in 2004-05 compared with the appropriation of \$17.09 million for next year?

Mr Cahill—Again, it is a slightly complicated story, because for a fair part of the year, as you know, we remained a part of the former organisational arrangements. But, to compare with the budget that is outlined in the portfolio budget statements for the current year, the base budget for the equivalent components was in the order of \$15.3 million.

Senator O'BRIEN—To what should we attribute the additional \$1.79 million in the budget?

Mr Cahill—Principally to additional staffing costs and the corporate costs associated with that. There is also a little bit of funding there to help establish Biosecurity Australia's accommodation and fit-out so that we can be properly set up physically as a more independent entity from other areas of the department, so there is a bit of money in there.

Senator O'BRIEN—How much?

Mr Cahill—I think it is in the order of \$250,000.

Senator O'BRIEN—The funding for the out years seems constant, and so do the staff numbers. Can I assume that means there will be a progressive working through of import risk assessments rather than varying the effort to meet changing demand for your services?

Mr Cahill—The total effort will remain constant, as the forward years indicate. The mix of that, in terms of what we are doing, will change. One of the differences since prescription is that Biosecurity Australia now has its own budget and, as Mr Wonder has indicated, is responsible for the way in which those resources are allocated and deployed. Previously the Biosecurity Australia budget had been made up of various components that had come to it over the years through various reviews and other things, so they tended to be more tied to particular activities. Now we are unencumbered by that.

I can give you an example. Some years ago there was a fish task force that looked at issues to do with the importation of fish and aquaculture, and there was some funding that came

from that which was dedicated to that task. It is now open to Biosecurity Australia to make its own judgments about the overall priorities that sit within the organisation in the way we go about allocating resources to those priorities. At the moment we are going through a business planning process to help us do that and identify what the most important priorities are and therefore how those resources should be allocated. Essentially, what I am saying is the mix of the resources internally will change over the forward years to reflect the changing nature of the priorities we have and the emerging priorities that come during that period.

Senator O'BRIEN—How many outstanding import risk assessments are on the books at the moment?

Mr Cahill—It is a somewhat fluid number, as you can appreciate, with applications coming and going for various reasons. The number at the moment is 35, of which 24 are animal and 11 are plant related IRAs.

Senator O'BRIEN—Can we get a list on notice?

Mr Cahill—I would be happy to give that to you now.

Senator O'BRIEN—That would be great. There are, I am told, 45 on the web site at the moment.

Mr Cahill—If you look closely at the web site you will see that it includes some information on documentation that is not an IRA. It relates to particular IRAs, so there is other documentation that is identified on that page. If you do a running total, you will come to a different number from the one I have just given to you.

Senator O'BRIEN—How does that compare with the past workload of Biosecurity Australia?

Mr Cahill—I have not inquired about that, so I can really only talk authoritatively about the period since I joined on 1 December. My suspicion is that it has been fairly constant at that level for the last while.

Senator O'BRIEN—Can you give us a date by which the current import risk assessments will be concluded?

Mr Cahill—No, I cannot. It depends on the processes. Essentially, as you know, the job is about looking at the science and making sure that the import risk analysis teams are able to go through those assessments. Stakeholder consultations and comment periods are built into that, so we cannot be precise about the dates that these will be delivered. What I can say is that we are making every effort to quickly do the ones that are of the highest priority, which we have talked about on previous occasions.

Senator O'BRIEN—Is Biosecurity under any pressure to complete particular import risk assessments?

Mr Cahill—We are under some pressure to complete them all.

Senator O'BRIEN—Are there some which you might see as being a higher priority than others?

Mr Cahill—Yes. We would make judgments about what the priorities are. As I mentioned, we are going through that business-planning process at the moment to help us identify that.

There are probably three stand-out IRAs that we are putting a fair bit of effort into: apples, bananas and chicken meat. On that list that I provided to you, they are not in any particular order, so the numbers do not mean anything.

Senator O'BRIEN—They are not alphabetic either.

Mr Cahill—We can re-sort them alphabetically.

Senator O'BRIEN—I do not need that; I was just wondering. There is numbering and they are in a list that is not alphabetic. So has it been completely random—drawn from a hat almost?

Mr Cahill—No. I am not sure of the basis for the list being in that particular order. It may be the way they came onto the list in the first place.

Senator O'BRIEN—Can we go to the performance information for the output on page 94 of this year's PBS. Can you tell me how often registered stakeholders were surveyed in the current financial year?

Mr Cahill—I am not aware that they have been surveyed at all in the current financial year. They certainly have not been surveyed in the time that I have been there since 1 December.

Senator O'BRIEN—Has that been a practice in the past?

Mr Cahill—I am not aware that it has been a practice.

Senator O'BRIEN—It is a new performance indicator?

Mr Cahill—Those performance indicators are a carryover of performance indicators that had been identified for the Biosecurity Australia component of the old organisational group. It is an area we need to put some more attention into. I intend to do that as part of our current business planning cycle. I am not comfortable with the expression of these performance indicators as a proper measure of BA's performance, and we need to give some more consideration to that.

Senator O'BRIEN—These will not be the benchmarks for Biosecurity Australia?

Mr Cahill—I do not think they are appropriate benchmarks for Biosecurity Australia. Some of them may continue in a slightly different form. Commenting on the one that you identified, the survey of stakeholders, I do think it is a valuable way of getting some information about the organisation's performance. BA has not been short of that in the last 12 months through other means, including inquiries by this committee. That is something that we would continue into the future.

Senator O'BRIEN—What information does Biosecurity have about the rate of incursions attributable to Biosecurity policy?

Mr Cahill—It is fairly weak information. How can you determine whether incursions are the result of Biosecurity policy or border breaches, or indeed blowing over the border? It is very hard to distinguish.

Senator O'BRIEN—Everyone says OJD is one.

Mr Cahill—That is one that needs to be looked at.

Senator O'BRIEN—Citrus canker must be another, mustn't it?

Mr Cahill—I am sorry, I am not following.

Senator O'BRIEN—I thought the implication was that the canker which was found at Emerald was not anywhere else in Australia.

Mr Cahill—If you were to try and attribute that to a performance indicator here, you would have some difficulty doing that.

Senator O'BRIEN—It may be a breach of our quarantine laws.

Mr Cahill—The policy might be right. There may be some border issues there. You just cannot say conclusively what the cause might be.

CHAIR—It is an argument as to whether it got in despite the—

Senator O'BRIEN—It is a discussion of what seemed to be the outdated performance indicators, which Mr Cahill is saying are not relevant and will be replaced in some respects.

Mr Cahill—I think what I said was that they require some further consideration, which we are giving.

Senator O'BRIEN—There are none at the moment, or are these the ones that—

Mr Cahill—These are the ones that we carried over from the previous organisational form. The new organisation has to look at these and make judgments about the appropriateness of them.

Senator O'BRIEN—What is the status of your position?

Mr Cahill—I remain the interim chief executive.

Senator O'BRIEN—Interim until when?

Mr Cahill—No decision on that has been made yet. This is a position at my current level, and that is a matter for the secretary to determine. In the current circumstances that the organisation finds itself in, it is probably not an appropriate time to resolve that.

Senator O'BRIEN—I want to go to the issue of Brazilian meat imports.

Mr Wonder—I think we are going to be joined by a couple of other officers from AQIS and elsewhere in the organisation who will be providing some information in respect of questions on this topic. They will probably join us in a moment.

CHAIR—Has Biosecurity Australia visited Brazil in recent years?

Mr Cahill—Biosecurity Australia has not visited Brazil in recent times. Perhaps, if the committee is comfortable with this, I can bring you up to date on what has happened since the last hearings of this committee. As we indicated at the last hearings on 15 February, the policy under which these imports occurred was suspended just before Christmas. That was for both cooked and uncooked meat. The permits that had been issued under that policy were also revoked at that point. That situation remains the case, so there has been no change from that stance.

CHAIR—There have been no new applications?

Mr Cahill—I am not aware of new applications being received. I do not believe we have had any.

CHAIR—Is that the answer: there have not been any?

Mr Cahill—AQIS may be able to answer that, but we might have to take it on notice.

Mr Read—I am not aware of any new applications that have been received, as Mr Cahill has expressed. They are currently suspended.

CHAIR—So if there were applications they would be knocked back at the first—

Mr Read—Correct.

Mr Cahill—As I said, the situation with the permits remains unchanged. The review of the policy that we indicated would be undertaken has commenced. At the last hearings we flagged a prospective visit. A delegation was going to go to Brazil. That was comprising officers of Biosecurity Australia and others including a chief veterinary officer from Queensland. The expectation was that that visit would go ahead in late March, early April. It did not proceed. The reason for that was simply that—

CHAIR—The Americans beat them to it.

Mr Cahill—Brazil had a number of visits from other countries and was not able to accept our delegation at that point. As you know, the purpose of the visit that we flagged was to do an on-the-ground assessment of zoning and certification arrangements. We have not yet set a new date for that visit. It may proceed later in the year, but we are in the hands of Brazil and the permits will remain suspended until such time as we complete that process.

In the meantime, however, some consideration is being given to the permits for cooked meat. As part of that process, AQIS undertook a visit to look at four plants that had exported cooked meat previously. That visit was to look at veterinary public health, sanitary control systems, certification procedures and traceability of stock and product. It is intended that that visit will help inform consideration of the policy for permitting cooked meat to enter Australia.

CHAIR—That has already happened?

Mr Cahill—The visit by AQIS has occurred.

CHAIR—In the meantime, the Americans have turned up?

Mr Cahill—Prior to that visit or concurrent with that visit, the Americans were there for their own purposes.

CHAIR—Have they reflected upon their visit yet?

Mr Cahill—They have not issued a report yet on that visit. The AQIS report is also being prepared. We are aware of the US audit that we have just mentioned and, naturally, we will consider the findings of that before any further action will be taken.

CHAIR—Before you report?

Mr Cahill—Yes. That will form part of the policy review. The essence of that is that we are now in a situation where we are looking at both cooked and uncooked meat. The

uncooked is awaiting the visit to Brazil that may occur later in the year by a delegation similar to the one that I identified in the last hearings. Nothing will happen before that visit.

CHAIR—When might this committee be briefed on the cooked visit?

Mr Cahill—As I mentioned, AQIS undertook the visit. They may be able to talk more about that. The report is still being prepared. That will help inform the policy review on the cooked meat issue. That is the status of the situation at this point.

CHAIR—Were we accepting cooked meat from Brazil? Have we?

Mr Cahill—No, the permits—

CHAIR—There was an application, was there?

Mr Cahill—No further applications.

CHAIR—Were there applications for cooked meat as well as the fresh meat?

Mr Cahill—Yes, there were. The cooked and uncooked meat was coming in under the policy that was suspended before Christmas.

CHAIR—Which was a policy that was determined back then?

Mr Cahill—That is right, but it covered both cooked and uncooked.

CHAIR—Did we accept any cooked meat?

Mr Cahill—We did accept cooked meat, but the permits under which that was accepted before Christmas were also revoked as part of the suspension of the policy.

CHAIR—How much cooked meat has come in from Brazil?

Mr Cahill—Since the suspension of the policy?

CHAIR—Since the year dot.

Mr Cahill—AQIS may be able to answer that question.

Dr Clegg—About 50,000 kilos have come in, 50 tonnes; so about three-container loads.

CHAIR—Who imported it?

Dr Clegg—The product was imported by the Heinz company.

CHAIR—For further manufacturing?

Dr Clegg—Yes. It was cooked product for further manufacturing.

CHAIR—It went to the soup plant at Wagga or somewhere, did it?

Dr Clegg—That is correct.

CHAIR—Then they decided to step up the odds with fresh meat for the soup plant?

Dr Clegg—Different product lines is my understanding. The import conditions that we had enabled anyone to import either cooked or fresh meat under that policy.

CHAIR—I can understand the commercial reality of cooked meat from Brazil. It is the same as orange juice concentrate—being competitive.

Senator O'BRIEN—Does the United States automatically accept beef from Brazil at the moment?

Mr Read—At the moment there is a suspension in place, as I understand it, on the Brazilian side to exporting cooked meat to the US.

Senator O'BRIEN—They are exporting cooked meat, are they?

Mr Read—The US plants, as I understand it, are only in acceptance of cooked product from Brazil.

CHAIR—But they do accept cooked meat, do they?

Senator O'BRIEN—So the US, although it is a member of the OIE, is not bound by OIE standards or declarations such as freedom from foot-and-mouth disease. Is that correct?

Mr Read—I cannot comment on that.

Dr Martin—The US is a member of the OIE. I understand that they were doing zoning assessments for Brazil. I am aware that they import or have conditions for meat from Uruguay which is an FMD-free country with vaccination, but they have not accepted Brazil.

Senator O'BRIEN—It is discretionary on their part. It is not an automatic acceptance of an OIE declaration, is it?

Dr Martin—I understand they are doing an assessment for Brazil, yes.

CHAIR—For fresh meat?

Dr Martin—For zoning, yes; it would be for fresh meat.

Senator O'BRIEN—Does that mean we are not obliged to accept the OIE zoning arrangements? The US obviously is not.

Dr Martin—In the policy that was circulated in 1998 and finalised in 1999, one of the conditions was that it was an OIE FMD-free zone with vaccination. As you are aware, Biosecurity Australia has indicated that we will undertake a zoning assessment for Brazil. Until such time as that is done, no uncooked meat or meat from Brazil can be imported.

CHAIR—But under the 1998 arrangements, prior to the event before Christmas, there was a capacity to import fresh meat from Brazil under the OIE?

Dr Martin—The policy which was finalised in 1999 stated—and these are not the exact words—that meat could be imported from an FMD-free zone with or without vaccination.

CHAIR—Were you part of that?

Dr Martin—I was in that branch. I was not dealing with red meat or beef products.

CHAIR—So you were part of this incredible group of people that gave it a tick on the OIE but did not really know what that meant in physical terms in the country?

Dr Martin—I was in a different area within the animal quarantine policy branch.

CHAIR—But you will agree that we ticked something and we did not really know what the tick meant.

Mr Cahill—I think what Dr Martin is saying is that she was in the relevant branch but not in the relevant section. She was not a party to the—

CHAIR—Whoever was the decision maker ticked the OIE box for the importation of fresh meat from Brazil with the chief government vet without anyone really understanding the internal workings of what that meant. Correct? A serious mistake.

Mr Cahill—As you know, we discussed this in great detail last time.

Senator Ian Macdonald—Last time, yes. Quite right.

Mr Cahill—I think the answers that were provided at that time made it clear that the red meat policy had that zoning arrangement on the basis of OIE information as part of that policy.

CHAIR—Do you think that an OIE ticked these days under the arrangements that were made in 1998 is inadequate?

Mr Cahill—We have suspended the policy and we are undertaking a policy review, so the policy review will determine that.

CHAIR—It speaks for itself, yes.

Senator O'BRIEN—The purpose of my questions was to ascertain that our decision to build in an acceptance of the OIE zoning arrangements for Brazil was a matter of our discretion and that there was no obligation for us to accept that standard under OIE rules or WTO rules.

Mr Cahill—I understood from the answers that were provided at the last hearing by both Dr Murray and Dr Banks that there was no obligation on Australia to accept that, but that was the policy that was in place.

Mr Wonder—It was Australia's decision to suspend the arrangements and to go forward consistent with our own sovereign interests.

CHAIR—But, if there had not been the false-positive or whatever it was that came from whatever it came from, that may not have happened.

Mr Cahill—I am not sure about that. As part of our organisational arrangements going forward in our new form from 1 December last year, one of the things that we need to look at is the way in which we monitor and review policies that are in place.

CHAIR—Yes, and I applaud you for the change.

Senator O'BRIEN—What do we know about the allegations that the status of cattle in Brazil, due to significant and largely uncontrolled movement of cattle across borders that still have a problem with foot-and-mouth disease, is a matter of serious concern in the context of our previously applied policy?

Dr Martin—The reason the policy was suspended was not so much the foot-and-mouth suspect case, which turned out to be negative, but concerns about irregularities at the border. That is the reason the policy was suspended and why the delegation that looks at zoning will investigate that aspect. Until that is done, the policy will remain suspended.

Senator O'BRIEN—Is the US audit an expression of significant concern about the state of particular plants in countries that might export product to the United States or is it just a look?

Mr Cahill—That is difficult to say in the absence of the report.

Senator O'BRIEN—So the answer is you do not know.

Mr Cahill—Biosecurity Australia does not have that information.

Senator O'BRIEN—Have you received any intelligence on the results of the US audits?

Mr Cahill—I have not. AQIS may wish to comment on that.

Mr Read—From an AQIS perspective, we have been liaising with contacts in the US. They have not divulged detailed information on the audits. They were systems based audits. Clearly, there were issues that were identified, but we do not know the detail of those issues. We are aware that there is another US team going back in towards the end of the month, and that will then input into a final report that we can receive, and that will go somewhat towards, I would understand, Biosecurity's assessment of the apparent risk, along with the AQIS report once it is finalised.

Senator O'BRIEN—I am told—and this may not be right—that the result of the audits and the US reaction was that Brazil agreed to suspend the export of cooked meat to the USA. Is that right?

Mr Read—Correct.

CHAIR—With what appears to be the automatic acceptance of the OIE tick for Brazil, without having any real understanding of the internal workings, such as what has brought about the suspension of trade to the US, are there other trade opportunities for importation into Australia that are certified by this OIE? Have you gone to the trouble of seeing what else is out there that we have ticked but really have not lifted the carpet on, on the basis of an OIE tick-off, which obviously is a desktop study of the situation rather than an aggressive investigative look at the situation in that particular country? Have we said to other countries, 'We can accept your stuff on the basis of an OIE tick-off'?

Mr Read—In light of this particular issue, we have had a good look at what might well be parallel type issues.

CHAIR—Are there some?

Mr Read—None have come to the fore at this time.

CHAIR—When the US go in to do this audit, are they in a position to do it randomly without notice or does everyone get put on notice—'They're coming in two days, boys; wear your clean shirt.'

Mr Read—From Australia's perspective, the US will give reasonable notification that they will be visiting in the particular year and there is a lot of liaison leading up to the official reviews that occur. I cannot talk about the Brazilian perspective.

CHAIR—You cannot just turn up one morning and have a look?

Mr Read—There is little point in doing that if you do not have the plants runnings, the appropriate product lines and so forth.

CHAIR—Yes, but a little bit of intelligence allows you to do that. You would not be able to arrive unannounced?

Mr Read—I am not aware that they operate that way.

Senator O'BRIEN—In relation to the US inspections, is it fair to assume that the Brazilians suspended exports of cooked meat to the US because if they did not the US would have?

Mr Read—I do not have the understanding to make a comment against that.

Senator O'BRIEN—Do you understand that the problem is related to the operational and processing issues at the plants that were licensed to export to the USA?

Mr Read—I understand that there must have been issues that the US identified and Brazil took action to suspend cooked product to the US.

Mr Wonder—I think we have very limited knowledge of why Brazil took the action that it did. We have confirmed that it voluntarily undertook that action, without a US decision to get that result, but I do not think we would be in a position to give the committee objective information. We would only be speculating and we would not be inclined to do that.

Senator O'BRIEN—There was evidence earlier, of course, that there had been some contact with the US.

Mr Wonder—Yes. But Mr Read, I think, in his earlier answer also said that we did not have any detailed appreciation of the feedback from the US.

Senator O'BRIEN—I am exploring what that answer meant.

Mr Wonder—I think we have gone about as far as we are able to. That is my understanding.

Senator O'BRIEN—You do not have any packing plants in Brazil that were licensed to export to the USA?

Mr Read—I do not know.

Senator O'BRIEN—We understood that there were 28 and all had failed to come up to scratch. On page 44 of the *Hansard* from the last hearing, Mr Cahill, you told us that the policy until before Christmas was the subject of full consultation with cattle and red meat sectors. I want to find out what you meant by the term 'fully consulted'.

Mr Cahill—I was reporting on what I understood to be the level of consultation that occurred at the time that the policy was developed.

Senator O'BRIEN—Do you know what it was?

Mr Cahill—Not precisely, no. I am aware that there were interactions with relevant industry people at that time. The policy was issued in the normal way for stakeholder comment, so there was opportunity to comment at that time.

Senator O'BRIEN—The files will record the nature of the consultation—when, where and with whom?

Mr Cahill—As I understand it, they will, yes.

Senator O'BRIEN—Could we get copies of extracts from those files?

Dr Martin—Yes. The policy has a list of stakeholders that it was circulated to.

Senator O'BRIEN—Does it have their responses?

Dr Martin—And the comments that were received.

CHAIR—What years did that occur?

Dr Martin—This was when it was circulated in 1998 as a draft.

CHAIR—Are you saying that the Cattle Council and other people—

Dr Martin—I am not sure whether the Cattle Council was in existence then, but the National Farmers Federation and—

CHAIR—They, in their profound wisdom, kicked this off as a good idea.

Dr Martin—It went to state chief veterinary officers. We can provide you with a copy of the draft policy memorandum and the stakeholders that it went to and their comments.

Senator O'BRIEN—Thank you.

CHAIR—On what basis would they have made that informed decision? Would they have known that, for instance, Australia was aware of the OIE tick-off, which was the basis of the decision, I presume—was it?

Dr Martin—The draft policy and then the policy as it was finalised stated that a country would have to be an FMD-free zone with or without vaccination, according to OIE.

CHAIR—They made that decision to tick off the 1998 arrangements.

Senator O'BRIEN—They commented, I take it. Does that mean they agreed with it?

Dr Martin—They provided comments. We only received a very few comments, and my understanding was that they were in relation to BSE requirements that were in place. I understand that we did not receive any comments on foot-and-mouth disease.

Mr Cahill—That is correct.

CHAIR—Foot-and-mouth wasn't the issue?

Mr Cahill—No. The information that I have is that there were three stakeholders that commented, two of which were CVOs in the states, and the technical adviser for the NFF made comments. None of those were about FMD.

CHAIR—Who was the technical adviser?

Mr Cahill—I do not know the names.

CHAIR—Could you provide them?

Senator O'BRIEN—We are going to get a copy of the comments.

CHAIR—The NFF expert, whoever he was, ticked it off on the basis of an OIE certification, even though we did not know the internal herd identification or management or movement, or how the zone was supervised; yet we said, 'According to the NFF that's a good idea.'

Mr Cahill—The advice I have is that the draft policy was supported.

CHAIR—I would love to have a chat with that bloke.

Mr Cahill—Subject to those questions in relation to BSE.

Senator O'BRIEN—The file will show who was consulted. It will tell you and you will be able to tell us the nature of that consultation, and you will be able to supply us with the material that they received and the responses you received from those who replied.

Dr Martin—That is right.

Senator O'BRIEN—Thank you. What was the basis for the consultations that took place following 1998? What were the triggers that led to those further negotiations?

Mr Cahill—Which negotiations are you referring to?

Senator O'BRIEN—I understood there were some further discussions about the policy within Australia. Have I misunderstood that?

Mr Wonder—Are you still referring to page 44?

Senator O'BRIEN—I am trying to find the page. It was late last year. Dr Banks told us last year that someone was sent to Brazil from Washington.

Mr Cahill—That is right.

CHAIR—That was after the event.

Mr Cahill—That was not the consultation with the industry. That was a visit from Australia's agricultural counsellor based in Washington.

Senator O'BRIEN—I am sorry to have misled you with that question. Has there been any follow-up in relation to examination of the zoning arrangements?

Mr Cahill—I thought I dealt with that in my opening remarks. There has been no visit undertaken on that issue yet.

Senator O'BRIEN—Has there been consultation without a visit? Have we said anything to Brazil? Have we asked them for any information?

Mr Cahill—Yes. We certainly approached Brazil to arrange for the visit to occur that we flagged at the last hearings. There had been some dialogue around that. The outcome was that they simply were not able to facilitate that visit at the time that we proposed. That was the end of the consultations we have had to this point.

CHAIR—When was the time that you proposed?

Mr Cahill—Late March, early April.

CHAIR—Were they able to say, though, that they did have a national livestock identification system in place, or is that what they would like to do?

Mr Cahill—As I recall, the initial inspection that had been undertaken by the veterinary counsellor in Washington that you just referred to did provide some information to us in relation to the identification systems and the control systems.

CHAIR—In the paddock or in the works, though?

Dr Martin—That was at the slaughter processing plant.

CHAIR—That was at the works. He did not get out beyond.

Mr Cahill—That is correct.

Dr Martin—No, he did not, and that was—

CHAIR—We have not been able to find out, nor have they volunteered—and if there was not a damn drought I would go and have a look for myself—whether there is a national livestock identification scheme to put up the first barrier, as it were, for a proper, fair dinkum zone, which will be impossible to have if you do not have some sort of individual livestock identification, let alone how you control border incursions, which at the present time have this quaint system where, if they think there is an incursion, you go and count the cattle on the neighbouring property. But they have not volunteered to assist themselves with their export program that they have or intend to implement a national livestock identification scheme?

Dr Martin—The information of identification and traceability was flagged as information that we would get as part of the zoning delegation.

CHAIR—But, surely, if you rang someone over there, you could say, ‘Do you blokes have a traceability scheme?’ and the answer would be either yes or no. It does not need oceans of paper that say either you have it or you have not; you cannot half have it. Has anybody bothered to ask the question, ‘Do you have a scheme?’

Dr Martin—We have not directly asked them, but we have flagged that that is information that we will want.

CHAIR—But why would you not just say, ‘Could you just answer yes or no? Do you have a scheme?’ Do you want me to ring them tomorrow?

Dr Martin—We still need to do the zoning delegation. We need a lot of other information. That is one part.

CHAIR—This is the first thing you would want to know.

Dr Martin—It is certainly one thing that we would want to know.

CHAIR—But you could find out with a simple phone call. Either they have it or they do not have it.

Dr Martin—There are a lot of other things that we also need to know.

CHAIR—Aren’t you curious to know? I am very curious to know.

Dr Martin—We need to know a whole series of questions and information on identification, traceability, their surveillance, their monitoring, their foot-and-mouth disease vaccination programs.

CHAIR—If you ring your equivalent over there tomorrow morning, before you come back here, and say, ‘By the way, this grumpy old senator in Australia wants to know if you blokes have a national livestock traceability identification scheme; please could you give me an answer?’ he will tell you yes or no, surely?

Mr Cahill—Brazil does not seem to be pressing to export at the moment.

CHAIR—We assume that they do not have one then.

Mr Cahill—The permits are suspended; the policy is suspended. Nothing is happening on that front and nothing will happen until the visit occurs, and that may be later anyway.

CHAIR—All of that, but still Australia's farmers would like to know what they are faced with. What we are talking about here is that OIE tick off for a zone in a country from within whose borders there is foot and mouth, yet we have no idea at all how that is prosecuted, supervised or implemented. The OIE, whoever they are, say, 'She'll be right, mate.' Surely the first question is, 'Do you or don't you have a system of tracing your cattle, from when they jump over the river from Bolivia or wherever, to the abattoir?'

Mr Cahill—As Dr Martin has indicated, that is one of the questions.

CHAIR—But it is not a very complex question. Surely it is not that politically incorrect to simply ask the question in a telephone call.

Mr Cahill—The task for BA is to review the policy and provide advice to the director of quarantine about the permit applications that are present. That is what we intend to do.

CHAIR—You blokes are the scientists. We are the other side of it. We are the blokes who have to wear the outcome.

Mr Cahill—And we need to do a full and proper job in relation to that science.

CHAIR—But do you think that is an improper question?

Mr Cahill—No, I do not, not at all.

CHAIR—So what is improper about asking it tomorrow morning? Is it too confronting?

Mr Cahill—That is a part of a larger job which will be dealt with as part of the zoning assessment when the delegation visits.

CHAIR—Do you want me to find out for you tomorrow?

Senator Ian Macdonald—Yes, that would be useful. We could save 10 minutes of this questioning we have had, Senator.

CHAIR—I mean—

Senator Ian Macdonald—No, you do it. You can get a free phone call from here.

CHAIR—I will go and ring them now.

Senator Ian Macdonald—Yes, it is probably the right time.

CHAIR—You are just worried about the bloody state of origin.

Senator Ian Macdonald—I am trying to hurry you along, Chair. But I know this is a very important issue—

CHAIR—I will ask one more question. Is there a specific reason why you have not asked the question?

Mr Cahill—There is no particular reason why we have not asked the question. What we have done is look at the job that we need to do in reviewing the policy, and that is what we are doing.

CHAIR—Bloody hopeless. Senator O'Brien. I am not getting anywhere.

Senator O'Brien—You are dialling the wrong number, wrong question.

Senator Ian Macdonald—We did go through this very fully at the last estimates and I hate to think that we are wasting—

CHAIR—I have been justifying in my own mind making that phone call, but now I feel justified.

Senator O'Brien—I presume that AQIS is aware of the US Food Safety and Inspection Service audit of beef-processing plants in Brazil in August and September last year.

Mr Read—Last year in August and September?

Senator O'Brien—Yes.

Mr Read—We are not aware of that.

Senator O'Brien—You were not?

Mr Read—No.

Senator O'Brien—I have a copy of the audit. It found a number of deficiencies. I think it led to the initiation of the recent more substantial audit. The audit found a number of deficiencies, including dust on carcasses, boxed product with holes punched in them by a forklift, product contacting the floor, equipment used for edible product touching the floor and sanitation performance. Would those sorts of findings be influential in our consideration of food imports from plants processing the beef?

Mr Read—From an AQIS perspective in terms of imported food, AQIS would be relying on two factors possibly. If there was a certification arrangement with that country, then we would be undertaking our own audits of the systems that support the certification of product to ensure the meeting of the Australian requirements, or there would be, in the absence of that agreement to have that certification arrangement in place, border checking as the product comes in—sampling, depending on the risk profile of the product; commensurate with that risk, undertaking to analyse to ensure the food safety requirements have been met in regard to that product. On the issue you talk about, it may well be something that is taken into account from a policy perspective, but it is not an issue that AQIS picks up immediately with imported product, imported food.

Senator O'Brien—Mr Cahill, how does it impact on our policy setting, if at all?

Mr Cahill—If it were part of the policy setting that plants that were exporting to Australia needed to have appropriate hygiene and public health conditions in place—I would expect that that would be the case—then that would be relevant to allowing permits.

CHAIR—Did our man from Washington give a tick or a cross?

Mr Cahill—As I recall, he was reasonably impressed with the conditions of the plants that he visited and, indeed, of the control systems and the trace-back arrangements.

CHAIR—When you say 'trace-back arrangements', trace back where—to the unloading ramp?

Dr Martin—The veterinary counsellor undertook a very short visit.

CHAIR—I have been talking to one of his offsidiers.

Dr Martin—It was very much a preliminary visit. He looked at how cattle were identified and that is with the bar coding as they came to the slaughter plant.

CHAIR—Yes, from the unloading ramp?

Dr Martin—Yes.

CHAIR—It can be quite misleading to say ‘traceability’, because there could be an improper imputation of what that means, so I stand to correct you.

Dr Martin—Certainly the delegation that was going to look at zoning had flagged with the Brazilians that they wished to look at livestock identification and tracing.

CHAIR—This is a world trade something, isn’t it, the OIE certification?

Dr Martin—It is an international body.

CHAIR—This is like a world guru.

Dr Martin—Yes.

CHAIR—It gives a tick-off to a system of zoning when no-one knows whether they can zone. They do not know, and apparently you do not know, how the hell you supervise the zoning—and you cannot supervise it if there is no identification. What sort of cuckoo land does that come out of? Are you surprised at that? Do you think it is a reasonable assertion by me that it is an unreasonable OIE tick if they do not provide with the tick the discipline that enables them to make the tick? You would not get away with it here.

Mr Cahill—I recall Dr Murray provided quite a bit of information at the last hearing on the OIE arrangements.

CHAIR—It seems to me that they are seriously inadequate, yet they are some sort of a benchmark.

Mr Cahill—They are a benchmark in the policy that has been suspended.

CHAIR—Yes, but it is not just us who are dealing with this OIE thing; it is the rest of the world. We have enough trouble in Australia and I do not want to sort out the rest of the world. But I had better not raise it again or the minister will go mad!

Senator Ian Macdonald—It is a very important issue, but we did go through this for many hours last time. Simply repeating does not make—

CHAIR—I know. It is like eating lollies, though. I just cannot resist the temptation.

Senator Ian Macdonald—Perhaps there were inadequacies but by repeating the—

CHAIR—But, Minister, the difficulty is the system is still in place on a global basis.

Senator Ian Macdonald—It was not in place in Australia any more, as I understood it.

CHAIR—Yes, but some other poor sucker is copping it.

Senator O’BRIEN—The two permits for imports have been suspended. Is that right?

Mr Cahill—The permits that were issued under the policy for imports from Brazil have been revoked.

Senator O'BRIEN—And there were two permits?

Dr Clegg—There were something like 11 permits.

CHAIR—How many applications were not processed?

Dr Clegg—I do not think there were any, but I can check that for you. We did not have hundreds of applications.

CHAIR—All the applications that were made have been approved, have they?

Dr Clegg—Yes, I think so. Then they were suspended.

Senator O'BRIEN—How many actual importations have there been?

Dr Clegg—I think there were about 10.

Senator O'BRIEN—Cooked or uncooked?

Dr Clegg—There were 544 kilos of uncooked meat. There were three container loads of cooked meat, as I have listed here, and then there were small samples of meat that came in. Some of it was tinned, like a 10-kilo tin of corned beef. Product that was cooked but in very small quantities that came in by air freight was the rest of it.

CHAIR—Wrapped up in foil or something?

Dr Clegg—Frozen and then brought in for sample analysis: 'Is this product suitable?'

CHAIR—Did the three containers of cooked meat come in and go to the one premises?

Dr Clegg—I believe so.

Senator O'BRIEN—When the meat came in, cooked or uncooked, what process applied? What involvement did AQIS have from the point of arrival?

Dr Clegg—When the container arrived it was identified on our database that the product had arrived. The importer had to present the import permit and the documentation, the health certification for that product, to AQIS. We confirmed that it met the requirements of the import permit and then the product was released or ordered into quarantine, depending on the type of permit the importer held. Some of the importers held permits for just testing of imported food. We have identified those in here as well. They are some of the samples. The others were 'Meets these import conditions; free to go'.

Senator O'BRIEN—Can we have a copy of the document you are referring to?

Dr Clegg—I assume you can. I can provide it to you—

Senator O'BRIEN—After the hearing?

Dr Clegg—Yes.

Senator O'BRIEN—That is fine. Does that document tell us anything about what happened to the meat after AQIS had processed its entry?

Dr Clegg—No, it does not.

Senator O'BRIEN—Would that give us the details of how each shipment came into the country—which port, for example?

Dr Clegg—Yes.

CHAIR—The three containers came in and went to the soup factory. What supervision is made, by whoever the appropriate authorities are, of what goes on the label, as in ‘Made in Australia’ or ‘Bully beef: souped here but cooked in Brazil’? Do they identify what you are actually eating when you buy the can of bully beef?

Dr Clegg—That would be about Australia’s labelling requirements. I am sorry, I cannot advise you on that.

CHAIR—I will have a little punt with you that it does not say ‘Brazilian beef’.

Dr Clegg—I cannot advise you on that.

Mr Wonder—I think we should take that on notice.

CHAIR—I will put a year’s wages on it.

Senator O’BRIEN—Is it true to say that in considering future policy arrangements, if we are to consider the entry of meat from foot-and-mouth-free zones from countries where foot-and-mouth disease is known to exist, as a matter of right under OIE arrangements we can inspect those zones first and the conditions that apply therein?

Dr Martin—A country can do its own inspections as well.

Senator O’BRIEN—We were entitled to do that during the last decade as well?

Dr Martin—Yes, countries can if they choose.

CHAIR—We have googled it, so guess what—this is Brazil:

For many reasons, including disease control, Brazil is phasing in a mandatory national cattle ID and traceability system.

Starting in June 2002—

this is pretty hard to find out—

all beef for export to the European Union (EU) had to be enrolled in the program. The deadline for animals destined to other foreign markets was December 2003.

Producers located in foot-and-mouth disease (FMD) -free areas are to be in the program by the end of 2005. By 2007, all cattle and buffalo in the country must be in the program.

We are importing cattle from a country that had foot-and-mouth disease but no traceability.

Senator O’BRIEN—Can you tell me what the cost would be to Biosecurity of an inspection of zonal arrangements in a country like Brazil? Have you any idea of it?

Senator Ian Macdonald—They do a great job in Australia, but I do not know that they can give you the costs of doing things in Brazil.

Mr Cahill—It would depend on the numbers of people that were involved in that inspection and the locations to which they had to go and the time of the year.

Senator O’BRIEN—Haven’t done anything like that in the past?

Mr Cahill—Not to Brazil, that I am aware of.

Senator O’BRIEN—What about other South American countries?

Mr Cahill—I am not aware of that.

Dr Martin—We have not imported meat from other South American countries—

Senator O'BRIEN—The reason I ask is that at the last hearing the minister referred to the cost of such an exercise being a factor, so I thought he knew what the cost would be.

Mr Cahill—The context of that discussion was about the prospect of doing those kinds of inspections everywhere, not just in Brazil. I think some remarks were made at that time that the cost would be huge, which it would be. That is not necessarily a reason for not doing it, but it is a relevant consideration.

CHAIR—I congratulate all the people associated with the implementation that has now been put in place in Australia. It has had pockets of resistance around Australia. It is a damn difficult job in a lot of that tough, mustering country. As we found out with brucellosis, to get a clean muster the second time around is pretty well impossible. It is a difficult task for us. I read recently that in some sections of Brazil they sent the army in to sort the farmers out, so it would be a very difficult task over there. Further to that, are you aware that a couple of the major food chains are in the process of herd building in Brazil?

Mr Cahill—We do not seem to be aware of that.

CHAIR—Right.

Senator O'BRIEN—I do not have any more questions for Biosecurity Australia today.

CHAIR—Thank you. Can we get an update for the minister as to where we are and where we are likely to get?

Senator O'BRIEN—I do not think we will get past Product Integrity and Animal and Plant Health. Does that mean AQIS comes back tomorrow? That is on the basis that people can answer my questions.

CHAIR—This is an area of the department that operates so well you would hardly have any questions.

Senator Ian Macdonald—Market Access?

CHAIR—Yes.

Senator Ian Macdonald—We have done Market Access.

Senator O'BRIEN—No, not quite. We have done some of it.

Senator Ian Macdonald—That is doubly an area that operates so efficiently.

[8.45 pm]

Market Access

Senator O'BRIEN—Last hearings Mr Morris advised us that the government was in negotiations with 10 other countries following the signing of an MOU with the UAE in December last year, and I wanted an update on what was happening with the 10 sets of negotiations.

Mr Morris—As I mentioned in February, when we met with you, at that stage we had signed an MOU with the UAE. That was signed in December last year. Since our meeting the minister has signed an MOU with Kuwait in March this year and then, on his most recent trip

to the Middle East in late April, early May, he signed MOUs with Saudi Arabia, Jordan and also with Eritrea. As for other countries where we have offered MOUs, we are still undertaking negotiations with Bahrain, Qatar, Oman, Syria, Israel and Egypt. I think since that time we have also offered an MOU to Iran. That is probably 11 or 12 countries now.

Senator O'BRIEN—I missed some of those. What were the last ones—Bahrain, Oman, Syria, Israel?

Mr Morris—Bahrain, Qatar, Oman, Syria, Israel, Egypt and Iran.

Senator O'BRIEN—Are the terms of the MOU pretty much based on the UAE MOU, or are they individual negotiations? Are you pattern bargaining?

Mr Morris—Pretty much so in the critical elements of the agreement. Certainly that is the case for the UAE, Kuwait, Saudi Arabia and Jordan. All of those MOUs have the critical element of the unloading of animals into quarantine should there be any problems on arrival of shipments into those countries. The Eritrean MOU is a little different in that in addition to providing that direct assurance it also provides an opportunity to unload animals should there be problems in other countries. One element of difference between them is that some of them are a combination of technical cooperation and live animal MOUs; others are just a straight live animal trade MOU, depending on the preference of the individual country.

Senator O'BRIEN—Are English language copies of these agreements able to be supplied to the committee?

Mr Morris—The last time we met you asked for a copy of the UAE MOU. I believe we provided that on notice. As was the case last time, we would appreciate the opportunity to ask the individual countries involved whether their governments would be happy to provide them. If we get that agreement, we are more than happy to provide them to you.

Senator O'BRIEN—At the last hearings you referred to the matter of dealing with countries where there is not an MOU in place. You said you planned to ask the government to make a decision as to how to handle countries where there is no MOU. What has happened?

Mr Morris—The minister has indicated in press releases in regard to that matter that he would intend to put in place some additional measures for countries in the Middle East where we do not have an MOU. We are currently considering what additional conditions we may put in place.

Senator O'BRIEN—There have been significant problems with export of live animals to China, as I understand it. Is that correct?

Mr Morris—There have been concerns from China about quality issues to do with the animals that have been exported to China, rather than health issues, at this stage.

Senator O'BRIEN—Yes, animals not meeting the specifications claimed by the exporters and required by the importers.

Mr Morris—Yes, that is what the Chinese have been claiming. That is right.

Senator O'BRIEN—What are WE doing about that?

Mr Morris—I might let Mr Burns, who has made a couple of visits to China to address this issue, comment on that.

Mr Burns—There had been some allegations of specifications not being met. That is not to say that that is a practice that we would see as being widespread in the industry, but our industry has been concerned to try and address that. We have accompanied industry on some visits to China to explain how we intend putting in place a system to better certify the quality of animals that are going to China. AQIS, of course, cannot certify on quality. They can certify on many other things but not on quality, and so it is really an industry system that needs to be put in place to meet the Chinese requirements. It will be difficult in the first instance because the Chinese side is seeking to have guarantees of three-generation pedigrees and it obviously would take time for us to set up a system like that, so in the interim industry is working—both the exporters and the producers, and with Chinese buyers—to put in place a system that will, hopefully, meet their needs.

Senator McGAURAN—Which animals are we talking about? Dairy cattle?

Mr Burns—Mostly dairy cows from the south of the country.

Senator McGAURAN—On that same subject of the dairy cattle and their dissatisfaction with the quality, what has been their reaction—to turn them away or just to signal a severe warning?

Mr Burns—There have not been any instances of turning them away. There is currently a tariff waiver for live dairy cattle that are used for breeding purposes and, if it were to be determined that a shipment of cattle, for instance, would not meet that requirement, there could be a tariff applied, but that has not happened at all and we have had no trade ramifications. There has just been some interest expressed from the Chinese side in having in place a system that can guarantee their needs and also meet some of their requirements, like certification certificates being in Chinese and having electronic certification systems rather than just paper based et cetera.

Senator McGAURAN—They have not varied the price of the contract either at all?

Mr Burns—No.

Senator McGAURAN—Nothing like that? It is at a good stage, where it is quite amendable.

Mr Burns—So far it seems to be tracking along a path where our industry is obviously trying to put in place a mechanism that will meet the Chinese requirements.

Senator O'BRIEN—What is happening with the US beef quota?

Mr Morris—The allocation of the US beef quota is an issue that is being handled in the Food and Agricultural area, because it is an issue to do with liaison directly with the Australian industry as to how to make that allocation in a way which, obviously, is satisfactory for them. I know there have been a lot of negotiations with the industry about that, but we would really need to get somebody up here from the food and agricultural area to give you the detail on that.

Senator O'BRIEN—I did ask them some questions.

Mr Morris—If they are not still here, perhaps we could organise for them to be here in the morning to go into that.

Mr Banfield—You recall the discussion we had this afternoon about the quota panel that the minister has established to have a look at these sorts of things.

Senator O'BRIEN—Yes.

Mr Banfield—US and EU is being looked at.

Senator O'BRIEN—I just wondered what Market Access's involvement in that process will be.

Mr Morris—None really.

Senator O'BRIEN—What role does Market Access normally have in the administration of the quota?

Mr Morris—That would be, again, an issue that Food and Agriculture would handle.

CHAIR—Do you have any commentary on the contingency part of the quota into America that we do not get access to, the 60,000 tonnes or whatever it is?

Mr Morris—We have a role in negotiation of access, or working with DFAT in terms of negotiation of access, so that certainly could be a role for us if there were an issue to do with the access to a particular part of the quota with the US. To summarise, our side is the international end and Food and Agriculture is handling the domestic end of the allocation.

Senator O'BRIEN—If there were to be problems in the US, for example, with triggering of their safeguards under the US FTA, what would the Market Access branch's role be, if any?

Mr Morris—We would attempt to influence any decision along those lines. We would either have our minister-counsellor, who is based in Washington, go in and make representations on our behalf or, if necessary, organise for people from Australia to go and make representations as appropriate.

CHAIR—Do you have a contingency plan in the event that there is at some future point a freeing up of the access of the likes of Brazilian fresh meat to the American market, which would obviously seriously undermine the market? Obviously this other stuff we have just been talking about is all about price. Ninety CL meat for the price of 60, I think, is why they import the stuff. Some of it is roughly half-price. In the event that some of those countries got their act into gear—and bear in mind they have a 129 million herd and we have a 29 million herd—would we be in a position to stand on our dig with what we have got and not lose market share because someone else's beef is half-price?

Mr Morris—Our role is really government to government negotiation in terms of the access arrangements for our products. So, to the extent that there were issues to do with the way the quota was being administered by the US or expansions of the quota or safeguard action or whatever, certainly it would be our role to get in there and make sure that our exporters are getting the best possible deal for exporting their product. The actual marketing and whether our product is competitive in the marketplace compared to Brazilian product or any other product is really a matter for industry to handle, either directly or through MLA. I think our roles are very clearly defined in what we do versus what the industry and MLA should be doing.

CHAIR—If that happens, of course, it will be time to go fish farming.

Senator O'BRIEN—Are we under any pressure from importers of live sheep to deal with the issue that has been raised in the EU: the distance live animals are transported before being loaded onto ships?

Mr Morris—I remember that quite a few months ago now there was that issue raised of limitations that the EU wanted to put in place in relation to the transport distance of animals. As I understand it, we did make representations at the time and I understand that that issue is in abeyance, or certainly has not been raised more recently. I might ask my colleagues whether they have heard anything more recently on that, but the last I heard, which was a number of months ago now, there was nothing happening on that.

Mr Burns—As I understand, there is still some internal wrangling in the European Union about the extent to which they could put similar systems in place themselves, because obviously there are countries in the north that are a long way from either suppliers or markets in the south, and there is not unanimity amongst the European member states, particularly with the new member states, about those sorts of regulations. But, clearly, if the European Union put in something like that, they would be seeking to—as we say—multilateralise it, which would be something that obviously could affect our interests, and we would be going in to bat against that.

Senator O'BRIEN—That is, if we do not come a cropper on the animal welfare grounds in our own country.

Mr Burns—There are animal welfare pressures coming from all angles, as you know.

Senator O'BRIEN—Thanks. I do not have any more questions for Market Access.

CHAIR—It is evening tide, and perhaps time for a cup of tea.

Proceedings suspended from 9.02 pm to 9.14 pm

Product Integrity, Animal and Plant Health

CHAIR—With plant health, are there any guidelines for imposing a quarantine barrier?

Ms Ransom—The imposition of a quarantine around an incursion is put in place by states, and they have their own pieces of legislation to do that.

CHAIR—We do not give them assistance with the guidelines?

Ms Ransom—We would offer advice if they asked for it.

CHAIR—Have we offered advice to Queensland on the—

Ms Ransom—They have their own legislation, and they would have looked at that. They will put in place whatever the interpretation of their law is. If there are any deficiencies, it is incumbent on them to go through their legislation process and review it.

Senator O'BRIEN—I want to refer you to page 22 of this year's PBS and page 30 of last year's PBS. In last year's document, under the heading 'Output 3', there is a reference to the National Cattle Disease Eradication Trust Account of 1991. There was an estimated expense of \$606,000 for 2003-04 and \$604,000 for the current financial year, but in this year's PBS that number is just \$3,000 and there is nothing for next year. Can you explain what has happened to change the numbers so dramatically?

Mr McCutcheon—This is a simple change in the way these accounts are presented. Previously this amount, which is interest on the cattle industry's trust account, has been paid under special appropriation. That has now changed, and it is formally recognised as an item under the administered appropriation bills.

Senator O'Brien—Does it appear somewhere else?

Mr McCutcheon—Yes.

Senator O'Brien—Whereabouts?

Mr McCutcheon—On page 20, table 2.5, 'National cattle disease eradication, interest on special account \$600,000'.

Senator O'Brien—Why do those numbers appear in table 2.7?

Mr McCutcheon—2.5.

Senator O'Brien—Yes, but there are numbers in table 2.7. What do they represent? They appear in two places, but you have split it.

Mr McCutcheon—I think that is just the wind-up of that particular account, Senator, but I would have to take that on notice. It is a small amount, and I do not know why it appears there.

Senator O'Brien—Carrying over into next year as well?

Mr McCutcheon—Yes. That interest, as I said, is a change in the way these accounts are presented, to be more transparent.

Senator O'Brien—I hope they are not bank fees! On page 47 of the PBS there is a reference to the development of a national biosecurity strategy. Can we have more detail on exactly what the focus of that strategy will be and who will be participating in the development of it.

Mr McCutcheon—Yes. I think the national biosecurity strategy was raised two Senate estimates hearings ago. Essentially, it is an exercise that was initiated under the Primary Industries Ministerial Council umbrella to try and pull together the various strands of our biosecurity approaches across a range of areas that go beyond agriculture. The driver from within the ministerial council was to try and get a better handle—a better coverage—on dealing with issues associated with, particularly, some of the environmental issues that we are faced with, including invasive weeds and invasive marine pests.

This strategy, which was formally signed off by the ministerial council last year, is designed to develop an overarching framework which will be both cross-jurisdictional in terms of its approach to dealing with biosecurity and cross-agency in terms of the environment, agriculture, and possibly health if there are, for example, wildlife diseases and those sorts of things that could have an impact.

To take this forward, the department has, out of its departmental funding, designated funds to employ a consultant to pull the strategy together. A large part of this work is going to be consultation with a range of stakeholders—industry, community and state and territory governments—and a lot of that work has already commenced. We will also be talking with

other countries, particularly New Zealand, who have a national biosecurity strategy, so that we can compare and, hopefully, improve on what we have here.

Senator O'BRIEN—I did not hear amongst that a timetable, probably because it was not said.

Mr McCutcheon—In terms of the timetable, we are proposing to have a report prepared and submitted to the next meeting of the Primary Industries Ministerial Council, which is in the second half of this calendar year.

Senator O'BRIEN—So there is work being done at officer level at this stage.

Mr McCutcheon—Yes.

Senator O'BRIEN—And you are expecting that will generate a document for the Primary Industries Ministerial Council later this year.

Mr McCutcheon—That is correct.

Senator O'BRIEN—What happens from that stage? You have a consultation phase after that, I suppose.

Mr McCutcheon—We are looking at that meeting as the major milestone we have to meet this year. What happens after that, of course, will depend on what the council wants to do but, as I said, this is an overarching framework document and one of its major objectives is to try and clarify the roles of various jurisdictions and agencies within those jurisdictions.

Senator O'BRIEN—The Commonwealth's contribution will be met from the department's budget for this area?

Mr McCutcheon—That is correct.

Senator O'BRIEN—How many staff are working on this matter?

Mr McCutcheon—We have one full-time staff member appointed, in addition to the consultant. There are others who will be having an input into that process along the way.

Senator O'BRIEN—Can you give me the consultancy details—name, price et cetera?

Mr McCutcheon—Yes. Mr Roger Smith, former head of the Northern Territory Department of Primary Industries.

Senator O'BRIEN—What fee will he be paid?

Mr McCutcheon—I do not have those details here.

Senator O'BRIEN—Do you know if it is a fixed fee or an hourly charge?

Mr McCutcheon—No, I do not know that.

Senator O'BRIEN—If you can get us that information, I would appreciate it. Funding for 2004-05 for the Australian Animal Welfare Strategy is estimated at \$103,000 and for the next year \$1.2 million according to the PBS on page 20, and funding of \$6 million over four years I understand still to be in place. Is that correct?

Mr McCutcheon—That is correct, yes.

Senator O'BRIEN—The program was to kick off on 1 January this year. Did that happen?

Mr McCutcheon—It has. It did not start precisely on 1 January but since our last appearance before this committee we have completed the recruitment of the three staff that we wanted to put into that exercise and work has been actively going on for the last three months on this particular exercise.

Senator O'BRIEN—The steering committee is in place?

Mr McCutcheon—It is not in place yet. We are in the process of formalising that at this very time. Having said that, we have not wanted to let that hold the department back from moving ahead, so the people that we have employed have done quite a bit of the preliminary work.

Senator O'BRIEN—Is there an implementation plan?

Mr McCutcheon—That is what they are doing: developing it.

Senator O'BRIEN—So that is under preparation.

Mr McCutcheon—Yes.

Senator O'BRIEN—Is the action plan the next step or is that being done as well?

Mr McCutcheon—The first thing is to develop the implementation plan. In the out years—and this is where the major component of the budget will occur—is when we will be sitting down with the various stakeholders within this field and working out how best to implement the plan that is going to be developed. I think it is envisaged that some of the money that we have allocated to this program will be used as seed money to try to get that process of implementation happening.

Senator O'BRIEN—What do you mean, 'seed money'?

Mr McCutcheon—For example, if it is a matter of getting people together in one place to commence an exercise and they need to be funded, that is the sort of thing that we do. It really is a facilitative process to get the key players together so that we can get moving on this.

Senator O'BRIEN—Is there a profile for how it is intended the money will be spent?

Mr McCutcheon—There is for the first year, and that is, basically, funding for the departmental effort plus some of the initial consultations. Once we have that implementation plan in place we will then be able to be a bit more definitive in terms of how we can apportion that funding in the out years.

Senator O'BRIEN—Do you know how much money is intended to be spent on a communications strategy?

Mr McCutcheon—Not specifically at this stage, no.

Senator O'BRIEN—What will the departmental costs of administering this program be?

Mr McCutcheon—In general terms we would be looking at three full-time equivalent staff. Again, that is in year 1. What happens in year 2 will depend on how we progress the implementation plan itself.

Senator O'BRIEN—How much of the \$103,000 will be spent in the current financial year?

Mr McCutcheon—That will be fully expended this financial year.

Senator O'Brien—What will that be expended on?

Mr McCutcheon—Some of the preliminary work that I said has been undertaken to date.

Senator O'Brien—Work in the department?

Mr McCutcheon—Yes, within the department.

Senator O'Brien—It is administrative expense at this stage?

Mr McCutcheon—That is correct, yes.

Senator O'Brien—In the coming financial year, have you any idea how the \$1.2 million will pan out?

Mr McCutcheon—We will have a better idea on that probably about August-September when we have the shell of an implementation plan. Animal welfare itself is an issue that touches a lot of stakeholders beyond the normal set that we deal with, so we are envisaging that a major part of that money will be bringing a lot of those people along with us in terms of consultations and trying to facilitate the delivery of action that we developed in that implementation plan.

Senator O'Brien—The implementation plan will be concluded by 30 June?

Mr McCutcheon—This year? I do not think so. Essentially, we have to get the steering committee in place. In a theoretical sense we cannot finalise an action plan or an implementation plan until such time as that committee has had a chance to review it, changes are made if necessary, and we can move on from there.

Senator O'Brien—Have the three full-time equivalent positions been filled or are they to be filled in the future?

Mr McCutcheon—They have been filled.

Senator O'Brien—That is where the \$103,000 is going, into those three jobs?

Mr McCutcheon—Yes.

Senator O'Brien—What was the original timetable for the completion of the implementation plan?

Mr McCutcheon—It was originally within 12 months—that is, the completion of the plan itself. As I said, the implementation of the actions after that would be able to remain—

Senator O'Brien—The original plan was by June or by the end of the year?

Mr McCutcheon—Within the next financial year. I do not think we had hard and fast fixed dates. It has been fluid in that respect, but we would be hopeful that we would have the implementation plan completed by August-September so that we can get on with the job of putting these actions in place.

Senator O'Brien—At the last hearing, details of how the government funding for the National Livestock Identification System was going to be spent were provided. Can we have an update on that?

Mr McCutcheon—There is very little to report in terms of update. Essentially, the matter of how that money will be expended is still under consideration by the government in consultation with the cattle industry.

Senator O'BRIEN—What has happened since February?

Mr McCutcheon—A lot of meetings, a lot of considerations. One of the issues that we are grappling with in trying to get a definitive plan for the expenditure of that money is that the implementation of the NLIS across Australia is at different stages in different jurisdictions, so one of the difficulties we have had is trying to get a unanimous view around the place in terms of how that money would be best expended to assist producers with the uptake of the NLIS. For example, in Victoria where the NLIS was first introduced some years ago, their producers are pretty much used to it as part of their business and have, with the support of the Victorian government, got the implementation pretty well completed, whereas in some of the northern jurisdictions from 1 July this year they will be starting implementation, so their needs are very different to Victoria's.

Senator O'BRIEN—As I recall it, Mr Truss was not supportive of the fund being used for tags. That apparently was an issue for the states. Is that still the case?

Mr McCutcheon—I do not think that was an issue for the states. That has been an issue for the industry. The industry is on the record publicly as supporting some sort of system for subsidising tags as a means of promoting uptake amongst producers. That approach has been used by some states in terms of the way they have assisted their respective industries to implement the NLIS.

Senator O'BRIEN—What is the Commonwealth position about funding for tags?

Mr McCutcheon—The Commonwealth does not have a position one way or the other. We are going to rely on the advice that we get from the various state jurisdictions—I am not talking about the governments, I am talking about the industry in those particular jurisdictions—on how that money could best be used to facilitate the uptake of the NLIS in their area.

Senator O'BRIEN—Is there a deadline to finalise these discussions or can they just go on and on?

Mr McCutcheon—I do not think they are going to be going on and on. There have been some meetings earlier this week where we got the cattle industry together to get a sense of where they might be collectively in terms of how they want us to use this money. We have given them a very clear message that decisions have to be made soon so that we can start spending this money to assist with uptake. The looming deadline of 1 July, when the NLIS implementation will commence in Northern Australia, has focused the minds of a number of the leaders in those respective states.

Senator O'BRIEN—Have you got any contingency plans in place, given that looming deadline and the details for how the government is going to spend the money are not clear? Have you got plan A, plan B, plan C deriving from the discussions?

Mr McCutcheon—We are only working on plan A, and that is getting the money to particularly the production sector in the cattle industry. It is difficult to develop different

options when the industry itself, who are going to be the beneficiaries, are not clear in terms of where they want that money spent. The government has always made it clear that we want to get the best value we can for this particular investment in the NLIS. Whilst we are keen to get the money out the door, we do not want to be without any plan at all, sending it out for the sake of spending it. As I said, there have been a number of meetings over the last few months, but particularly in the last couple of days, where we had cattle industry leaders in the one room and said, 'We need to have a clear and final position so that we can announce how this money is going to be spent.'

CHAIR—Is it inclined towards the producer side or the reader side?

Mr McCutcheon—The concept of the package was to primarily assist producers. As to how that would assist producers, it could be a range of things in terms of equipment, such as devices or readers or computers, or whatever it might be.

CHAIR—I declare an interest here. I bought 700 or 800 tags the other day and they were around \$2.80. But for Wagga Wagga City Council—where they have to have umpteen readers—they are not eligible?

Mr McCutcheon—No decision has been made in terms of how that money would be spent.

CHAIR—My inclination would be on the producer side, because when we go to Wagga they charge us for the use of their readers anyhow, so they are getting a revenue stream.

Mr McCutcheon—Yes.

Senator O'BRIEN—Is the current drought and the financial state of cattle producers, for example, a significant issue in the discussions? I would have thought that the financial pressures, because of the drought, would have been focusing the minds of their representatives and also of the government on how the impact of the introduction of NLIS from 1 July would impact on them.

Mr McCutcheon—Certainly with the industry leaders that we have dealt with, that has not been an issue that has been put on the table. They have all accepted that the NLIS is going to happen. What they are trying to do is work out how best that money can be applied to assist their constituents to move into the NLIS. The sense I got from the meetings earlier this week with the industry was that issues such as tags may well have been a big factor in the minds of producers one or two years ago, but it seems to be less of an issue now. They are looking beyond that to things like training, how to interact with the database and so on.

Senator O'BRIEN—They might have a lot fewer tags to buy now than they did a couple of years ago.

Mr McCutcheon—On the issue of tags, as each jurisdiction—particularly the southern jurisdictions—has started the implementation process, the price of tags has actually come down because there have been huge orders. In fact, some of the anecdotal evidence we have seen suggests that tag manufacturers—there are only a very few of them—are having trouble keeping up with demand at the moment, and similarly for some of the other equipment like readers. The major hand-held reader being used, or stick readers as they call them, has about a three- or four-month waiting list.

Senator O'BRIEN—Ovine Johne's disease control and evaluation of the program: according to the PBS the OJD program is up to the implementation of the surveillance component of the approach to future management of OJD post June 2004, which was developed by Animal Health Australia. What is actually happening in that program?

Mr McCutcheon—I think there was a dissertation on this at the last hearing, but to go through it again, basically the new program that is in place is an assurance based trading program. It is backed by an assurance based credit scheme. It basically works on the use of vendor declarations for the declaration of risk. There will be a wider availability of vaccines and other uses of various on-farm management regimes to do this. Again, the point has to be made that this is not an eradication program; it is a management program. What the Commonwealth has done is basically used the unspent money from the first four years of this program to reinvest in the next stage of the actual management of this particular disease.

Senator O'BRIEN—What funds are now available?

Mr McCutcheon—The fund sits at around \$300,000, from memory, for this current financial year. Then there is an amount of \$553,000 for the 2005-06 financial year.

Senator O'BRIEN—How is the \$300,000 being spent? We are almost through to there.

Mr McCutcheon—We have agreed to use part of those moneys to fund 20 per cent of the abattoir surveillance element of the national approach to OJD management. The sheep industry contributes 60 per cent and the states contribute 20 per cent to that.

CHAIR—Are you familiar with the protocols of stock movements?

Mr McCutcheon—In general terms, yes.

CHAIR—When eventually it does rain, the Western Division is generally either half or under and, in my own instance, completely destocked bar 90 rams. What is the protocol of restocking the Western Division, which is, as you know, in the high status of being disease free?

Mr McCutcheon—I cannot be specific in my answer, but my understanding is that based on the vendor declaration scheme there is nothing stopping sheep moving into that zone, providing the vendor declaration declares the status of that animal.

CHAIR—How many points do you have to have to get back into the Western Division?

Mr McCutcheon—I do not know the answer to that question.

Senator O'BRIEN—And the \$553,000 goes to the same thing, does it?

Mr McCutcheon—It does. That is correct.

Senator O'BRIEN—It goes to the cost of the abattoir surveillance?

Mr McCutcheon—Yes, that is correct.

Senator O'BRIEN—I have some questions about the eradication of the red imported fire ant. The estimated funding for this program in last year's PBS was \$6.9 million. That is at page 29. In this year's PBS that has increased to \$15.5 million with \$12.2 million estimated as the expenditure for 2005-06. Why has there been such a significant upward revision in the numbers?

Ms Ransom—In April last year the Natural Resource Management Ministerial Council recognised that, because of the more widespread nature of the pest and some outbreaks further to the east of the southern area of infestation, there was a need to continue surveillance for another year. It also required additional treatment because there were further nests found. There is also an additional estimate for the year 2006-07 of \$5.137 million. We did approach the minister for finance and he has given approval for that additional expenditure on behalf of the Commonwealth.

Senator O'BRIEN—On top of the \$12.2 million?

Ms Ransom—That is right. The total additional expenditure on behalf of the Commonwealth is \$24.306 million.

CHAIR—Is that based on an encroachment of the fire ant? In other words, are you winning or losing?

Ms Ransom—We are still winning. I think around 97 to 98 per cent of the original infestations have been eradicated. There have been some recent finds to the east of that Oxley epicentre, which has required a greater area of surveillance and treatment. That has contributed largely to the cost and the need to then extend the program for a further year to ensure the surveillance.

CHAIR—I have enough trouble with white ants, let alone fire ants.

Senator O'BRIEN—I am not sure if you have answered this. Have there been new detections?

Ms Ransom—There was a new detection late last year at Rochedale, which is apparently a market garden area adjacent to the Oxley site. There is some belief that there may have been some limited spread from the original Oxley epicentre. Because it is a market garden area, it is a little bit more difficult to manage there.

Senator O'BRIEN—Do these outbreaks all trace back to the original?

Ms Ransom—I understand that they do.

Senator O'BRIEN—It is a spread of the original that we have not really controlled?

Ms Ransom—The timing of it and the nature of the infestations that were found appear to relate to a flight of ants earlier on in the program, perhaps 2002 or 2003, and the suggestion is that it has taken some time for the nest to actually reach a size where they are detectable.

Senator O'BRIEN—Did you say that they are winning or we are winning? I heard a comment and I was not sure which one you said.

Ms Ransom—Queensland is undertaking the battle and they are winning.

Senator O'BRIEN—‘They’ being the state of Queensland?

Ms Ransom—The state of Queensland, not the ants.

CHAIR—The ants are losing!

Senator O'BRIEN—Under the heading ‘Other Exotic Disease Preparedness Program’ on page 49 of the PBS there is reference to the delivery of agreed programs which will enhance our ability to manage exotic diseases, which include activities through the Australian

Veterinary Reserve. Can we get an update on the implementation of the recommendations flowing from the Frawley report?

Dr Biddle—The Australian Veterinary Reserve has initiated its recruitment of some 100 members, its planned size. The initial pilot training course was held last year and there is presently a redesign process, a bit of engineering around the initial pilot training course, to inform the content of the planned remaining training courses for about 80 officers that have still to be trained. The program is close to commencing the remaining training activity, which is planned to be completed over approximately the next 12 months, subject of course to a variety of factors. That is the game plan.

Senator O'BRIEN—How much has been spent on this in the current financial year?

Mr McCutcheon—We will have to take that question on notice, Senator. We do not have the precise figures of expenditure to date.

Senator O'BRIEN—You are achieving the target number of participants?

Dr Biddle—Yes. When we have completed these training courses, we will have our targeted size of 100 trained personnel. We were very pleased with the level of application and interest in the scheme and we were able, consequently, to select good-calibre candidates from around the country, with particular emphasis on country and remote locations.

Senator O'BRIEN—Is there an even spread or are you going to require them moving? I suppose you are going to be required to relocate people for particular outbreaks.

Dr Biddle—If the reserve is activated in the event of a real emergency, the members from around Australia will be brought in as required to the combat site where the disease is being responded to.

Senator O'BRIEN—Going back to page 47 of the PBS under the heading 'Management of Pest, Disease and Contaminant Emergencies', there is reference to bovine spongiform encephalopathy, avian influenza, foot-and-mouth disease, citrus canker, red imported fire ants, branched broom rape, grapevine leaf rust and exotic fruit flies. What are the effective and efficient national management strategies in relation to each of these priorities?

Mr McCutcheon—That is a fairly broad question.

Senator O'BRIEN—It is.

Mr McCutcheon—There are a range of activities that are undertaken by our division and we do so in consultation with other colleagues in the department, other Commonwealth agencies, other states and territories and with industry, to try and bring all that together. The easiest way to demonstrate this is to give you some examples relating to some of those particular diseases. For example, with avian influenza we have been working very closely with the Department of Health and Ageing because of the critical nature of that threat to our country. We have also made it the focus of our next major simulation which will be held later this year. In terms of trying to improve our capacity to manage emergencies of this kind, that is the sort of activity that we undertake.

Senator O'BRIEN—Where will Exercise Eleusis take place?

Mr McCutcheon—It will be a desktop exercise, so it will be run out of Canberra and it will involve several jurisdictions and the like.

Senator O'Brien—Do you know which jurisdictions? Will all states be involved?

Mr McCutcheon—My honest answer, Senator, is that I do not know. There is a separate steering committee which is designing the exercise and, as I will be one of the players in that, we are excluded from that planning process, so we will just have to wait and see. We understand it is at least three other jurisdictions.

Senator O'Brien—When will we be able to learn more about that?

Mr McCutcheon—I personally will not know probably until the day the simulation starts, but there would be others who are planning the exercise that would know, obviously, well before then.

Senator O'Brien—I refer now to Exercise Minotaur, September 2002. Why was it that it was not until 19 April 2005 that the evaluation report of the exercise was released?

Mr McCutcheon—The short answer to that is that it took some time for that report to be pulled together. Essentially, it was a report drawing on subreports from the various jurisdictions that were involved with the exercise and then it was a matter of pulling that all together and submitting it to the Council of Australian Governments, COAG. The COAG processes, which are beyond our control, were a mitigating factor in delaying the release of that report, so that is a question that all the jurisdictions that participated in that would be better able to answer than I. Certainly the development of the report took a lot longer than was first envisaged, and then it was just a matter of getting the high-level sign-off from the COAG premiers and the Prime Minister and chief ministers.

Senator O'Brien—Why was it that the report took so long? I understand it took so long, but why?

Mr McCutcheon—The exercise itself was the biggest simulation that this country had undertaken in peacetime. After that exercise, the scale and scope of such significance required that each individual jurisdiction that participated went away to reflect and try to identify what particular lessons they learned out of that exercise and prepare their report. Following that, after proper consideration through the various agencies within their respective jurisdictions—including the Commonwealth, I might add—it was then a matter of pulling all that together into one report that would serve as an excellent reference document for use in future, either real or simulated, exercises. It was an extremely complex report.

Senator O'Brien—Was there a process of sending copies of a draft report to state governments for comment before its release?

Mr McCutcheon—The reports prepared by each individual jurisdiction were presumably circulated within those jurisdictions. In terms of the draft COAG report itself, that would have gone through the normal COAG processes of jurisdictions being consulted on drafts. I think it is worth making the point here that, whilst that report took some time to finalise and get into the public domain, the various agencies, including our department in particular, have not been sitting back waiting for that report to be tabled before we get on with it. I would have to say

that nearly all the recommendations in that report have either been completed or are substantially progressed.

CHAIR—Was there a good news highlight in it?

Mr McCutcheon—I think there were lots of good lessons learned out of Minotaur, and I guess some of the recommendations which were subsequently put in place have strengthened our capacity to deal with disease events of that significance. To give you one example, we have developed this concept of training a highly skilled, what we call a rapid response team which, when we do have a disease event, can be quickly deployed to the particular location and help the combat state to deal with the situation as it is.

CHAIR—As part of the study for that, did we analyse the weaknesses of the UK?

Mr McCutcheon—We have analysed the UK experience and the experience of other countries dealing with major disease outbreaks, in terms of the continual refinement we do to our existing emergency management procedures. To be honest, I am not sure whether that was a consideration in developing the Minotaur report. I think the Minotaur report would have been focusing on the lessons learned from our particular simulation.

Senator O'BRIEN—Going to the key findings and recommendations of the report, paragraph 1.1 contains the following statement:

The Commonwealth's role in a major animal disease outbreak is to manage the trade response and provide leadership and coordination at the national level.

That has been agreed by the Commonwealth, has it?

Mr McCutcheon—Yes. That is an appropriate role for the Commonwealth.

Senator O'BRIEN—Given that definition of the Commonwealth's role, could you explain the statement in paragraph 1.10:

During the simulation, a number of evaluators and international expert participants reported a perceived lack of a "national leader" ...

Mr McCutcheon—Sorry, Senator, could you just repeat that reference?

Senator O'BRIEN—I am sorry, it is in 1.11.

Dr Biddle—Senator, the reference to 'a perceived lack of a national leader' role may well have been a lack of understanding by particularly the overseas observers about the systems of national coordination in this country, which sees a consensus decision-making process in designing the form of an emergency response in an emergency and there are a number of equal players. There are certainly designated spokespersons within a communication strategy et cetera which follows on from a disease response, but I think that the committee systems that are employed in Australia because of our federation arrangements—our ministerial council arrangements et cetera—can be confusing, and I think that this may be a reference to that sort of factor playing out. I believe the report noted that, reflects on that, but it did not see it as necessary to recommend any particular action.

Senator O'BRIEN—It is a bit challenging, is it not, for the Commonwealth to sign up to, 'Yes, that's right' at a heads of government COAG meeting?

Mr McCutcheon—It perhaps may be a reflection of the general comfort of all the jurisdictions that the arrangements that have been designed to ensure participation by states and territories and the Commonwealth and industry in decision-making in the response phase are appropriate.

Senator O'BRIEN—That may be so, that everyone is comfortable with the way that it is. I am just a bit concerned that 'a number of evaluators', it says, 'and international expert participants' reported this. It seems to be dismissed as, 'Well, we know better.' That is how I interpret the response. It does not seem as though their perception is taken seriously. How deeply was their perception looked at?

Dr Biddle—This is of course the COAG deliberations and the recommendations that emerged from that, and I do not think I can help you much more than that.

Mr McCutcheon—It would be fair to say that this is a simulation exercise. It is designed to present us with a series of outcomes that we can learn from, and I guess at that time, for example, the national management group concept, which was mentioned in there, was really in its early days. I think out of Exercise Minotaur there were a number of issues that I can recall that we drew out of the operation, the actual engagement of the national management group, that we certainly have improved since then, and would hope that our next major simulation will deliver a better national leadership of this particular emergency.

CHAIR—When might that be?

Mr McCutcheon—The next simulation? Late November, early December.

Senator O'BRIEN—I am just reflecting on comments and discussion earlier today about Emerald, the deficiencies in the Commonwealth's role in leading, if it did lead, the response to that outbreak.

Dr Biddle—I did listen to the earlier discussion on that and I heard again a lot of talk about the role of the national management group and the cooperative decision-making processes of the involved jurisdictions in responding to this event.

Senator O'BRIEN—I thought there was an agreement that somehow Senator Heffernan's proposition of who was going to pay in the end seemed to be a dominant factor in the whole exercise, rather than someone leading it and channelling the resources into a mutually agreed outcome. Maybe I am wrong but that is what I was hearing. I think Senator Heffernan was hearing the same. Paragraph 1.12 relates to the issue of cost sharing between the Commonwealth and the states, funnily enough. It states:

... further work is required to ensure that diseases with significant impacts, such as FMD, are adequately catered for to avoid any delays to response activities.

The first recommendation follows that paragraph and it says that a cost sharing deed should be reviewed. An explanatory memorandum should be incorporated into the document to provide guidance as to its overall intent. Has further work on the cost sharing deed been undertaken?

Mr McCutcheon—Yes, it has. Animal Health Australia, which is the custodian for the deed, is currently formally consulting partners regarding some 19 actions and amendments in

relation to the deed. The explanatory memorandum has been developed and is awaiting formal ratification.

Senator O'BRIEN—Does it need to go to a ministerial council meeting?

Mr McCutcheon—The Commonwealth and the states are shareholders, so one would expect that it would need to be signed off at ministerial level, yes.

Senator O'BRIEN—Does that mean that it waits until the next Primary Industries Ministerial Council meeting?

Mr McCutcheon—Whether it is a formal ministerial council meeting or it is done out of session, I think that is a matter of process. The other thing, of course, is that industry would need to sign onto it as well. Again, that would be done as quickly as possible.

Senator O'BRIEN—But that formal consultation with industry has taken place?

Mr McCutcheon—It is under way, yes. Animal Health Australia are doing that. That is their job.

Senator O'BRIEN—That has to be completed, I take it, before further ministerial consideration—

Mr McCutcheon—Yes. Ministers would not be signing off on it until such time as they knew that industry were also willing to sign.

Senator O'BRIEN—Is there a deadline for completion of the consultation?

Mr McCutcheon—I think the deadline is as soon as possible. I am not aware that any particular time line has been set.

Senator O'BRIEN—Hopefully, there will be no delay. Paragraph 1.13 deals with the performance of AUSVETPLAN and the Commonwealth/state/territory emergency plans and calls for all plans to be reviewed regularly. Recommendation 2 follows that paragraph and relates to reviews of these and related plans. Can you describe the process that has been put in place to ensure that all plans will be reviewed regularly?

Mr McCutcheon—Emergency management plans are, in this department, in perpetual draft, because they are always being reviewed.

Senator O'BRIEN—So this was a redundant recommendation, was it?

Mr McCutcheon—No. The approach we take in our department with emergency management plans is that after each event the plans are reviewed and refinements are made to strengthen them for the next event that might come along. Again, Exercise Minotaur provided a big test of our animal disease emergency management arrangements, so a lot of the lessons learnt from that have been reflected in the plan since then. Of course, we have real events that we have to deal with from time to time and after those the plans are being reviewed again.

CHAIR—As part of this plan coming out of that, have you put a lot more thought into how to create a free zone? Was that part of the exercise or was it just controlling the disease within a zone? Did you go through the business of how you would create a free zone?

Dr Biddle—Exercise Minotaur called for a stamping out of various foci of disease in different parts of the country, but as an adjunct exercise—not part of the mainstream of

Minotaur—there was a zoning submission for foot-and-mouth disease prepared and submitted to international observers. They were asked to take that back to their jurisdictions and express a view about the quality of Australia's zoning submission; whether it would meet their legislative requirements.

CHAIR—I hope this did not go to OIE.

Dr Biddle—No. These were key overseas observers that were consulted here, particularly from the US, New Zealand and Canada. What was of great interest there was the length of time that their processes would take to evaluate that submission. That, in turn, allowed decisions which would inform future planning about the viability of particular approaches—like zoning, vaccination et cetera in association with zoning—in a real-world situation. Some useful information was gained from that and it pointed to the circumstance that we cannot expect a rapid answer from our trading partners when we put up a new case with all the necessary supporting data, which in itself will take time to gather.

CHAIR—How far are we from being in a position where we can say, 'Here is our zone plan'?

Dr Biddle—We had written such a plan—a hypothetical plan—and generated a lot of hypothetical data, which would take some months to gather to that level of quality. I think one of the lessons there was that we could prepare a plausible case within a period of months but it would take several additional months to get the yes or no answers out of our key trading partners.

CHAIR—Bear in mind that it is really easy to be a critic. It is a bit hard to be the creator of it. How did you deal with the feral population in that plan?

Dr Biddle—There was data presented about the concentration of some classes of feral animals in some areas and what survey work has been done in relation to the presence or absence of the disease or antibodies to the disease in those populations. So there was a hypothetical construct given in the package of information that was submitted in the zoning application. The zoning application that was constructed presented a wide range of information about the integrity of a particular zone, the extensive surveillance that was conducted in that zone and the legal underpinning of state and territory legislation that worked towards ensuring the integrity of that zone. All that information was presented, and some of the hypothetical information that was prepared would have related to observations in relation to feral animals.

CHAIR—Did that hypothetical information include an eradication program?

Dr Biddle—Not to my recollection. I think the information showed that, for the purposes of this submission, there was not an active cycling of the disease in those subpopulations.

CHAIR—So the old feral pig would not be put in there?

Dr Biddle—In the circumstances of the zone that was constructed, it was not a factor.

CHAIR—Was the zone that was constructed in any way related to the ordinary events out there in the Wee Jasper somewhere?

Dr Biddle—It was an extensive zone. My memory is not quite with me, but it might have been zoning off Western Australia if a case for—

CHAIR—You put a zone through the desert or something?

Dr Biddle—There was substantial separation from where the disease was in the country—the hypothetical position where the disease was—and there was surveillance of other activities, buffer zones and so forth.

CHAIR—As I say, it is almost a cheap shot to be a critic of this, because I applaud the work and hope the hell it never happens.

Dr Biddle—So do we.

Senator O'BRIEN—That second recommendation is a high priority recommendation. What does that mean?

Mr McCutcheon—Ensure the currency of arrangements and ongoing program for review? It has been given high priority. As I said it is effectively done on a regular basis. In some sense you could say it is complete but the reality is that no emergency plan is complete until after the next emergency.

Senator O'BRIEN—It cannot be complete because it is an ongoing program.

Mr McCutcheon—That is right, yes.

Senator O'BRIEN—It is continuous. I accept that. The passage, 'Into the targeted rolling plan of exercise as agreed to by Primary Industry Ministerial Council'; what is the targeted plan of exercises? You talked about one this year, a rolling exercise. Is there a forward plan?

Mr McCutcheon—The next major simulation is the one we are doing later this year, called Exercise Eleusis. Leading up to Exercise Eleusis there are a range of what you would call sub or mini-simulations to prepare various jurisdictions or groups of individuals to participate in that exercise. The next major milestone is Exercise Eleusis itself but we have already held a number of exercises at a lower level and there are some more to come between now and the end of November.

Senator O'BRIEN—Recommendation 3 says medium priority. What does that mean? What does the department take that to mean? A delay in its implementation?

Mr McCutcheon—My interpretation of that would be that clearly the high priority things are making sure you have the actual operational tools in place to be able to respond quickly and effectively to emergencies. Issues such as the administrative underpinnings and so forth are important but let us just get the immediate operational stuff in place first and then the rest will follow. That recommendation talks about resource capabilities. Depending on the scale of emergency, jurisdictions have to make the resources available to deal with it, so resources are switched from other areas to deal with that problem at hand.

Senator O'BRIEN—Have any of these reviews started?

Mr McCutcheon—Reviews of—

Senator O'BRIEN—Perhaps I am interpreting: the ongoing program for the review and exercising of national and jurisdictional whole-of-government decision-making. It says in 1.13, for example:

As a result of lessons learned, plans have been revised and upgraded. All plans need to be reviewed regularly—

for example, AUSVETPLAN.

Mr McCutcheon—Yes, including AUSVETPLAN.

Senator O'BRIEN—Is it envisaged that there will be a particular process in place to ensure that these reviews take place regularly around the country?

Mr McCutcheon—There is. Animal Health Australia is the custodian for AUSVETPLAN, so, as part of its obligation to keep that plan current, it is regularly reviewing it in consultation with all the stakeholders, not just other governments but with industry as well.

Senator O'BRIEN—In point 1.15 it says, in part:

There were doubts in some jurisdictions as to the adequacy of powers to enforce a standstill of livestock and high-risk materials, and the consistency of animal disease control with related legislation.

Can you tell me which jurisdictions this is referring to?

Dr Biddle—No, not the precise jurisdiction. There has been a process worked through with Animal Health Australia to improve the framework around a national livestock standstill. Part of that process was to identify legislative gaps. The jurisdictions were sent away to address any gaps that were identified in that process. As far as I am aware, that work if not completed is certainly under way.

Senator O'BRIEN—What processes are in place to pull that together? I presume in the Commonwealth's lead role in this process it is not simply going to be left to the devices of various jurisdictions if and when they decide to deal with it.

Dr Biddle—Animal Health Australia in its reporting of that national disease preparedness to ministerial council would report the outcome of its coordination work on the national livestock standstill and other relevant disease preparedness work, so there is a feedback loop to allow these actions to be recognised as completed.

Senator O'BRIEN—Is this to be an item on the ministerial council agenda?

Dr Biddle—Animal Health Australia is required to report periodically to ministerial council on its exotic disease preparedness activities which it coordinates.

Senator O'BRIEN—Point 1.17 states:

The Quarantine Act 1908 provides broad powers for use during a major national emergency.

Does this mean that that legislation would include enforcing a standstill of livestock and high-risk materials?

Dr Biddle—It means that if, at a point of time, there was a gap in powers in a particular jurisdiction the Commonwealth powers could be accessed by that jurisdiction.

Senator O'BRIEN—The recommendation says:

In consultation with states and territories, the Commonwealth continues to enhance state/territory familiarity with the scope and powers of the Quarantine Act 1908 and potential for use of the Act in an animal disease response.

Mr McCutcheon—This work has been substantially progressed. Guidelines for the activation of the newly extended provisions of the Quarantine Act 1908 were agreed with all jurisdictions and were tabled in parliament in March 2004. The work since then has been to work with states to operationalise those new provisions from a state perspective. In other words, they have to make some changes to copy or at least replicate what they are doing.

Senator O'BRIEN—Paragraph 1.20 states that Exercise Minotaur clearly demonstrated that an outbreak of foot and mouth disease would quickly exhaust existing human resource capacity in a number of key areas, particularly skilled, scientific and trained technical staff. Recommendation 5 calls for this situation to be addressed. I interpret that to mean we do not have enough scientists and technicians, or is it vets that are being referred to?

Dr Biddle—A number of actions have occurred. There is certainly a recognition that there will be a high demand for people with particular skill sets during an emergency response phase. There are a number of arrangements that have been put in place since this exercise, including work that is ongoing to create an Australian veterinary reserve, the work that has been completed to put in place a rapid response team, exercising of laboratories in how they can amplify their throughput capacity to get best use of their staff through assisting them with automation of testing and sample tracking, for example, and, also, there is work with like-minded countries to share resources in the event of an emergency.

There is a specific international agreement that Australia is a party to, with several other countries, which in an emergency and the experiencing of resource limitations that we could request the assistance of those partner countries to assist in addressing bottlenecks and shortages of the type identified in this paragraph. I think everybody recognises there are going to be particular difficulties, but there are a number of mechanisms that have been progressed to assist in the time of crisis.

Senator O'BRIEN—What is the response to the sentence:

To ensure there are sufficient personnel, national performance standards need to be developed with oversight of these standards being allocated to an appropriate national body.

Did I miss something in what you said, or has that not been addressed?

Mr McCutcheon—No. Animal Health Australia is conducting a project to define what normal commitment is for each jurisdiction during an emergency. It would look at what their core responsibilities were and would also do an analysis of their respective sizes, their resource bases and their emergency animal disease risks. Animal Health Australia is also developing performance standards to describe the expected capacities of those jurisdictions. That is one of those works in progress by Animal Health Australia.

Senator O'BRIEN—Any expected time line for finalisation of the work?

Mr McCutcheon—I am sure there is a time line. I do not have that information.

Senator O'BRIEN—Can you get that for us?

Mr McCutcheon—Yes, I can take that on notice.

Senator O'BRIEN—1.21 is again calling for roles of the state and territory laboratories and the Australian Animal Health Laboratory to be clarified. Where are we on that? Is it a high priority?

Dr Biddle—A lot of work has been done. I mentioned some of the activities about improving the efficiency and throughput in an emergency of key laboratories and the roles that laboratories in different parts of the country could be adapted to perform, depending on whether they were in a disease zone or a free noncombatant area. This subcommittee of animal health laboratories has progressed a lot of that work. Additionally, there have been exercises conducted by some individual jurisdictions. I can recall New South Wales and, most recently, by the Australian Animal Health Laboratory, to test its systems and how they would operate to a sudden, high demand to perform particular classes of testing. All these activities I believe have improved the preparedness of our laboratory system in accordance with the thrust of this recommendation.

CHAIR—Has there always been discussion and agreement on who foots the bill for the various outsourced labs and state jurisdictions?

Senator O'BRIEN—That was recommendation 2, was it not?

Dr Biddle—If that question refers to standing laboratories, they are the responsibility of individual jurisdictions in normal times. The extent to which they need to be adapted and scaled up and altered in the things they do in an emergency, are the sorts of things that have been carefully worked through. The performance standards work that was mentioned before includes laboratory capacity. There are presently also key review activities about future directions for Australia's animal health laboratories, which are working through animal health committee processes and will be brought up the line, so it is one of these continuous improvement processes.

CHAIR—I am worried about who is going to pay, that it is not going to be said, 'Hang on a minute, who is going to pay for this if we've got to treble our workload and output?' Has that discussion already been had with, for instance, a state laboratory or the Department of Agriculture in New South Wales?

Dr Biddle—In the emergency response phase the cost of conducting thousands of tests is part of the cost of the emergency response, so it is cost shared under the agreement.

CHAIR—So that is all the same?

Dr Biddle—But if you are talking about the initial investment in having a laboratory in Queensland and one in New South Wales, that is a question for these national review processes and the resourcing levels by individual jurisdictions and the Commonwealth.

CHAIR—Once the button for the emergency is pressed, there is nothing set in stone now about the financial arrangements?

Dr Biddle—Yes.

CHAIR—That is all right then.

Senator O'BRIEN—Paragraph 1.23 and indeed recommendation 7, deal with the further training of people in affected industries, the private sector and the community who already

have a level of skill to play a role in an emergency. What is being done to train people in the private sector and the community to a level where they will be able to play an important part in any emergency response, or what plans are there in place to commence such activity?

Mr McCutcheon—Animal Health Australia and all governments cooperate to train industry personnel to participate in emergency responses. That has been one of the big lessons we have learnt out of Minotaur. Dr Biddle has already mentioned funding the development of an Australian veterinary reserve to allow private veterinarians to participate in surveillance during an outbreak of disease. Under that program there has also been training of industry liaison officers. I understand that a number of states are also developing agreements with private sector services providers to ensure the availability of specialists during an outbreak.

Senator O'BRIEN—So we should read that recommendation as referring to people with veterinary qualifications?

Mr McCutcheon—Not necessarily. There are a whole range of skill sets that are needed to deal with an emergency, even as basic as providing appropriate administrative support in some of the key control centres and those sorts of things. That is something that our department has been doing.

Senator O'BRIEN—Checkpoint control and all that stuff?

Mr McCutcheon—Yes. Communication is another area.

Senator O'BRIEN—So those plans are all under way and being developed? Are the states dealing with those or—

Mr McCutcheon—I cannot talk on behalf of the states, but our department has been actively bringing in people with communication skills since Exercise Minotaur. That is an important component of the emergency response capability.

Senator O'BRIEN—Has Emergency Management Australia been engaged to take over the role of training and coordination of personnel from agencies across all jurisdictions? That is recommendation 8, isn't it?

Mr McCutcheon—Yes. Our department and Emergency Management Australia have found that, to achieve an outcome and a greater role for Animal Health Australia in this area, training is critical. Animal Health Australia is currently reviewing the competency based assessment and training system that has been developed under the emergency animal disease framework and is trying to align that with the Australian quality training framework. One of our objectives over the next 12 months, under an existing program within the department, is to try and advance that project. That will achieve a greater degree of harmonisation in emergency preparedness arrangements across agriculture industries. These activities will encourage a sort of multidisciplinary approach to training and resourcing responses.

EMA is actively involved in a lot of the work that we do in terms of refinement of our emergency management plans. They are one of the key contributors and sit on the steering committee for our next major simulation exercise, Eleusis.

Senator O'BRIEN—Are they coordinating or are they sitting on the committee?

Mr McCutcheon—They are sitting on the committee.

Senator O'BRIEN—So that is a recommendation that is not going to be followed through. Is that what you are saying? It sounds like you are distancing the Commonwealth and suggesting that something else should happen.

Mr McCutcheon—This recommendation came out of the report. We sat down with Emergency Management Australia and Animal Health Australia, who are the custodian of our plans and making sure that we have the capability, and we collectively agreed that, rather than putting all of this on Emergency Management Australia to do, we would use, for example, the Australian quality training framework and the particular competencies under that framework that will contribute to the skill sets that we need for managing emergencies. EMA are not leading in this area, and it is probably an area that they have judged that they are not totally comfortable in leading. They would rather do it under a national training framework.

Senator O'BRIEN—Will there be some report back to the ministerial council for them to revise their position on this matter or is it going to sit as a recommendation in that form but something else happen? This recommendation has been adopted at a ministerial council level.

Mr McCutcheon—Yes.

Senator O'BRIEN—Something else is going to happen, from the sound of things.

Mr McCutcheon—We would take on board the recommendation but also look at the objective that we were trying to achieve with that recommendation and demonstrate to the ministerial council that we could achieve the objective that was highlighted in the COAG report in another way but, importantly, with Emergency Management Australia's imprimatur on that.

Senator O'BRIEN—Paragraph 1.28 states:

All jurisdictions had difficulty managing logistics and that even the larger states would need to seek external help within a short time following an outbreak of foot-and-mouth disease.

The paragraph concludes:

There is currently no national logistics coordination.

Is that still the case?

Dr Biddle—A number of answers have been given in this area, including building closer ties to the Emergency Management Australia framework so that key logistics, like heavy equipment et cetera, can be mobilised and brought to bear where it is needed. There is an ongoing need to keep refining preparedness plans to make sure that there are no avoidable logistical bottlenecks. That is the approach that is being taken to this ongoing preparedness, through the revision of plans at different levels in jurisdictions and nationally.

Senator O'BRIEN—In jurisdictions and nationally?

Dr Biddle—Yes. For example, the jurisdictions have state emergency services and police forces and they need to work through their planning to ensure that all these services are appropriately engaged and that they know where to go if they want help from outside their jurisdictions.

Senator O'BRIEN—Who will become the national coordinator to try and draw resources from those that exist within the states that might be taken to an area of need?

Dr Biddle—There are positions identified under the state and national plans that specialise in sorting out these problems. It is part of the overall thoroughness of the planned approach to these things.

Senator O'BRIEN—What you described is the system to facilitate the national coordination, is it?

Dr Biddle—Yes. It is an approach that enables attention to be given to these logistical bottlenecks through whole-of-government approaches or whole-of-jurisdiction approaches. It is tied up with the continuous refinement of the plans and identifying the need for logistical planning.

Senator O'BRIEN—If there is an outbreak in Queensland, and Queensland throws its resources, who do they contact at a national level to coordinate assistance?

Mr McCutcheon—That would be done through the national committee arrangements that are in place. It would not just be a matter of Queensland saying to the Commonwealth, for example, 'We need help.' They would be drawing on all jurisdictions, so that the national committee framework that we have will be the mechanism through which they will get the support that will be needed to combat their particular issue.

Senator O'BRIEN—That does not seem to me to be what the recommendation says. That seems to be saying, 'You can have a national coordination but it is not really going to be a national coordination. You can go through that door or you can go through this door to see if you can get the resources you want.'

Dr Biddle—I think the overarching plans in place envisage a particular role for Emergency Management Australia in coordinating large-scale events. It is just when they are triggered, that is all.

Senator O'BRIEN—So the protocols for triggering the involvement of Emergency Management Australia give the option of triggering it or the option of seeking other assistance.

Dr Biddle—The jurisdiction might be able to meet its needs from activating its state emergency services apparatus and not require help from elsewhere, or a bigger request will find its way to Emergency Management Australia.

Senator O'BRIEN—I am just looking at the words of this paragraph, which says:

Each jurisdiction during the simulation confirmed that they had limited resources available to respond to the "outbreak" and that within a short timeframe even the larger jurisdictions would be seeking external assistance.

That is the context.

Dr Biddle—That is right.

Senator O'BRIEN—It continues:

There is currently no national logistics co-ordination.

Was that wrong at the time?

Dr Biddle—It may have been the situation for part of the time, but my clear impression now is that Emergency Management Australia has the frameworks and the linkages to match up with these animal health emergencies and render the appropriate assistance.

Senator O'BRIEN—In reference to recommendation 11 arising from paragraphs 1.30 and 1.31, what progress has been made on upgrading the communications components of AUSVETPLAN and the memorandum of understanding?

Mr McCutcheon—The first thing to mention is that a national communication network has been established and is now fully operational and is used regularly for emergency responses in the various sectors of agriculture. The network has permitted the minimisation of spokespeople, although in a major event clearly the pressure will be there for perhaps several spokespeople dealing with particular aspects. The other development has been that the AUSVETPLAN public relations manual has been updated and is currently being reviewed ahead of public release.

Senator O'BRIEN—Paragraph 1.34 identifies the problem of underresourcing of the communications function, and recommendation 13 puts the onus on this department to take the lead in refining national communication arrangements. You have just talked about what has occurred. What has happened about the provision of adequate staffing resources?

Mr McCutcheon—This is recommendation 13, Senator?

Senator O'BRIEN—It appears in paragraph 1.34, so it is recommendation 13.

Mr McCutcheon—The likely resource requirements of the network, as I mentioned before, have been established, have been modelled, and training for the government personnel, who are drawn from a wide range of agencies, has been completed nationally through seed funding provided by our department. As a result of that, we have a pool of more than 200 public relations staff across the country who are accredited to have a crisis communication role, should one be needed.

Senator O'BRIEN—Recommendation 16:

As a matter of urgency, a national information management system linked to an upgraded ANEMIS be developed and used ...

Has that been developed?

Mr McCutcheon—It is under development.

Senator O'BRIEN—What is the time line for that process?

Dr Biddle—It still has a fair way to go. I do not think there is a timetable for its completion at this stage.

Senator O'BRIEN—It is described as high priority. What time line should it have in that regard?

Dr Biddle—The job is rather complex and in the interim, of course, the existing ANEMIS system is able to be used in an emergency. In developing this national information system, one of the components is to help inform logistics. We were talking about logistics before, and there are a number of active processes under way. There are complex IT applications involved and the key contracts for putting this system in place have yet to be let because all the design

elements for this national system are still being worked through, but it is actively being pursued.

Senator O'BRIEN—What about the exchange of liaison officers between combat agencies and with effective industry groups? What has happened there?

Dr Biddle—I believe that is adequately provided for in the current plans. There are industry liaison officers that come into state disease control headquarters and national disease control operations, and I think that this is well envisaged in the current state of the plans. There is also work done on training competencies for liaison officers which have been progressed by AHA.

Senator O'BRIEN—Who is continuously reviewing the policy for the use of vaccine—recommendation 17?

Mr McCutcheon—The vaccination is a control strategy option. It is being updated in AUSVETPLAN and standard operating procedures for the use of vaccines have been developed. Tests to differentiate between vaccinated infected and vaccinated but not infected animals are being developed and once we can get the tests to be reliable we would be seeking to gain international agreement to changes to restrictions in trade in vaccinated animals. In short, significant progress has been made in progressing that fairly new strategy.

Senator O'BRIEN—Recommendation 18:

The preferred government–industry option for the supply of FMD vaccine be established as soon as possible.

Is it too early for that work to start?

Dr Biddle—It is in place. It is completed.

Senator O'BRIEN—Recommendation 21 deals with animal welfare issues that emerged during the exercise.

Mr McCutcheon—That recommendation has been substantially progressed. There is a multijurisdictional working group with industry people that has been established to evaluate the animal welfare issues associated with disease outbreaks of the likes of FMD and it is likely that a new manual within AUSVETPLAN will be drafted to cover those issues.

Senator O'BRIEN—Recommendation 25: is that relevant at this stage?

Dr Biddle—I think we discussed the zoning exercise that was done in conjunction with the original Minotaur Exercise, and this I think is giving expression to the findings of that exercise—that the application of these zoning things is somewhat limited, given the delays likely in gaining approval of trading partners—and therefore it is really emphasising the importance of rigorously pursuing a stamping-out policy and only resorting to zoning as a second order priority. Work has been done on analysing the benefit of pursuing these approaches but they are based on the findings around the Minotaur Exercise. At this time, with the state of international regulations and standards, there is not a compelling driver to do much more.

Senator O'BRIEN—What is actually involved in meeting recommendation 26? I see it is low priority and it may or may not be the subject of work at this stage, but what is involved? I

am thinking you are trying to sell product into countries where foot-and-mouth disease is endemic. Is that how I should understand that?

Dr Biddle—Yes, having prior agreement and the conditions under which they might accept your product, in the event that you suddenly wish to trade into that lower priced market because of your changed health status. I do not believe this has been seen as a high priority for securing agreements of that type—that when markets were closed, priorities and resources would be directed at securing those sorts of outcomes.

Senator O'BRIEN—Have there been talks with industry about this? Obviously you must talk to industry about whether it is worthwhile, or people are saying there is no point trying to sell into market X, Y and Z, because there is no priced product.

Mr McCutcheon—I am not aware of any discussions with industry on this one.

Senator O'BRIEN—Can you point to the relief and recovery plans the Commonwealth have in place to deal with the impact of an FMD outbreak?

Mr McCutcheon—There is no plan at the moment, and that is a fairly big and broad recommendation, because I do recall from Exercise Minotaur that was one of the major lessons learned. Apart from dealing with the immediate disease outbreak, it was all the socioeconomic dislocation of regional communities, those sorts of issues, that bubbled to the surface as significant issues. I guess that is something that all jurisdictions are giving consideration to but, to be frank, there is no plan in place at this very moment to deal with that.

Senator O'BRIEN—It is a high priority recommendation and it may be that it should not have been accepted at that priority. Does that mean it goes back to the Primary Industry Ministerial Council with some further recommendation or is it just going to sit there?

Mr McCutcheon—I think it is being pursued but I guess the issue is how quickly is it going to be pursued, and I have said it is very complex. Even at the Commonwealth level, it would involve several other agencies, all of whom, I might add, were involved in Exercise Minotaur, but in some cases it was their first exposure to an event of that nature so we would have a lot of work to do.

Senator O'BRIEN—Yes. Perhaps on notice, can you give us an update on what is exactly happening with the eradication programs for branched broom rape, grapevine leaf rust and exotic fruit flies?

Mr McCutcheon—Yes, we can take that on notice.

Senator O'BRIEN—Thanks. On page 50 of the PBS under the heading 'Securing the Future, Protecting our Industries from Biological, Chemical and Physical Risks', it stated:

Completion of agreed activities to enhance Australia's animal and plant health infrastructure and capacity to respond to emergencies.

It then lists the following:

Through critical infrastructure protection activities.

What are the details of those activities?

Mr McCutcheon—Those activities relate primarily to the work that we have been doing with the food industry through a committee called the Food Chain Assurance Advisory Group. Essentially that committee or that group is a network that has been developed under the government's broader counter-terrorism activities, and its initial objective was to, firstly, get all the sectors of the food chain in the one room to allow them to understand where their vulnerabilities may be in terms of a potential terrorist activity, and since then, apart from establishing that network, they have been working on strategies to better protect themselves from terrorist threats. It essentially relates to our department's work with the food industry in terms of the broader government counter-terrorism strategy.

Senator O'Brien—Is there a cost to the work?

Mr McCutcheon—The cost from our point of view has primarily been one full-time staff equivalent. It has been devoted to this activity and other related activities.

Senator O'Brien—There are no payments to industry involved at this stage?

Mr McCutcheon—I cannot rule that out but I am not sure there would be. I would have to take that one on notice.

Senator O'Brien—We will just keep going tomorrow, I guess. I want to consult about one thing so we had better finish now.

CHAIR—I wanted to ask some questions.

Senator O'Brien—You can do that tomorrow.

CHAIR—All right. That is it.

Committee adjourned at 11.00 pm