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SENATE

STANDING COMMITTEE ON RURAL AND REGIONAL AFFAIRS
AND TRANSPORT

ESTIMATES

(Supplementary Budget Estimates)

TUESDAY, 31 OCTOBER 2006

CANBERRA

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SENATE

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

Tuesday, 31 October 2006

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

Senators in attendance: Senators Adams, Brandis, Ferris, Heffernan, Hogg, Ian Macdonald, McEwen, McGauran, Milne, Nash, O'Brien, Siewert and Sterle

Committee met at 9.01 am

AGRICULTURE, FISHERIES AND FORESTRY PORTFOLIO

In Attendance

Senator Eric Abetz, Minister for Fisheries, Forestry and Conservation

Department of Agriculture, Fisheries and Forestry

Executive

Ms Joanna Hewitt, Secretary
Mr Don Banfield, Deputy Secretary
Mr Peter Yuile, Deputy Secretary
Mr Daryl Quinlivan, Deputy Secretary

Management Services Division

Mr Bill Pahl, Chief Operating Officer, Management Services
Mr John Bridge, Chief Financial Officer, Corporate Finance
Mr Greg Haughey, Manager, Budgets and Reporting, Corporate Finance

Corporate Policy Division

Mr Allen Grant, Executive Manager, Corporate Policy
Mr Craig Penney, General Manager, Corporate Policy and Governance, Corporate Policy
Mr Charles Willcocks, General Manager, Biosecurity Strategy Taskforce, Corporate Policy
Ms Victoria Anderson, General Manager, Policy Development Taskforce, Corporate Policy
Ms Nicola Hinder, General Manager, Parliamentary and Media Branch, Corporate Policy

Food and Agriculture including Wheat Export Authority and Grains Research and Development Corporation

Mr Tim Besley, Chairman, Wheat Export Authority
Mr Glen Taylor, Chief Executive Officer, Wheat Export Authority
Mr Terry Enright, Chairman, Grains Research and Development Corporation
Mr Peter Reading, Managing Director, Grains Research and Development Corporation
Mr Geoff Budd, General Counsel, Grains Research and Development Corporation
Mr Gavin Whitely, Executive Manager, Corporate Services, Grains Research and Development Corporation

Mr Iftikhar Mostafa, Executive Manager, Corporate Planning and Program Support, Grains Research and Development Corporation

Mr David Mortimer, Executive Manager, Food and Agriculture Division

Mr Richard Souness, General Manager, Food Policy and Safety Branch

Mr Russell Phillips, General Manager, Grains Branch

Mr Simon Murnane, General Manager, Meat, Wool and Dairy Branch

Mr Ian Robinson, General Manager, Wine, Horticulture and Sugar Branch

Australian Bureau of Agriculture and Resource Economics

Ms Karen Schneider, Acting Executive Director

Dr Don Gunasekera, Acting Deputy Executive Director

Dr Terry Sheales, Chief Commodity Analyst

Mr Peter Gooday, Branch Manager, Natural Resource Management

Australian Quarantine and Inspection Service

Mr Greg Read, Executive Manager, Exports and Animal Programs Division

Ms Jenni Gordon, Executive Manager, Quarantine and Plant Programs

Mr Mark Schipp, General Manager, Technical Standards Branch

Mr Robert Murphy, National Manager, Cargo Management Group

Mr Peter Liehne, National Manager, Plant Programs Group

Dr Andy Carroll, National Manager, Border Group

Mr Tim Carlton, National Manager, Food Exports Branch

Dr Narelle Clegg, National Manager, Animal Programs

Biosecurity Australia

Mr John Cahill, Chief Executive

Dr Bill Roberts, Principal Scientist, Plant Biosecurity

Dr Mike Nunn, Principal Scientist, Animal Biosecurity

Ms Louise van Meurs, General Manager, Plant Biosecurity

Dr Robyn Martin, General Manager, Animal Biosecurity

Mr Stephen Prothero, General Manager, Biosecurity Development and Communications

International Division

Mr Craig Burns, Executive Manager

Mr Paul Morris, Executive Manager, Technical Market Access

Ms Nicola Gordon-Smith, General Manager, Bilateral Trade North Asia, Europe, Middle East

Mr David Williamson, General Manager, Bilateral Trade Americas, South East Asia, Sub-continent and Pacific

Ms Fran Freeman, General Manager, Multilateral Trade

Product integrity, animal (including aquatic animal) and plant health

Mr Steve McCutcheon, Executive Manager Product Integrity, Animal and Plant Health

Ms Eva Marie Bernoth, Acting General Manager, Office of the Chief Veterinary Officer

Mr Bob Biddle, Deputy Chief Veterinary Officer, Office of the Chief Veterinary Officer

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

Ms Sally Standen, General Manager, Animal and Plant Health Policy

Mr Bill Magee, General Manager, Product Integrity and Safety

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

Dr Eva Bennet-Jenkins, Pesticides Program Manager, Australian Pesticides and Veterinary Medicines Authority

Bureau of Rural Sciences

Dr Cliff Samson, Executive Director, Bureau of Rural Sciences

Dr Kim Ritman, General Manager, Climate, Land and Water Sciences Branch, Bureau of Rural Science

Dr Stephen Bygrave, General Manager, Fisheries, Forest and Social Sciences Branch, Bureau of Rural Sciences

Mr Mark McGovern, Program Leader, Business Strategy and Operations, Bureau of Rural Science

Rural policy and innovation

Mr Ian Thompson, Executive Manager, Rural Policy and Innovation

Mr Matt Koval, General Manager, Drought and Exceptional Circumstances

Ms Melanie O'Flynn, General Manager, Research and Innovation

Mr Ross Dalton, General Manager, Farm Help and Counselling

Mr Bruce Bowen, General Manager, Industry Partnerships, Training and Leadership

Natural resource management

Mr Tom Aldred, Executive Manager, Natural Resource Management Division

Mr Gerry Smith, General Manager, Australian Government Natural Resource Management Team

Mr Mike Lee, General Manager, Australian Government Natural Resource Management Team

Ms Heather Tomlinson, General Manager, Land Management and Climate Change

Mr Rod Shaw, General Manager, Landcare and Sustainable Production

Fisheries and forestry

Mr Glenn Hurry, Executive Manager, Fisheries and Forestry

Dr John Kalish, General Manager, Fisheries and Aquaculture

Mr Tony Bartlett, General Manager, Forest Industries

Mr Richard Sisson, Acting General Manager, Fisheries and Marine Environment

Mr Richard McLoughlin, Managing Director, Australian Fisheries Management Authority

Dr Nick Rayns, Executive Manager Fisheries, Australian Fisheries Management Authority

Mr Paul Murphy, General Manager Operations, Australian Fisheries Management Authority

Mr Geoff Richardson, General Manager, Sustainability and Business Management, Australian Fisheries Management Authority

CHAIR (Senator Heffernan)—Welcome. I declare open today's hearing of the Senate Standing Committee on Rural and Regional Affairs and Transport. On Tuesday, 9 May 2006 the Senate referred to the committee for examination particulars of proposed expenditure in respect of the year ending 30 June 2007 for the agriculture, fisheries and forestry portfolio. The committee will now further examine the particulars of proposed expenditure through the supplementary budget estimates hearings. As agreed, I propose to call on the estimates

according to the format adopted in the printed form. The committee has fixed Tuesday, 12 December 2006 as the date for the return of answers to questions taken on notice.

Under standing order 26 the committee must take all evidence in public session. The Senate, by resolution in 1999, endorsed the following test of relevance of questions at estimates hearings: any questions going to the operations or financial positions of the departments and agencies which are seeking funds in the estimates are relevant questions for the purposes of estimates hearings.

The Senate has also resolved that an officer of a department of the Commonwealth or state shall not be asked to give opinion on matters of policy and shall be given reasonable opportunity to refer questions asked of the officer to superior officers or to a minister. This resolution prohibits only questions asked for opinions on matters of policy and does not preclude questions asking for explanations of policies or factual questions about when and how policies were adopted.

If a witness objects to answering a question, the witness shall state the grounds upon which the objection is taken and the committee will determine whether it will insist on an answer, having regard to the ground which is claimed. Any claim that could be contrary to the public interest to answer a question must be made by the minister and shall be accompanied by a statement setting out the basis for the claim.

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

[9.05 am]

Department of Agriculture, Fisheries and Forestry

CHAIR—If anyone would like to make an opening statement, now is your big chance.

Senator Abetz—No, thank you, Chair—other than that I am looking forward to the cream cakes at 10.30.

CHAIR—No, it is toasted sandwiches. There is a letter here from Nick Minchin regarding the Cole inquiry, but we will get to that when we get to it.

Senator HOGG—Are you going to read that later?

CHAIR—Yes, I will read that later.

Senator STERLE—I bring your attention to table 20 on page 273 of the annual report. It seems to show that there were more complaints made to the Commonwealth Ombudsman in 2005-06 than in other recent years. I note that there were no findings of defective administration but have you any idea where or why there was a significant increase in the number of complaints?

Mr Grant—The information that is in that table comes from the Ombudsman's office. The 19 complaints received were those received by the Ombudsman's office. We do not have an indication of what they were about or what issues they related to. The department is only ever advised if the Ombudsman believes there is an issue that the department needs to clarify or

provide further information on. In that case, there were three inquires—as noted in the table—where the department was informed and further action was proceeded with. If you look at the table, it shows that there was a decline in the number of complaints that were investigated by the Ombudsman from five last year to three in the financial year just gone. It is actually a decline in the number of substantive complaints that the Ombudsman thought were serious enough to investigate.

Senator STERLE—In that case, would you be able to tell us if there was a pattern to them? Do you have that information?

Mr Grant—The ones that were investigated were complaints against administration by AQIS.

Senator STERLE—Is that the only area of the department that complaints were made against?

Mr Grant—For those three, yes, it was.

Senator STERLE—In the government's response to the Corish report's recommendations 3(a) and 3(b) on page 11, it states that the National Food Industry Strategy is to be reviewed. Could you tell us who is undertaking this review?

Mr Banfield—If you want detailed answers to that, Senator, when we get to food and agriculture, Mr Mortimer would be happy to provide the detail. But to confirm, as is the normal requirement with a suite of programs such as the National Food Industry Strategy, it is being reviewed. My recollection is that this is being done by an independent firm.

Senator STERLE—Do you know who that independent firm is?

Mr Banfield—We will get that to you, Senator. I might ask Mr Mortimer to provide that advice to us.

Senator STERLE—Thank you. There are a couple of questions there that I will leave until we get to Mr Mortimer. When is Mr Mortimer coming?

Senator Abetz—We can do it now.

Mr Mortimer—I think the question was the review of the National Food Industry Strategy.

Senator STERLE—Yes.

Mr Mortimer—KPMG is the firm that did the review of the NFIS. That review was completed recently.

Senator STERLE—It has been completed?

Mr Mortimer—It has been completed. It is a requirement of the government budget process that there be reviews of programs as they come towards their end and that has been done. The review has now been provided to the Department of Finance and Administration where it will join the budget process for consideration of issues for the period ahead.

Senator STERLE—Thank you. The response to the Corish recommendations 6(a), 6(c), and 6(d) states that food regulation arrangements are currently being reviewed through the

food regulation intergovernmental agreement and that the results of the review will go to COAG. Can you tell us where this process is up to and when something will go to COAG?

Mr Mortimer—Yes, I think the results of that review will go to COAG at its first meeting next year. I am happy to come back on that later. I do not have the exact information in front of me. It will work through a Commonwealth-state process whereby officials from the Commonwealth and the states will look at the outcome—I think they have settled that—and then it goes to Commonwealth and state ministers responsible for food safety regulation matters. Then it will be put on the agenda for COAG. As I said, I think it is early next year.

Senator STERLE—You will come back to us with that?

Mr Mortimer—Yes.

Senator STERLE—Thank you.

Ms Hewitt—Perhaps I should add that the government has announced a separate review into the food regulatory process as part of its response to the Banks report on cutting red tape in government business. There is an independent reviewer also to be appointed shortly to look at a whole raft of business impacts that flow from the Commonwealth-state food regulatory process we operate in Australia. So it is possible that both those reviews could make their way to COAG next year.

Senator STERLE—Do you have a date for the independent review?

Ms Hewitt—I do not think we have a date yet. It would probably be early in the second quarter. I think that is when it would normally meet.

Mr Mortimer—No, I do not think a date has been set for that COAG meeting yet.

Senator STERLE—In his press release of 3 October 2006, the Minister for Agriculture, Fisheries and Forestry indicated that the bulk of the government's response to the Corish report would come as part of the 2007 agriculture statement early next year. Can you tell us something about the scope of this 2007 agriculture statement? I assume it will go beyond the Corish report and look at other areas as well.

Ms Hewitt—Perhaps I could start that. Yes, it will be a very broadly based statement, and it is intended to cover the whole breadth of the portfolio: agriculture, fisheries and forestry, including the food sector. The idea is that it would follow the next budget process, so the programs, including that which you were just asking about, the National Food Industry strategy and other major programs in the portfolio that are subject to regular budget review, would form part of the contents of the government's statement. But it is intended to be a very forward-looking statement, which would, in the same way that the Corish report did, look at the future challenges, needs and opportunities for the sector and announce the government's intended broad approach to policies and programs.

Senator STERLE—Thank you. I would like to ask some questions about the Marnic claim. Can you remind us of the date that Mr Dalton commenced his stage 1 assessment of the Marnic claim?

Senator Abetz—Are we going to get into details? Is that appropriate here?

Ms Hewitt—I think we can do that. We can answer your questions.

Senator Abetz—If we can handle it here, that is fine. I am just being reminded that if we are going to get into the process Corporate can help, but if we are getting into the detail of the claim we may need some other officers, or it may be more convenient to deal with it under the appropriate section.

Senator STERLE—There are quite a few questions on it. We want to get into the detail, Minister, so if you want to wait until—

Senator Abetz—Should we then potentially defer that? Does that suit you?

Senator STERLE—I have no problem with that.

Senator Abetz—All right.

Mr Yuile—As the minister has said, the AQIS element of the agenda will have the appropriate officers here if you are happy to wait until then.

Senator STERLE—Yes, I am happy to wait until then.

Mr Yuile—The processes in terms of the stages of the investigation which is carried out independently of us is handled by Mr Grant's area.

Senator Abetz—Without disappointing you too much, Senator Sterle, I think there may be some limits in relation to the details that can be disclosed because there are still discussions going on between lawyers as to dollar figures et cetera.

Senator STERLE—In fairness to all involved, let's wait until we get to corporate.

Senator Abetz—I just did not want you to complain later when you did get to it that you were told to defer it for the details and then to be confronted with some answers that may well be limited. That is all.

Senator STERLE—We will soon know if we ask and do not get an answer to this. I appreciate that, Minister; thank you. I turn to the CDDA guidelines. Mr Grant, can you confirm to the committee that there is now a new version of the compensation for detriment caused by defective administration guidelines?

Mr Grant—The Department of Finance issued a new set of guidelines—guideline 2006/05. It was issued on 11 August this year.

Senator STERLE—When were the guidelines changed?

Mr Grant—The new guidelines were issued on 11 August 2006.

Senator STERLE—Were they changed a long time before that?

Mr Grant—No. The old guidelines were in place until the new guidelines were issued in August.

Senator STERLE—Mr Grant, why were the guidelines changed? Given you were assessing these guidelines against the matter before you, I assume you asked the questions.

Mr Grant—The guidelines were issued by the department of finance. The department of finance administers the scheme. You would be best placed asking the department of finance that question. My understanding from the information I have received from the department of finance is that the new guidelines were released to provide better guidance to both applicants

and to departments in assessing claims. The fundamental policy that underpins the guidelines was not changed—I am advised by the department of finance—but the guidelines were extended and expanded to provide better guidance.

Senator STERLE—Can you explain what clause 46 in the new guidelines means?

Mr Grant—Again, these are the department of finance's guidelines, but let me see if we can. Clause 46 talks about pure economic loss.

Senator STERLE—Economic loss.

Mr Grant—Clause 46 talks about the need for the loss to be assessed on the basis that the department, or the agency, in causing some detriment to an applicant, should have appreciated the implications for the applicant by giving incorrect advice or by causing some kind of detriment. There is an emphasis in the guidelines that there is an onus on the department or the agency to have appreciated whether there is an implication for their client in the way they are treating them. That is supposed to be taken into account in assessing the compensation or the detriment that is due.

Senator STERLE—Clause 46 states:

If the pure economic claimed is directly caused by alleged, incorrect or ambiguous advice, compensation will only be payable if the agency should have appreciated the implications for the claimant by giving incorrect or ambiguous advice and it was reasonable in all the circumstances for the claimant to seek and rely upon the advice.

Can you tell us why the agency needs to appreciate the consequence of giving bad advice?

Mr Grant—I think it is part of the service provisions of any agency that the agency has a responsibility to give the best advice that it can. It needs to understand when it provides that advice in some way the circumstances of the applicant who is seeking that advice.

Senator STERLE—Can we put a lot of these questions in corporate and have joint answers on this?

Mr Grant—We are in corporate now.

Ms Hewitt—If you are suggesting that it would be good to be able to come back to some of these questions in the context of the detailed questions you want to ask of AQIS about a CDDA matter, that should not be a problem. Mr Grant will be with us for as long as we need him to be. I just add my word of caution to that of the minister in saying that, because two particular CDDA claims are matters of continuing review and investigation, there may be limits to the level of detail that it would be appropriate for us to go to in answers.

Senator STERLE—That is fine. I think we will take the opportunity when we are into the corporate area and I want to talk to the Marnic claim. I will move on. I do not know if anyone else wants to ask any questions on that. I would like to come back to it when we are all here for the Marnic discussions.

Ms Hewitt—That is understood. To reinforce the point Mr Grant has been making about the CDDA guidelines, they are very much a matter for the Department of Finance and Administration. We operate under those guidelines. We do not have a role in dictating, issuing or amending them in any way, so we take those as read.

Senator STERLE—But your agency has carriage of them.

Ms Hewitt—All agencies are required to operate under the ambit of the scheme, as articulated by the Department of Finance and Administration.

Senator McEWEN—To clarify that, you have the guidelines but presumably each department has to interpret them according to what occurs in your department.

Ms Hewitt—That is correct.

Senator McEWEN—So there is some discretion about how they are applied.

Ms Hewitt—Up to a point. It has to be discretion that can be justified and defended. Then there is always the option for complainants who are not satisfied with reviews undertaken by individual agencies to refer those matters to the ombudsman.

Mr Grant—The other issue is that the guidelines need to cover a very wide range of applications. They cover complaints made by individuals about the way they are treated by, say, social services or Centrelink to complaints made by businesses as to the way they are treated by governments and other agencies. They cannot be prescriptive in the way they apply to every individual case; they have to be broad. There needs to be some interpretation in the way each individual case is assessed.

Senator McEWEN—I understand that. Is the process to go straight to the ombudsman if you have a complaint, or is there an internal complaints process within the department before it gets that far?

Mr Grant—If the applicant applies to the department under the CDDA claim, then the department investigates that application and that claim. If at any stage the applicant is unhappy with the process or unhappy with the outcome, then they have the opportunity to go to the ombudsman to express their unhappiness.

CHAIR—I guess the answer will be yes, but I might as well ask the question. Given the present circumstances in Australia and the possibility of the need to import grain into Australia, is there plenty of provision in the budget for on-ground inspections overseas for possible imports?

Ms Hewitt—I do not think I would be so bold as to say ‘plenty of provision in the budget’.

CHAIR—There is never enough money, they tell us, but there is provision.

Ms Hewitt—It is a matter that would be given extremely high priority in departmental expenditure. In fact, this week we have a team of staff from Biosecurity Australia and AQIS visiting some extra countries to assess on the ground the suitability of grain in those environments for export to Australia.

Senator Abetz—And to look at devitalisation. Is that correct?

Ms Hewitt—That is right.

Senator Abetz—I learnt that term this morning in the briefing.

CHAIR—You have been briefed, have you, minister?

Senator Abetz—Yes. It is a buzz word. I think it tells us that weeds and disease that might be associated with your line of questioning.

CHAIR—No. That will come later.

Senator Abetz—In that case, we have obviated that line of questioning.

CHAIR—We are not lawyers like you, minister; we are just humble workers.

Senator Abetz—In about 10 minutes we will have Dr Clegg on the previous line of questioning with Senator Sterle.

CHAIR—Perhaps we can move to corporate policy.

Senator Abetz—If it helps you, we can get Dr Clegg here in about 10 minutes, and we will deal with it then.

Ms Hewitt—With the CDDA matters.

CHAIR—If we could move to the second area of corporate policy, which is something I take a real lot of interest in!

Senator STERLE—I would now like to ask some questions about the Marnic claim.

Senator Abetz—In 10 minutes, please.

Ms Hewitt—The Marnic matter is a CDDA claim and Dr Clegg from AQIS is the relevant staff member.

Senator Abetz—Senator Sterle, do you know what CDDA stands for?

Senator STERLE—Yes.

Senator Abetz—I have only just been advised that it is ‘compensation for detriment caused by defective administration’. I love these acronyms.

Ms Hewitt—As I understand it, the broad ambit is that it is for redress on matters which do not meet the requirements for legal prosecution, but it is in that grey area where arguably there might be some discretionary compensation granted by government on a matter where there has been damage but not illegal activity.

Senator STERLE—Thank you.

[9.25 am]

CHAIR—We will now discuss food and agriculture—the Wheat Export Authority and the Grains Research and Development Corporation. There are obviously some constraints which have been well articulated and which the minister has alluded to. We are reminded of that with the minister’s letter of 19 October 2006. The letter, which is to the Leader of the Opposition, states:

As you are aware, on 21 September 2006 revised terms of reference were issued which extended to 24 November, Commissioner Cole’s reporting date on the inquiry into certain Australian companies in relation to the UN oil for food program. As such, the government’s position in relation to questions on matters before the royal commission remains unchanged for the forthcoming supplementary budget estimates. The government will confirm to officials appearing before the Senate standing committee that they should not answer questions directed to them on matters before the royal commission. Consistent with previous statements, the government considers that Commissioner Cole should be able to proceed with his inquiry and present his findings without parallel public questioning.

Senator STERLE—Mr Besley, my attention has been drawn to a newspaper advertisement inviting applications for the position of Chief Executive Officer of the Wheat Export Authority. An article in the *Australian Financial Review* on 19 September states:

Mr Taylor's contract expired on 30 June but he agreed to stay on for six months.

Is that correct?

Mr Besley—It is, but before I begin to answer questions, could I make a few opening comments, Chair?

CHAIR—You most certainly can.

Mr Besley—I think they are relevant to what Senator Sterle has just said. When we were here last time we were not, being statutory officers, subject to the government's direction about not answering questions that impacted on Cole. We therefore felt able to answer some questions about Iraq contracts—for example, on pages 52 to 57 and others in the transcript of those proceedings. At the same time, under your guidance and that of the minister, we did not answer questions that were related to what was said in the Cole inquiry. This time it is different. Mr Taylor and I have seen a draft of what will become the Cole report and we are also under a non-publication order. We are not able to publish it either orally or otherwise and to do so could put us in contempt of court. Therefore, we do not think we will be able to run that risk. We are not going to answer any questions that impact or could impact on issues which might be in the draft report that we have seen. I wanted to make that clear up-front.

CHAIR—Mind you, it is quite pleasant at June at this time of the year!

Mr Besley—Long Bay at this time of the year! So the answer to your question, Senator, is yes. AWA's have a nominal termination date and unless and until they are actually terminated they roll on. His nominal termination date was June this year but the board wanted to have some continuity, given the issues that were around like Cole and Uhrig and so on, and so the board asked Mr Taylor would he stay on until the end of this year and he said he would. So that is where we stand on it.

Senator STERLE—To the end of this year?

Mr Besley—To the end of this year, yes.

Senator STERLE—So was the decision not to renew Mr Taylor's contract his or a decision of the board?

Mr Besley—Sorry, would you repeat that please?

Senator STERLE—The decision for Mr Taylor's contract not to be renewed: was it your decision, Mr Taylor, or was it the board's decision?

Mr Taylor—Yes, it was my decision, Senator. I indicated to the board that I was interested in a change but I was willing to stay with the Wheat Export Authority to help them through the next six months.

CHAIR—He had obviously had enough of putting up with us! Do not comment.

Senator STERLE—On what terms are you staying on, Mr Taylor? Is it the same \$260,000 package we discussed at our last hearing?

Mr Taylor—It is the same AWA which was in existence until 30 June, so, yes.

Senator STERLE—Does the authority maintain, consistent with the answer to question WEA 02 taken on notice in May, that your remuneration package, Mr Taylor, continues to align with the SES band 2?

Mr Besley—Yes, I think when we answered that last time senator, we said it was lined up to the SES 2 and moved in parallel with that. Yes, it is exactly the same as it was when we explained it to this committee last time.

Senator STERLE—Mr Besley, the job advertisement talks about attractive remuneration. Is another \$260,000 package on offer?

Mr Besley—That depends on what negotiations we undertake with whoever we select as the short list and then ultimately the board interviews. It seemed to me that we should not be too specific about it. That is quite a normal practice these days and so I expect that it would be difficult to make it much different, given the fact that it is a job that exists and will not get any less in its scope.

CHAIR—Would it be fair to say, Mr Besley, that given the times—it is something that obviously a lot of cockies are thinking about—in advertising the job, is there any thought that the role of the Wheat Export Authority might alter in describing what the head person's job is going to be?

Mr Besley—It might change? Yes there is. We have to be realists. We were in a bit of a dilemma. Here we are with Mr Taylor having graciously agreed to stay on at our request until the end of the year and my own term up at the end of the year. When we talked about this last time but we expected the report from Commissioner Cole would come out in June. But time has moved on and so the board came to the view that we had to take some action to fill this slot. The minister is aware of and supports the action we have taken. I think we all recognise—I think I have said this before—that life will not be the same after Cole, so there could well be some changes.

CHAIR—They were your words. So there will be nothing built into the contract for the new boss that would restrain any changes to the role, the model and the task of the person who gets this job that is advertised?

Mr Besley—No, we will maintain flexibility.

Senator STERLE—Mr Besley, I will bring you back to when I asked you if the package would be the same and you said it depends. It depends on what? The quality of the appointee?

Mr Besley—Yes and also what may emerge between the time we conduct interviews, when Commissioner Cole reports, what the government does and what happens to the Uhrig review. They are all variables that we are trying to keep the balls in the air and grapple with, so we do need to be a bit sensible. But can I just go back to the \$260,000 and the \$220,000. The \$260,000 of course includes a lot of non-cash items; it is the superannuation and FBT and so on, which we explained in some detail last time and is all there in the *Hansard*.

Senator STERLE—Yes, I understand that. So really, depending on the reports, the role that Mr Taylor once filled could be completely different.

Mr Besley—It could be. I do not know. That is a matter that I could not speculate about. It is a question of what Commissioner Cole says and what the government does. I could not speculate on that.

Senator STERLE—The advertisement says that the appointee will require superior commercial acumen and judgement, with an understanding of the regulatory environment in Canberra. Is this a new requirement?

Mr Besley—Not really. Maybe it underlines it a bit. It seemed sensible to make that sort of comment. There could be people who, for example, have worked in places like the ACCC who could turn out to be good candidates. We wanted to cast a wide net.

CHAIR—That obviously precludes you and me, Senator. We do not have to apply for it yet.

Senator STERLE—Do you think that AWBI would have been able to pay kickbacks right under the WEA's nose if superior commercial acumen and judgement and an understanding of the regulatory environment had been displayed in recent years?

Mr Besley—You are getting very close to the area that I said I would not answer questions on.

Senator STERLE—When will the recruitment process kick off?

Mr Besley—It has kicked off. I will be conducting the first round of interviews next week. There has been a selection process that has cut the number down significantly to a smaller group. They will be interviewed by two members of the board—me and one other. We will eventually take to the full board a shorter short list, maybe of one or two. We do not know how that will work out yet.

Senator STERLE—Have you received much interest?

Mr Besley—A lot of interest.

Senator STERLE—Do you know how many people have applied?

Mr Besley—More than 20.

Senator STERLE—What is the time line for the appointment of Mr Taylor's successor?

Mr Besley—Again, that would depend on the negotiation we enter into with whoever we recommend to get the job and on what is happening in the environment that I tried to describe before, which is variable, moving and changing. Obviously, we would like to have the thing all wrapped up and somebody in place before or, at about the time, Mr Taylor leaves. That is something that needs to be managed in relation to what is happening out there as things unfold.

Senator STERLE—The 2004-05 annual report was not tabled in the parliament until March this year. Why did it take nine months to prepare the report for tabling?

Mr Taylor—The WEA's financial year ends in September. The WEA then commences the process of getting its financial statements audited. The process of the Wheat Export Authority preparing its annual report is out of kilter, so to speak, with the usual July-June financial

period and annual reporting period. The report was prepared and provided to the minister within the statutory time frames.

Senator STERLE—How long has it been out of kilter?

Mr Taylor—Since the Wheat Export Authority has been in existence.

Senator STERLE—What stage is the 2005-06 report at?

Mr Besley—Do you mean the annual report or the report to the minister on our monitoring role?

Senator STERLE—Annual.

Mr Taylor—It is being drafted as we speak. Our auditors are in doing our financial statements at the moment.

Senator STERLE—When will the report be presented to Minister McGauran?

Mr Taylor—The report is due to be presented to the minister on, I think, 14 January. If I could take that on notice and give you an exact date, I would appreciate that.

Senator STERLE—If you could—thank you. While you are at it, could you take on notice when the report will be tabled. In 2004-05, one director received remuneration in the highest band, which was between \$60,000 and \$69,999. Was that you, Mr Besley?

Mr Besley—It would have been, yes.

Senator STERLE—Did your remuneration increase in the last financial year?

Mr Besley—I think there was an adjustment through the Remuneration Tribunal for all officers in whatever band we are in. To the extent that it changed, that is the only reason it changed. It was an automatic thing.

Senator STERLE—So I can say, yes—your remuneration increased?

Mr Besley—Yes. It was a small percentage.

Taylor—Yes, it did. That is correct—as determined by Remuneration Tribunal.

Senator STERLE—It did not go down?

Mr Besley—No, it did not go down.

Senator STERLE—Other than the chair and the government representative, why does the remuneration paid for other directors vary?

Mr Besley—I will ask Glen to answer that.

Mr Taylor—The remuneration for all directors in the Wheat Export Authority is set by the Remuneration Tribunal. Other than the chairman, the annual remuneration level is the same for other directors. The difference that you have seen in the annual report is due to different periods within which the directors of the authority have been in their positions.

Senator STERLE—What was the highest remuneration paid to an officer? Presumably it was to Mr Taylor in 2005-2006.

Mr Besley—In the authority?

Senator STERLE—Yes, paid to an officer.

Mr Besley—Yes, it was Mr Taylor.

Senator STERLE—What was it?

Mr Besley—The same as we have talked about before.

Mr Taylor—The same remuneration package. That material is being compiled for presentation in our annual report for 2005-06, which we have just discussed that we are in the process of preparing at the moment.

Mr Besley—But it is the same number that was discussed at some length in our last appearance before this committee.

Mr Taylor—If I could just add to that: there is a small adjustment to the remuneration package. It is an AWOTE—average weekly overtime earnings—adjustment that is due in February each year.

Senator STERLE—And that figure is?

Mr Taylor—I could not tell you off the top of my head. I can take that on notice.

Senator STERLE—If you could, Mr Taylor, thank you. Can I refer you to a statement, Mr Besley, issued by the authority on 21 September 2006 titled *Revised export consent arrangements risk assessment review report*. The review considered the recommendations of the 2004 review panel. Is that correct?

Mr Besley—Let me just give you a little bit of history. The 2004 panel recommended some changes to the periods for which export licences could be granted—this is for non-AWBI exporters. There was some concern that those longer periods might cause some risks to the pool and the minister asked us to look into that rather more thoroughly, or again, and consult widely, which we did. Following that no material emerged to back up the fact that these perceived risks were actually likely to occur, and as a result of that we said to the minister that we thought that the panel's recommendation for the longer period should now be adopted. He agreed with that and we made that public.

Senator STERLE—Was it a matter for the board to make recommendations to the minister?

Mr Besley—Yes, it was—having done what he asked us to do, which was to consult widely in the industry.

Senator STERLE—Mr Besley, am I correct in understanding that the WEA supports the implementation in full or in part of all the 2004 review panel recommendations, including those that require amendment to the Wheat Marketing Act?

Mr Besley—Yes, we do. The only one we did not support—and we have made this very clear from the beginning—is the recommendation that we should have within the organisation expertise in foreign exchange and related matters, our argument being that we would not have a full-time job for such high priced kinds of people and it was more cost effective to go out and buy that expertise as we need it, and that is what we have done. Did I say AWBI? I meant WEA—my apologies.

Senator STERLE—I thought that. I want to ask you about a couple of particular recommendations, if I may. The first relates to the introduction of 24-month consents for

niche markets with no tonnage limits. I understand the minister agreed to this recommendation and 24-month consents for niche exports were introduced on 1 October.

Mr Besley—This year, for shipment commencing next year.

Senator STERLE—But tonnage limits remain—is that correct?

Mr Taylor—No, there are no tonnage limits as such on those 24-month niche consents issued by the Wheat Export Authority.

Senator STERLE—The WEA also recommended, and the minister has agreed to, 12-month consents for non-niche markets. Is that correct?

Mr Besley—That is correct.

Senator STERLE—What is going to be the impact of these changes over the coming year?

Mr Besley—We hope beneficial impacts, such as more certainty. The industry seems to like it.

Mr Taylor—We also believe it will reduce the administrative necessity on exporters to apply more regularly to the Wheat Export Authority and also will ultimately streamline the processes the Wheat Export Authority has in place to process applications.

Senator STERLE—The WEA also supports amendment to the Wheat Marketing Act to provide for consents to be suspended or revoked if conditions are breached?

Mr Besley—Yes we do, and we have said that that can only occur, of course, if there is a change to the act. That is a matter for the government.

Senator STERLE—Your statement on 21 September does not reveal whether the minister supports this recommendation. Can you enlighten us?

Mr Besley—Which recommendation? Are you talking about 24 months and 12 months or the amendment to the act?

Senator STERLE—Yes.

Mr Besley—We have said the only way we can implement one or two of the recommendations of the 04 panel is if the act is changed. We favour that. The minister does not have to tell us whether he agrees. That is a matter that no doubt the government will consider at the appropriate time.

Senator STERLE—Do you know if the minister agrees to the suspension?

Mr Besley—I do not know.

Senator STERLE—Two other recommendations—those relating to consultation on specific applications only when the WEA considers it necessary and the introduction of a variable fee structure—also require legislative amendment. AWBI opposes the first recommendation that will remove its right to be consulted on each application for export consent. Why does the WEA support the implementation of this recommendation?

Mr Besley—We think it would be a more streamlined system. We are talking about exports in containers and bags of something less than four per cent of the export crop, so it is not a big

deal. It seemed to us that was an eminently sensible recommendation. I think we would have enough nous to consult if we thought it was tricky or difficult. The AWBI has that right under the act and they prefer to retain it, and that is where it is unless and until the act is changed.

Senator STERLE—Are you aware of the minister's view?

Mr Besley—No, I am not. I have not had the need to discuss that with him.

Senator STERLE—Would you know if the minister has expressed a view about the introduction of a variable application fee for export consent?

Mr Besley—I do not think I have ever talked to this minister about it. I have discussed it with his predecessors. We recognise the merit of the case, but we also recognise that, to do so, would require a change to the act, and that has not happened. So there is a common fee.

Ms Hewitt—Senator Sterle, I suggest that Mr Mortimer make a brief comment here, because the government has put a policy position on record in relation to all of the Williams review recommendations.

Senator STERLE—Yes, please.

Mr Mortimer—Essentially, when Minister Truss reported the government's decision on the recommendations, he indicated that the government supported all of those. However, he did make it clear that they needed to be implemented by the WEA—and what you have been through is the action that the WEA has gone through to implement those parts that relate to its responsibilities. There are a number of the recommendations of the 2004 review related to the AWB and its operations, and these were things that government could not do—in other words, how the AWB group of companies operated at board and director/membership level. There were some matters relating to the legislation which would need to be changed to implement some of the arrangements, particularly around export consents. You have indicated those in your earlier questions. The government supports all of those. In terms of those recommendations relating to legislation, as you have mentioned the government's preference is not to amend the act at this point. But it is something that the government will deal with at the appropriate time.

Senator STERLE—In that case, when will we see the legislation in parliament to implement the recommended changes to the act?

Mr Mortimer—There is no timetable for that at the moment. Mr Besley has mentioned that there are a couple of issues in front of the WEA, including the outcome of the government's Uhrig review of that body along with other statutory bodies. Clearly, the government has made the statement that it is not going to consider changes to anything to do with wheat marketing until after the government has considered the Cole inquiry report to see whether it has any implications for wheat marketing arrangements. The government will look at the whole set of issues dealing with wheat marketing after the Cole report has been made available to it.

Senator STERLE—The final recommendation I would like to discuss relates to WEA's reporting to the consult group. Any changes are contingent on both the report of the Cole royal commission and the government's response. Is that correct?

Mr Besley—What we did on that was—let me backtrack. The 04 panel recommended that the consult group be, in effect, given more teeth and have an independent chairman. That did not seem to be very practical to us. Independent of whom? Responsible to whom? Et cetera. So what we proposed to the ministers over time was that, instead of having a standing consult group, it would make better sense to set up specific working groups tasked with a particular job, which they could do and then be disbanded. We have had five of those and they have worked very satisfactorily. That is the view we hold to, and that seems to be the way the industry likes it as well.

Senator STERLE—These changes could be many months away, could they not?

Mr Besley—They could be—

Senator STERLE—Many months away?

Mr Besley—To the act?

Senator STERLE—To the changes, yes.

Mr Besley—That is as Mr Mortimer sees it.

Mr Mortimer—I think that, if you are referencing anything that might need legislation, yes. The Cole report is due at the end of November and the government will clearly consider those matters, so it is impossible to say what the response to those findings might be and what the timing might be in terms of anything that might impinge upon the legislation.

Senator STERLE—Since our May hearing, the WEA has granted a permit to the Wheat Australia consortium for the export of a shipment of wheat to Iraq. Can you outline the details of the permit, please.

Mr Besley—Perhaps I should quickly go through the process first, and then if you want a detailed account of the dates we can give you that. Under the act, we are required to consult with AWBI on any export, whether it be bulk or non-bulk, from non-AWBI people. If it is a bulk export, under the Wheat Marketing Act AWBI has the power of veto and if it vetoes a shipment then that is the end of it.

If it chooses not to exercise its veto, which was the case in the Wheat Australia export, the matter then comes back to the WEA, which looks at it in terms of its published guidelines. We did that. We then issued a permit to Wheat Australia to export that quantity of wheat—380,000-odd tonnes, as I recall. That is just the way the process works. If you would like the dates and times, we can give you those.

That is the way the process works. It comes to us, we pass it on to AWBI and they comment on it. If it is non-bulk, we then exercise our independent judgment as to whether we will issue a permit or not. If it is bulk and they veto it, that is the end of it. If they do not veto it, we then process it like a non-bulk export under our guidelines and issue a permit or not, as the case may be. In this case, we issued a permit.

Senator STERLE—For the purpose of this shipment, can you outline the details?

Mr Besley—The purpose of it?

Senator STERLE—Yes, for this permit that was granted, could you outline the details for us?

Mr Besley—Do you want to know a bit more about the process, the timing of it or the amount?

Senator STERLE—Firstly the process on this one.

Mr Taylor—The application was received by the Wheat Export Authority on 6 March. WEA commenced consultation with AWBI on that day. There was some additional information that Wheat Australia agreed to be provided to AWBI to assist with the processing of that application. That was sent through on 16 March. There was a request from Wheat Australia for there to be a review of the tonnage. They sought a little bit more than the initial application they had lodged for 350,000 tonnes. Consult comments were received from AWBI on 29 June. They did not exercise their veto. The Wheat Export Authority considered that application on 29 June, and informed the exporter of the decision on their application on that day.

Senator STERLE—That was 26 June?

Mr Taylor—It was 29 June.

Senator STERLE—You said that they had originally requested a shipment of 350,000 tonnes—

Mr Taylor—That is correct.

Senator STERLE—but there was an increase?

Mr Taylor—There was a variation to add an extra 15,000 tonnes to that application. That was agreed to by the Wheat Export Authority.

Senator STERLE—Did the WEA permit just one shipment?

Mr Taylor—A consent is issued for a shipping period, so the exporter is able to ship, during that period, as many shipments as they feel they need to, up to the tonnage threshold agreed by the Wheat Export Authority, consistent with the grades that are on the export consent issued by the WEA. It must also be consistent with the end user which the WEA has granted the consent for.

Senator STERLE—So do we know how many shipments were required for this load?

Mr Taylor—No, I do not have those details of how many shipments were required.

Senator STERLE—Could you take that on notice?

Mr Taylor—Certainly.

Senator STERLE—So we can say that 365,000 tonnes of Australian wheat have been supplied to Iraq?

Mr Taylor—Against this particular consent, it is my understanding that about 360,000 tonnes was shipped.

Senator STERLE—Are there any other permits in the wind?

Mr Taylor—There are a number of applications for bulk export consent currently before the Wheat Export Authority.

Senator STERLE—Is it still the case that the Iraqi Grains Board refuses to deal with AWBI?

Mr Besley—As far as we know, that is the case. I think what they have said is that they want to await the outcome of the Cole inquiry.

Senator STERLE—So if they change their minds, you would certainly know?

Mr Besley—Yes.

Senator STERLE—And they have not yet?

Mr Besley—Not as far as we know.

Senator STERLE—Last week the ABC reported that Wheat Australia is negotiating another wheat sale to Iraq worth almost \$US100 million. A spokesman for Wheat Australia is quoted as saying, ‘Negotiations might be easier if the Authority grants an export permit.’ Has an application been lodged?

Mr Taylor—Yes, the company is on the public record as confirming they have lodged an application to WEA.

Senator STERLE—Mr Taylor, could you tell us what the timetable for consideration is?

Mr Besley—That is out of our hands, to an extent. We have to refer it to AWBI and they control the timing from there on.

Senator STERLE—Has AWBI indicated whether it would veto any further shipments to Iraq?

Mr Taylor—There has been no advice on the particular applications currently with AWBI seeking bulk export consent received by WEA at this point in time.

Senator STERLE—Australia has been a major supplier of wheat to Iraq for half a century. How much has the loss of the market cost Australian wheat growers?

Mr Besley—I do not think that is a question we can properly answer. There are all sorts of variables there. It seems pretty clear that our market share has come down significantly. What does that mean? Does that mean the wheat was not being sold? I think the answer to that is no, it does not mean that. It has been sold to other places. Was there a difference in price? There probably was. I do not think we can give you an answer to that without doing a lot more work than we have attempted at this stage.

Senator STERLE—Maybe you could take that on notice for us.

Mr Besley—We will endeavour to get an answer. It is a very difficult question.

Senator STERLE—What other export permits has the WEA received this year?

Mr Besley—Export permits? Have we granted?

CHAIR—Applications.

Senator STERLE—Applications.

Mr Besley—Applications? For bulk?

Senator STERLE—For anything.

Mr Besley—Or just generally speaking?

Senator STERLE—Yes.

Mr Besley—Do you have the numbers at your fingertips, Glen?

Mr Taylor—I do not have the specific numbers, Senator. There are 12 applications on hand at the moment for bulk export consent. The number of applications for container and bag export consent would be in the hundreds, but I can give you some specific details if I can take that on notice.

Senator STERLE—If you could, Mr Taylor; thank you. Has AWBI exercised its veto power in relation to any of the applications?

Mr Besley—They did, in terms of the last batch, which led to Wheat Australia getting an export permit. They vetoed—was it eight?

Mr Taylor—That is correct.

Mr Besley—Vetoed eight and—

Senator STERLE—And bulk shipments?

Mr Besley—did not veto Wheat Australia's one which therefore came through us and got a permit and exported.

Senator STERLE—Mr Besley—

CHAIR—Pardon me interrupting, Senator.

Senator STERLE—Please do.

CHAIR—The CBH application: obviously there has been a bit of publicity in recent times. I actually think CBH were quite clever in buying those half shares, or whatever they have got, in those flour mills over there. I think AWB would have been disappointed at the time that they did not think of it first. CBH have applied for a permit, as I understand it, to supply Australian wheat to what you would describe as 'their' flour mills in Asia. Has that permit been processed?

Mr Besley—It is in the system. It has gone from us to AWBI as we are required to do to get the commerce.

CHAIR—Yes, I understand your role.

Senator ADAMS—How long does it take to process an application such as the CBH one? How long does it take to go through the Wheat Export Authority and then to AWBI and then back to you?

Mr Besley—There is no particular set time. On the last one, Glen gave some dates on the period that expired before Wheat Australia got its permit—which was quite some time. There is a story in the press that AWBI have to do it within seven days; that is not correct. It is just a question of the process being worked through. I cannot give you an answer to that. I do not know how long they will take to do it. The ball is in their court, not ours.

Senator ADAMS—Perhaps I had better declare an interest because I am a West Australian wheat grower.

CHAIR—God help us; I had better, too.

Senator ADAMS—You did not either, I know.

CHAIR—In case anyone does not know, I am a worn-out wheat farmer.

Senator ADAMS—I probably am, too.

Senator STERLE—You were a canola farmer in the *Australian* the other day.

Senator ADAMS—Does the Wheat Export Authority look at our peculiar situation in Western Australia? We have to really export our wheat; it is unfortunately unviable to do anything else with it—we do not have a domestic market as the eastern states do. So do you take those sorts of things into consideration when you look at the application?

Mr Besley—Let me make a couple of points. If it is bags in bulk, we have a set of criteria, which are made public, that we look at: the destination, the market there and quality of wheat and so on. If it is a bulk application—

Senator ADAMS—I am speaking about bulk.

Mr Besley—All we can do if we get a bulk application is send it straight to AWBI. If they veto it, that is the end of it. If they do not veto it, we look at the application in terms of our published guidelines, as I said we did for Wheat Australia, and process it that way. If it is vetoed, that is the end of it.

CHAIR—You just process the paperwork, and if I come back and say, ‘Sorry’, for whatever reason, then you just have to say, ‘Sorry’, haven’t you?

Mr Besley—That is right. In recent times they have tended to give some reasons—not very detailed reasons, but they have given some reasons—and we always pass those reasons on to the applicant who has sought and not been granted an export permit.

CHAIR—This is pretty tricky, this year in particular—

Senator ADAMS—It certainly is.

CHAIR—because of the circumstances of the domestic market.

Mr Besley—I understand your point.

Mr Mortimer—The essential issue is that the export monopoly is established around the proposition that growers across Australia benefit from all the wheat being pooled and that pool being managed by a single desk export monopoly seller to gain advantage from that. I have to say it is very difficult, if you are operating within that framework, to see how it can readily be changed on the basis of geography. Essentially there is a policy framework there and there is a principle, based in the sense that there is economic merit to be had from one seller being able to pick the best markets and maximise returns for all the pools and all growers on that basis.

Senator ADAMS—I fully realise that, and I do not think I will get into the debate on the single desk at the moment, but Western Australia this year has a huge problem. That is the reason I asked, ‘Are these special circumstances taken into account?’ As a senator for Western Australia and a farmer I can assure you that I am lobbied all the time on this. That is the reason I asked the question.

CHAIR—As you say we will not get into the question of what might come later. But I recall that last year, Mr Mortimer, there was a mob called Creasy's that went broke. People had wheat warehoused in their set up and the law, which was built around precedent set when wheat in warehouses was stacked in bags, said that the grower could not get his own wheat back out of the warehouse, which to me is old fashioned—very old fashioned—and I think subsequently there have been some changes made to the thinking on that. So, I suppose, you could very gently argue that when wheat was sold to governments who were single desk buyers, there might have been quite a small shift in the fashion or the antiquated thinking, but anyhow—there you go. It is a pretty difficult issue and I do not know what we are going to do about it.

Senator ADAMS—I am being good.

CHAIR—We are all behaving ourselves here today.

Mr Mortimer—That is a reasonable proposition. I understand entirely what you are saying.

Senator O'BRIEN—I am sorry I missed the intervening period on the way up here. I think you have been talking about the CBH allocation already, haven't you?

CHAIR—Yes.

Senator O'BRIEN—Has there been a discussion about the services agreement between AWBI and AWB Limited?

CHAIR—No.

Senator O'BRIEN—Then we will start there.

CHAIR—Just before you go on to that, can I just explain to the committee the thinking. This is a difficult issue, Mr Mortimer. At the present time farmers are trying to get wheat out of the system that they put into the system for \$140 or something at Christmas-time and they want to get it out at three-hundred-and-something dollars to feed their sheep, their own wheat, as it were. These are very difficult times; it is difficult for people to come to terms with what is happening, so there are a lot of very stressed people around the bush.

We are in a difficult situation. There is a sense of betrayal amongst a lot of wheat growers. To get the sense of betrayal—they say a picture paints a thousand words—it would be the same sense of betrayal for some wheat growers as you would have if you discovered that the parish priest was interfering with your kids or something. It is a pretty serious issue.

Mr Mortimer—I understand that entirely, and I certainly have no argument with that. At the end of the day, the arrangements are there because government has agreed to them and they are embodied in legislation. So fundamentally it is an issue for government. I was just making the point that it is hard for WEA to do anything different from what it does.

CHAIR—The WEA has its hands tied under its present structure.

Senator ADAMS—Then we'll change that.

Senator O'BRIEN—You could have changed it a couple of years ago, Senator Adams.

CHAIR—Now don't you come here bullying us!

Senator O'BRIEN—Gee, that's a very gentle bullying. If you call that 'bullying', you must be a gentle petal, Mr Chairman.

CHAIR—We are just gentle little petals, here!

Senator O'BRIEN—On 29 August, the Wheat Export Authority issued a statement about its review of the 2004-2007 services agreement between AWBI and AWB Limited. That outlines a number of concerns. Could you elaborate on those for us, please.

Mr Besley—Yes, I can. I think one needs to go back in history a little. There were, in earlier agreements, some arrangements that affected termination of the agreement. Then there was a change; a version came out that did not have a termination provision in it. The current one, that we have commented on on 29 August, does have a termination provision in it which is tougher than the one that was in the one two before that.

We became aware of it because the grains council asked us to look into it. It had not been sent to us. Despite the fact that there was a claim that it was sent to us, we have no record of it having been sent to the Wheat Export Authority at all. But when we got this inquiry from the grains council, we obtained a copy of it from AWBI. Having analysed it, we concluded that it would not always operate in the best interests of wheat growers, so we put out a statement to that effect. We will be reporting on that in our report to growers.

I quickly add that, as part of the separation between AWBI and AWBL, which is in force and which was announced recently again by the chairman of AWB, the services agreement will be renegotiated and will be backdated to October this year. We will then take a look at that and report on it again. We have made it clear in our statement that we will come back to that when we see the new agreement. Those were the circumstances that led to us putting out that press statement on 29 August.

CHAIR—Was that agreement before the separation of the boards?

Mr Besley—Before they announced how they were going to do it, yes.

CHAIR—The original boofhead thinking was that you could have, as disclosed in another place, separation of interests but have joint board meetings—which was, I thought, cute. But that occurred at that time.

Mr Besley—The services agreement upon which we commented was agreed to between committees of the two arms, if you like—the two bits of the L group—allegedly independently. It was therefore before the statements that have been made in recent times that what will in fact happen is a move to separation, and saying AWBI will, for example, have its own staff for the first time, et cetera. There is a statement put out by Ian Donges which explains all that. Part of that process will lead to a renegotiation of the services agreement which we will then report on when we see it.

CHAIR—That will also set up a different line of liability, won't it, in terms of the I group employing its own people. Will they be then no longer contracted to L? L at the present time looks after I—or it did—by contract. They supplied all the services and employees, and paid everyone, which obviously makes them liable for certain litigation. Will that litigation liability now transfer or do we need a lawyer?

Mr Besley—I think it will transfer all right. Remember that I will still be a wholly owned subsidiary of L, but I itself will employ its own staff and pay them and have responsibilities to them and expect loyalty from them.

CHAIR—Mr Besley, at the present time my advice—and bear in mind I am pretty unreliable—is that if there was a class action, for whatever reason, it would fall against the pool. Is that your understanding?

Mr Besley—A class action—

CHAIR—There are a few people in the United States who are feeling a bit energetic, and if they were to bring a class action—and I think they have withdrawn their class action—

Mr Besley—It was thrown out of the court, I think.

CHAIR—If it were to come back in a new form, if there were any future class action, the answer that has been given is, ‘There is nothing before us, so we won’t answer the question.’ But if something were to come up, what would happen? For farmers the bloody weather is bad enough without all this. Farmers are worrying about what would happen if you delivered wheat to the pool. If a future class action could come against the pool, why the hell would you deliver to the pool? Have you blokes got any idea of the legal position of a future class action, and whose responsibility it would be?

Mr Besley—I am not in the business of giving legal advice, but let me say that we are interested in the proposal to set up trusts—a trust that relates to a particular pool. We do not know enough about that yet and have asked for more information from I, so we can better understand that and report on it.

CHAIR—I understand that, but you make—

Senator Abetz—Can I advise caution here. Firstly, the question—with respect, Chair—had many ifs in it, which I think potentially puts it into the hypothetical category. Secondly, if people are considering legal action I think it would be highly inappropriate to ask a witness what sort of legal advice they might be getting in response to that. I just think we need to tread very carefully.

Senator O’BRIEN—Is that the pre sub judice rule?

CHAIR—I think as the Chair I would like to err on the side of caution.

Senator Abetz—Good on you.

Senator O’BRIEN—Thank you for your unimpeded opportunity to ask questions, Mr Chairman!

CHAIR—That is what you get when you are the Chairman, mate.

Senator O’BRIEN—You will be Chairman Mao next.

CHAIR—No, we had Chairman Mao here yesterday.

Senator O’BRIEN—I have met the real live Chairman Mao, do not worry about that.

Senator Abetz—You are not reflecting on the Deputy Chair, are you?

CHAIR—No, no. Moving right along—it is an unfortunate name, Kim; it has lots of connotations.

Senator O'BRIEN—He is the party secretary, not the chairman.

In relation to the review, was there a report written—that is, a report of the service agreement by the Wheat Export Authority, a report into the new service agreement prepared for the board of the Wheat Export Authority? Or indeed for yourself or any other officer?

Mr Besley—We considered it. As a board we wrote to the minister telling him that we were concerned about what it seemed to mean. We took legal advice to confirm. I am not a person to chase legal advice but we did get legal advice because we wanted to be sure that what we thought was the case in fact turned out to be the case and that was so. Following that we then put out that press release. So it is all contained in that.

Senator O'BRIEN—So the board received a report and it wrote to the minister? Is that how I should understand your answer?

Mr Besley—We have been down these sorts of tracks with you before, senator. We do not sit and—

Senator O'BRIEN—I do not want to go down any track. I just want to find out the facts. If there is not a report, let me know; if there is a report, let me know.

Mr Besley—It is a letter to the minister. If that is a report, we made a report.

Senator O'BRIEN—Right. I was asking about prior to that. I understood you said you wrote to the minister, but was there a report for officers or the board prepared in response to an examination of the new agreement?

Mr Besley—It was a letter to the minister which set out the views that we had there.

Senator O'BRIEN—There was no formal document which set out the result of the examination, the review of the service agreement?

Mr Besley—There was an internal brief that came to the board, but we did not send that to the minister. That just alerted the board to the issues and we then thought, 'This is an important enough issue to bring to the minister's attention quickly,' which we did, and then we checked it out legally and then put a statement out.

Mr Mortimer—Any further reporting would be part of the report to the minister which happens annually, where the WEA reports on the operation of the AWBI as a totality. So that will be the venue in the first instance for giving a further report there.

Senator O'BRIEN—Is there any reason that the details of that internal brief cannot go to growers?

Mr Besley—We will certainly be commenting on this issue in the growers report and we have yet to decide just how much we will put into that growers report. It is being drafted now, but we certainly want to let growers know that this agreement exists which in our view would not operate in its current terms in the best interests of the growers but that also it is going to be renegotiated anyway and we will report on that.

Senator O'BRIEN—I am asking a question because I would like to know why growers cannot get a complete and detailed understanding of the nature of the arrangements that were sought to be entered into between AWBL and AWBI given that it impacts on their returns. Why can they not have that detail? That is what I want to know.

Mr Besley—I do not think there is a reason at all. The Grains Council in fact has asked that the agreement be made public. The new agreement will be made public.

Senator O'BRIEN—What about the agreement that you have reviewed? Why can that not be made public?

Mr Besley—We would have to get approval from AWBI to do it. It is provided to us under the confidentiality arrangement we have with them and we do not want to breach that.

Senator O'BRIEN—But they are happy for you to show growers the new agreement, not the old one. Is that what you are telling me?

Mr Besley—They themselves have said they will make it public.

Senator O'BRIEN—They are happy to make public the new agreement after you chastise them about the nature of the old one?

Mr Besley—I am not sure that that necessarily is a consequence, but they have simply made the statement that it is going to be renegotiated and, when it is, they will make it public.

Mr Mortimer—The other course of action available to growers, who are all shareholders, is to take action through the membership of the company. Growers are A class shareholders of AWB and can readily take action, say at the annual general meeting of the company or any other venue.

Senator O'BRIEN—So they have to club together, organise a resolution and vote to have that information revealed to them. The point that I am seeking to make is that this particular document impacts on growers; it also impacts on the credibility of legislators, given that legislators put this arrangement in place. So, in terms of public accountability all round, it should be public.

Mr Mortimer—I hear entirely what you are saying. I am just saying that the growers have a variety of courses of action available to them, and the whole intention of making AWB a private body was that it would be subject to scrutiny by shareholders through Corporations Law. That is equally valid as to the scrutiny that WEA undertakes through its requirements.

Senator O'BRIEN—Mr Besley, what was the nature of the protection that AWBL provided for itself in the agreement—'the cancellation clause', for want of a better term—that you referred to earlier?

CHAIR—Is that the break fee, you were referring to?

Mr Besley—Yes, it was damages—unspecified monetary damages.

CHAIR—It would come against AWBI?

Senator O'BRIEN—Yes, and therefore growers.

Mr Taylor—If I could clarify, the agreement makes reference to a term called 'exit costs', and the Wheat Export Authority's concern was that those exit costs were not defined in the

agreement and could potentially be significant. And the trigger for exit costs being applied was if the services agreement was not renewed or was not renewed in largely similar terms to the current agreement.

Senator O'BRIEN—Let me understand this. The shareholders of one company are seeking damages from a subsidiary company for a break in the service arrangement between the two, which will be paid for ultimately by some of the shareholders of the holding company? Is that how it would work?

Mr Besley—No, AWBI would have to pay AWBL, and it would affect the pool.

Senator O'BRIEN—Yes, and therefore the shareholders who are also contributors to the pool would end up paying the damages.

Mr Besley—I guess they will. Yes, you are quite right.

CHAIR—This is a very old-fashioned way of doing business I have got to say. Mr Mortimer, have you got any information on the disaggregation of the shareholders of AWBL, given dad has died and left the shares to the girls and they want to do the kitchen up, and they have sold the shares to whoever—AMP? Have we got any idea of how many growers as a proportion of the shareholders, given also that AWBL has less than 50 per cent of its business associated with what we are talking about now? Do we know what the break-up of the shareholder register is?

Mr Mortimer—A class shares, as you understand, are issued to growers on the basis of delivering to the pool; B class shares, which are listed on the stock exchange and traded, I understand when last we looked at it were still very largely in the hands of growers. I think it was either 70 per cent or 80 per cent when last I inquired about it, which, for a major listed corporation, is a very high percentage of shares in the hands of relatively small shareholders as opposed to the hands of institutions.

CHAIR—So we have lost perhaps 30 per cent of the register in how many years?

Mr Mortimer—It has been listed for close to about 10 years.

CHAIR—Perhaps in another 10 years—

Mr Mortimer—Sorry, less than 10 years

CHAIR—that will be reflected again—or five years—and by then this will be a very, very old-fashioned way of thinking.

Senator O'BRIEN—Are you speculating on who will own the company a decade away?

CHAIR—I would not like to speculate on the company, but it is just the fact of the matter. It is a system where there is an ASIC obligation to maximise the profit for the shareholders, who are decreasingly wheat growers, lined up against some sort of vague constitutional requirement to maximise the benefit for the growers. It seems to me that it is pretty old fashioned. That was me being on my best behaviour.

Mr Mortimer—Thank you, Senator.

Senator O'BRIEN—Is the renegotiated service agreement due to be finalised shortly?

Mr Besley—The last time I spoke to the chairman of AWBI he said that it would not be finished by October, but it would be backdated to 1 October and he hoped it would be done reasonably soon. That was the sort of comment. They have got lots of other issues on their plate at the moment, so whether it is taking first priority, I do not know. I suppose the point is that there is not a howling degree of urgency; no-one is going to terminate the agreement overnight one would think, but it is something that is on their schedule of work and I guess it will get done when they can fit it in in terms of its—

Senator O'BRIEN—So that will not be able to be reported on for growers in this year's report.

Mr Besley—Probably not.

Senator O'BRIEN—We are dependent upon AWB Ltd publishing the agreement when it is done.

Mr Besley—Probably. We will say something about the agreement that exists right now.

Senator O'BRIEN—I take it that the Wheat Export Authority received some assurances that its concerns had been taken on board by AWBI and AWBL.

Mr Besley—No. I suspect, though, that they noted our concerns.

Senator O'BRIEN—You got no assurances?

Mr Besley—They did not give us any assurances, no. It is a matter for them.

CHAIR—They do not have to.

Mr Besley—No, they do not have to.

Senator O'BRIEN—Of course they do not have to.

Mr Besley—They have to negotiate it. L has to negotiate it with I through the various committees they operate through and then let us know what it is and we will comment on it.

Senator O'BRIEN—Across the chinese wall, is it?

CHAIR—Through the joint board meetings. Quaint.

Senator O'BRIEN—What features would the Wheat Export Authority want to see in the renegotiated agreement that is missing from the current agreement?

Mr Besley—I think at the very least there should be some cap on the potential liability, as there was in the agreement previously. But, again, that is a matter for them to negotiate and for us to report on. We are not part of that negotiation.

Senator O'BRIEN—The services agreement between AWBI and AWB Ltd was purportedly one of the matters discussed during a meeting between the Prime Minister and AWBI Chair Ian Donges on 20 October. What I would like to know is: did the Prime Minister's office seek any advice from the Wheat Export Authority ahead of this meeting about the services agreement or the administration of wheat exports?

Mr Besley—No.

Senator O'BRIEN—At least not from the Wheat Export Authority.

Mr Besley—No.

Senator O'BRIEN—Mr Besley, in May Senator Heffernan asked you if you thought the Wheat Export Authority's powers ought to be reviewed, and in reply you said:

It depends on what the government wants. If our powers are to be as I have just described them, that should be clearer than it is. But, if the growers would like to see, and I suspect they would, some body that could be, to use your phrase, a cage of gorillas rather than a bed of pansies, that should also be said in the act.

We have seen no amendments to the act. Am I right in saying that therefore the Wheat Export Authority is still the latter, the bed of pansies?

Mr Besley—That is how your chairman has described us.

Senator O'BRIEN—Indeed. I am quoting you.

Mr Besley—No, I was quoting him.

Senator O'BRIEN—Okay. That is your alibi.

CHAIR—That is a very moderate description!

Mr Besley—It is not my alibi at all. If you read it carefully, I said 'as you', the chairman, 'has said'. But I think what I was on about there was the clarity of the act. I have talked about that before. But, again, it is not a matter for us; it is a matter for the government.

Senator O'BRIEN—Let's get away from the chairman's terminology. What you were referring to was more power for the Wheat Export Authority to demand of the single desk holder information and access to information, wasn't it?

Mr Besley—I said if that was what the government and the growers wanted, yes. That has to be clear. The starting point has to be: what does the government want? Presumably, the government will discuss with the industry what the industry wants, and emerging from that there will be something somewhat different, I suspect, from the current WEA.

Senator O'BRIEN—Have you had any discussions with Minister McGauran on behalf of the Wheat Export Authority about the perception of the Wheat Export Authority as to its ability to do the bidding of growers to the best of its capacity?

Mr Besley—I have had no particular discussion with him, no. I have talked to him across the room and we have chatted. I probably made the point then that sometimes people tend to judge us on the basis of what they think we can or ought to do, not on what we are able to do. It has been no more than that.

Senator O'BRIEN—Given that you have had the opportunity, you have not raised with the minister the issue of lack of power by the Wheat Export Authority to do its job.

Mr Besley—No, we have not. At the appropriate time, when the government is considering Cole and its response to Cole, it may well seek views from the WEA, which we will freely give.

CHAIR—Along with the rest of us.

Senator O'BRIEN—You will get drowned in the rush.

Mr Besley—It is not for us to be taking policy initiatives.

CHAIR—Do you want to reserve a spot in the queue?

Senator O'BRIEN—I think it might be a disorderly queue when the report comes down, but let us wait and see.

Proceedings suspended from 10.30 am to 10.47 am

CHAIR—Senator O'Brien would like to table a document—which is?

Senator O'BRIEN—The enforceable voluntary undertaking from Lessbrook Pty Ltd that was referred to in yesterday's hearings.

CHAIR—As everyone is in agreement, thank you very much.

Senator O'BRIEN—Here is a copy for you, if you want one.

CHAIR—I understand that Senator O'Brien has concluded his questions and, unless Senator McGauran has any, we may shortly move on. I understand from advice I have been given that the current shareholding in AWB Ltd is 40 per cent institutions and 60 per cent retail—a majority of farmers. AWB Ltd chair informed the Grains Council of Australia that the growers own less than half of the value of the company, and I guess that would be tangled up with Wesfarmers et cetera. Since January 2006, the retail growers have been the largest sellers of AWB Ltd shares. If there is a legal action against AWB, the parties suing would go after where the assets are. That would make a bit of sense—you cannot get blood out of a stone. The major problem with the pool trust arrangement is that the sole beneficiary of the trust is AWB Ltd. Is that your understanding, Mr Besley?

Mr Besley—My understanding is totally incomplete, and I would rather we got the broad and better particulars we have asked for before commenting on it. I just frankly do not understand it at the moment.

CHAIR—It has been put by the Grains Council that the pool participants are now in a worse-off position with the trust in place.

Mr Besley—All I can say is that I have seen a press comment where Murray Jones said something and Ian Donges came back and said, 'Mr Jones has got it all wrong.' So we are trying to come to our own view on it and we have therefore asked for more information so that we can do that.

CHAIR—I might table these notes for the committee. Thank you very much. You can go home.

Mr Besley—Thank you, Chair.

Senator O'BRIEN—I want to ask questions about Australian HomeGrown Ltd while we have the officers here. It was launched by the agricultural minister, Warren Truss, on 27 January 2005. In a press release issued that day, Mr Truss said the government made an initial contribution of \$500,000 and would contribute a further \$3½ million over two years. At budget estimates I asked a number of questions about the funding for the Australian HomeGrown campaign—that was on 24 May this year—and I asked questions that focused on the reason for the downward revision in estimated expenditure for 2006-07. In the PBS, expenditure had been revised down from \$2 million to \$540,000. I now find that Australian HomeGrown effectively became bankrupt on 3 April 2006, when the directors of the company decided to appoint an administrator, and I understand that meetings of creditors were held on

10 April and 5 May this year. When the department was answering my questions on 24 May, was it aware of the decision to appoint an administrator and that creditors meetings had already been held?

Mr Mortimer—I do not have the exact dates in front of me. I have to point out—and my apologies—that I was not actually present at the budget estimates in May, for other reasons. I am just checking whether I have any information here about the actual dates of meetings et cetera, but I am not sure that I do. In terms of the actual dates, I cannot comment on those. In terms of the issue of HomeGrown and its situation, certainly the department ceased funding HomeGrown last year and the department was aware that there were meetings of the members of the company, as it was a company limited by guarantee. Indeed, we were also aware that the members voted and agreed to actually wind up the company. As I understand it, that happened in March. But in terms of anything more specific, I really cannot say that here and now; I would need to take that on notice.

Senator O'BRIEN—So you do not know when the department knew that the company was being wound up?

Mr Mortimer—I think the department would have been advised at the time, but I do not have the records with me.

Senator O'BRIEN—Mr Murnane told the committee in May that further government expenditure would depend on matching industry contributions, and the department was awaiting a detailed business plan from industry.

Mr Mortimer—Yes, I can see what is being said there. The situation was that the members of HomeGrown decided that they were going to review the structure of it to see whether it could be structured in a way that might have better commercial prospects. The situation was that the company, which was established a couple of years ago, was built around a model whereby HomeGrown were charged licence fees for people who signed up to their labelling scheme, and that licensing income would then go through to market promotion activities. It appeared that that was not going to be successful, so the members then had a meeting and decided what options might take the company forward. We were not clear, I suspect, whether they were going to form another company to pick up the same sort of issue and attempt another model for delivering the HomeGrown outcome or whether they were going to let the initiative go, and I think that is probably what Mr Murnane was referring to.

Senator O'BRIEN—But by 24 May the directors of the company had already decided to appoint an administrator—nearly two months previously.

Mr Mortimer—Yes.

Senator O'BRIEN—I am just curious about why an administrator having been appointed and the whole program being in doubt would not have been relevant to the answers to my questions.

Mr Mortimer—Yes. I do not have that transcript with me. In terms of the company's operations, certainly the administrator winds up the company at the direction of the members and then declares back to the members whether there are any assets to be had, whether there is any residual value, so to speak, and then the members decide what to do and whether they

want to take any further action. As far as I can surmise, that was seen to be the sort of issue that was around when Mr Murnane made his reply.

Senator O'BRIEN—I wonder whether you would, on notice, let us know exactly when the department became aware that the directors of the company had decided to appoint an administrator on 3 April. So: when did the department know that? When did the department know about the meetings of creditors, which were held on 10 April and 5 May? If the department was aware prior to estimates, let us have an explanation as to why that was not drawn to the attention of the committee in answer to my questions.

Mr Mortimer—I am certainly happy to take that on notice.

Senator O'BRIEN—Can you tell me now how much has been paid by the government to Australian HomeGrown?

Mr Mortimer—Yes. A total of \$765,000 was paid in total to Australian HomeGrown over the period January 2005 to early 2006.

Senator O'BRIEN—Can you get me the dates and amounts of payments, a chronology of payments, or do you have them there?

Mr Mortimer—I do not have a schedule. What I can say is that there was an initial contract—I think it was in January 2005—for \$500,000 and then there was another contract signed later in 2005 for \$265,000, but I do not have the date of the contract.

Senator O'BRIEN—So they would have been lump sum payments commensurate with the signing of the contracts, would they?

Mr Mortimer—I do not have that detail with me. They may have been staged payments set against milestones that the company was required to achieve. I would have to come back—

Senator O'BRIEN—If the sum total of \$765,000 has already been paid to the company, which you just told me, then the full payments under those contracts have been made.

Mr Mortimer—Yes, that is entirely correct; the \$765,000 in total has been paid.

Senator O'BRIEN—Will there be any more payments, or do I take it from your answer that the contractual obligations between the Commonwealth and the company are at an end?

Mr Mortimer—The contractual arrangements between the department and the company are at an end, as you said.

Senator O'BRIEN—What was the company's consideration for those contractual obligations and the payments it received?

Mr Mortimer—You are asking what the company did?

Senator O'BRIEN—Yes.

Mr Mortimer—The company developed a model, an arrangement, for branding of Australian grown product so that shoppers, consumers, could readily identify it, hopefully express a preference for it and buy it rather than imported products. So the company did things such as develop a logo. They did surveys of consumer attitudes. They also had a business model, which was developed, which they sought to market to a number of food and

agricultural producers. They did in-store promotions in Coles supermarkets in early 2005, I think it was, and things like that.

Senator O'BRIEN—I take it that the Commonwealth is unlikely to get any money back.

Mr Mortimer—I suspect that is the case.

Senator O'BRIEN—Are there grounds for the Commonwealth to seek its money back? I see it listed as a creditor.

Mr Mortimer—Yes. I fear not. Essentially, the company did establish a logo, which you may or may not have seen but which we can provide. They did undertake the in-store promotion in supermarkets and related promotional activities. They did do the feasibility study for the commercial model. They did do surveys of consumer attitudes to the logo. So all those activities in themselves were done. However, sadly, they did not provide a successful model in that businesses were not prepared to sign on to it and to provide the additional funding—indeed, the matching funding, which was the requirement of the government. The government made it clear that it did not see its role as funding this initiative in perpetuity but rather as making a payment up front to get the initiative going and to see whether it could be commercially sustainable.

Senator O'BRIEN—What detailed assessments were made of this project before the government decided to support it and commit what was initially claimed to be up to \$4 million of taxpayers' money?

Mr Mortimer—I would have to take that on notice and see whether there is anything available. I would emphasise that it was an election commitment of the government at the time. Essentially, the government thought it was an idea that had merit and it was prepared to put some money in to see if it could be made successful.

Senator O'BRIEN—What will happen now to the home-grown brand?

Mr Mortimer—I do not know. The brand is available for sale, but I am not aware whether anyone has bought it from the administrator.

Mr Banfield—There have been a number of initiatives in that labelling area. You might recall that, in the context of country of origin labelling, there was a suggestion that we might label fruit or vegetables with two whole fruits or less. As it turned out, that was not feasible from an economic point of view. The cost of undertaking that labelling would have been prohibitive. What we have been pursuing, though, are revised arrangements working with industry and other groups that might develop a model for an 'Australian' or 'grown in Australia' labelling scheme, which optimistically might be a successful outcome.

Senator O'BRIEN—Is the department aware of any link, formal or otherwise, between Australian HomeGrown Ltd and the Australian Made Campaign?

Mr Mortimer—I am not aware of any.

Mr Banfield—We are working with the Australian Made Campaign Limited, but that is on a separate initiative.

Senator O'BRIEN—Are the principals of the company different people?

Mr Banfield—Again, the latest initiative we are working on is not finalised. We are at a relatively advanced stage, but we are hopeful that we might be able to develop a ‘grown in Australia’ label that we might be able to administer through the Australian Made Campaign Ltd.

Mr Mortimer—As far as I am aware the principals of the Australian Made Campaign Ltd—I think that is the proper name—are not those who are involved with Australian HomeGrown. Indeed, Australian HomeGrown contracted services out to another body I think called Australian Agribusiness Ltd. But I do not think there is any linkage in terms of the principals.

Ms Hewitt—Mr Grant would like to amend slightly a response he gave earlier this morning in relation to CDDA claims in the portfolio.

Mr Grant—It was actually about grievances to the Ombudsman. I was talking to Senator Sterle and I said that there were three cases in 2005-06 that the Ombudsman investigated. I inadvertently impugned AQIS in that I said they were all related to AQIS activities. In fact, none of them were related to AQIS activities. They were all related to activities in other parts of the department, and there was not any correlation between those activities. I just wanted to put that on the record.

Senator O’BRIEN—I am tempted to ask why you nominated that in the first place. Was that just misinformation in your brief?

Mr Grant—It was just misinformation in the brief, yes.

Senator O’BRIEN—When did Mr Dalton commence his stage 1 assessment of this claim?

Mr Grant—Mr Dalton was appointed on 7 November 2005.

Senator O’BRIEN—Presumably, he took a little while to get across it, but shortly after that he was on the case?

Mr Grant—Yes, shortly after that. It is a complex matter but he moved expeditiously.

Senator O’BRIEN—When did Mr Dalton complete his stage 1 report that found in favour of Marnic?

Mr Grant—He completed that report on 23 February 2006, and he informed Marnic of his findings on 2 March 2006.

Senator O’BRIEN—Has stage 2 of this process formally commenced?

Mr Grant—Stage 2 has commenced to the extent that we have sought additional information from Marnic, from the applicants, and we have had a number of discussions with Marnic, both through our legal representatives and directly through the investigating officer with the applicants themselves. While there has been no formal assessment of material to date, there has been a fair bit of discussion about the way stage 2 should be implemented.

Senator O’BRIEN—What does the discussion centre upon?

Mr Grant—As we discussed at the last estimates hearing, there was a deal of misunderstanding between the investigating officer and the applicants, Marnic, about the way that stage 2 would be run. In particular, the applicants were pushing for a revision to the stage

1 report to have a further set of facts, as they put it, determined as part of stage 1 before stage 2 was commenced. The position of the investigating officer, as I put to you at the last estimates hearing, was that facts that were necessary in order to complete stage 2 would come out as part of that stage 2 assessment. So, there was quite a deal of exchange of correspondence between the parties dealing with those issues since the time Mr Dalton completed his stage 1 report.

Senator O'BRIEN—When do you expect the stage 2 process to actually commence?

Mr Grant—In order to try and clarify those misunderstandings, the investigating officer visited the applicants and their legal representatives in Perth on 14 September. That was quite a constructive meeting, because it enabled a whole lot of the issues to be aired. As a result of that meeting, we have got correspondence from the applicants setting out what they understand to be the outcomes and proposing a way forward. We will be responding to that assessment in the very near future and I expect that stage 2 will formally commence as soon as possible after that.

Senator O'BRIEN—So Mr Dalton now has to write to the applicant?

Mr Grant—Through our legal representatives. As we discussed, I think at the last hearing, it has been agreed since early on in this process that the correspondence would be between legal representatives.

Senator O'BRIEN—At this stage the full facts of this matter have not been agreed between Mr Dalton and the applicant?

Mr Grant—Mr Dalton has found that AQIS caused defective administration and, therefore, there is a need to assess the detriment to the applicants through that stage 2 process. In the discussions that he had with the applicants, there was a concern by the applicants about whether the time frames were limited as to the claims that they could make in terms of the damage that they claimed to have suffered, and Mr Dalton sought to assure them that there really was no time frame restrictions on the evidence that they could produce to show that they were affected by the detriment that AQIS caused them.

Senator O'BRIEN—What you are telling us is there has been an impasse. Is it the department's view that, following the meeting between Mr Dalton and Marnic's legal representatives, that impasse has been resolved?

Mr Grant—Yes, we are encouraged that that impasse has been resolved, and we are encouraged that there will be some substantive progress made in the near future.

Senator O'BRIEN—Would Marnic be entitled to interest on a final compensation payment, depending on delay?

Mr Grant—I recall under the scheme that there is the potential to pay interest, but that is a matter for the investigating officer to determine.

Senator O'BRIEN—Did Mr Dalton seek clarification of the CDDA guidelines, as was requested?

Mr Grant—Yes, we have written to the Department of Finance and Administration asking for clarification about the intent of the new guidelines to clarify that there is no change in the policy that underlines the guidelines. We have not yet received that advice.

Senator O'BRIEN—How does that issue impact on the view as to whether the matter is proceeding positively or not? Is that fundamental to the position between Marnic and the Commonwealth?

Mr Grant—Marnic see it as very important, from my understanding of the outcome of the meeting. Our advice originally from the Department of Finance and Administration when they issued the new guidelines was that there was no change in policy underlying the guidelines, so in theory there should be no difference in the way the claim is treated under the new guidelines or under the old guidelines. Marnic were concerned and we agreed to clarify that with the Department of Finance and Administration in order to try and overcome those concerns.

Senator O'BRIEN—Were Marnic concerned because of the way they were being interpreted by Mr Dalton?

Mr Grant—No, because in a sense Mr Dalton had not used the new guidelines in any part of the investigation. My understanding is that Marnic were concerned that the new guidelines may have forced Mr Dalton to assess the claim differently from the way he would have done it under the old guidelines.

Senator O'BRIEN—What has been communicated to Marnic about the applicable categories of loss?

Mr Grant—I am not quite sure what you mean.

Senator O'BRIEN—Under the guidelines I understand there are certain categories in which loss can be calculated.

Mr Grant—We have provided Marnic with a full copy of the guidelines. Right from the very start, in all correspondence with Marnic we have referred back to the guidelines as the basis for the investigation.

Senator O'BRIEN—I have a number of questions on notice which, so far as I am aware, remain unanswered—2506, 2507, 2508, 2509, 2510 and 2511.

Ms Hewitt—I believe that all the questions taken on notice have been answered.

Mr Grant—Are you referring to questions tabled in the Senate?

Senator O'BRIEN—Yes.

Mr Grant—Which ones were you referring to?

Senator O'BRIEN—2506, 2507, 2508, 2509, 2510 and 2511.

Mr Grant—I understand that those four or five questions are nearing completion and should be tabled in the very near future.

Senator O'BRIEN—Do you know the answers to them now? Can you give me the answers now?

Mr Grant—They have not yet been cleared by the minister's office, so I would prefer to wait until they were cleared before being tabled.

Senator O'BRIEN—So, there are complete answers to the questions, prepared and with the minister; is that what you are saying?

Mr Grant—In some cases there are. In other cases, we might be just finalising the details, but I do understand that they are very close to being completed.

Senator Abetz—Can I just slightly correct that? Complete answers are only complete after the minister has signed off on them. They are only draft until such time as the minister delivers the answer.

Senator O'BRIEN—They may be less than complete after the minister delivers the answer. That is what I am worried about, Minister. That is why I am asking the question.

Senator Abetz—That may well be an assessment that people would like to make, and that is speculative.

Senator O'BRIEN—Indeed, they do.

Senator Abetz—And that is up to you to speculate about, but not for people at this table to comment on.

Senator O'BRIEN—Is it true that AQIS is not able to access any information relating to the number of applications received since January 2002 for a permit to import marine worms into Australia?

Dr Clegg—We are unable to provide you with complete information because of the way we store it. Applications that are not approved are kept in a different manner, so I could only give you information on the applications that have been approved. I think we answered that in one of the questions on notice. There were three.

Senator O'BRIEN—Nothing in electronic or paper form has been destroyed; is that what you are telling us?

Dr Clegg—There is no destruction of the applications that we receive, but they are all filed in a range of files down in the basement.

Mr Yuile—In archives.

Senator O'BRIEN—Where there has been a permit given, that is accessible information.

Dr Clegg—Yes, because we can search on the permits database for the word 'worms', and bring those permits up.

Senator O'BRIEN—And that will be a complete record of all permits which use that word?

Dr Clegg—The permits that were issued for applications that were approved.

Senator O'BRIEN—I am just thinking that when you operate a database you put in a word, and whatever has been entered in the database, if that word is there, it will come up.

Dr Clegg—Yes.

Senator O'BRIEN—If it uses that word then it will come up. If some other terminology is used—

Dr Clegg—Then it will not come up.

Senator O'BRIEN—It will not come up.

Dr Clegg—That is right.

Ms Hewitt—Senator, could I just make a very brief comment here? It is of a general kind, and I do not want at all to sound defensive about the department's or AQIS's work practices here, but just for context I would note that we receive something like 5,000 or 6,000 permit applications every year. This defective administration finding—because we have got to the stage where the reviewer has found that there was indeed such defect—is the first affecting this area of AQIS's work and we have taken very seriously the lessons learned from this experience and have made some quite significant changes both to work practices and consultation with Biosecurity Australia about particular imports and to our record-keeping practices. We perfectly understand the reason for us asking detailed questions about the past, but I just wanted to put on the record that a lot of follow-up work has been done in the hope of not repeating errors into the future.

Senator O'BRIEN—I thought the Hewett matter was—

Ms Hewitt—No, I am talking about this particular area of AQIS, this biological unit.

Senator O'BRIEN—The Hewett matter is almost legendary.

Ms Hewitt—That is right, but it does date back right to about 20 years ago, so the numbers—

Senator O'BRIEN—It does, but its resolution is much more contemporaneous, and I think we all recall Mr Hewett knocking on doors to have the matter pursued.

Ms Hewitt—I do understand that and, as I say, I do not want in any way to sound defensive, but we do have a very large, dispersed organisation with more than 2½ thousand staff, many of them quite junior. It is very important, therefore, for us to have the systems as effectively developed as we possibly can, and we do try to make sure when we find an area that can be improved that we get on to it very quickly and try to do that. So I really just wanted those few words of context.

Senator O'BRIEN—Thank you for that. In the answer to question 2045, I was told:

The Biologicals Unit always had standard procedures and practices for processing applications for import permits.

Does that mean since permits were issued there has been a standard operating procedure?

Dr Clegg—There has always been a method of issuing import permits. I can only speak for the information that I had when I arrived in AQIS, and that was, I think, in 1999, and I worked in that area myself. We had procedures and we had people who were issuing permits instructing us how to issue those permits. We have moved from verbal instructions and from books. AQIS had little manuals to the system of a database with information on it—ICON, which is available to the public—as well as the verbal instructions that our assessing officers gave to us, which were then recorded on a Word document so it was searchable. We have

moved from that to controlled documents, where the information is now recorded against a date so that we are able to track back what the conditions were at particular points in time and, as I mentioned at the last estimates, we are moving to a quality managed process. So we have always had procedures and processes in place. We have not always had every single one of them recorded and written down.

Senator O'BRIEN—Going to Mr Dalton's first report, he says in paragraph 58 that prior to May 2004 he understands BA advice was usually sought in an informal way—for example, a telephone call, email or by visiting the relevant BA staff member's desk. He says that advice was also often provided by BA to AQIS in an equally informal manner. At paragraph 59 he says 'the advice from AQIS indicates that informal approaches were used to obtain BA advice' and 'this was an informal work practice and was not formalised until May 2004'. I cannot reconcile those two positions. The minister tells me they have been standard procedures and practices in the processing, but Mr Dalton found that part of the assessment process was carried out via a chat at an officer's desk.

Dr Clegg—I think there is a difference in the type of information being discussed there. To develop conditions that are going to go on an import permit, to develop conditions for animal feed or agricultural purposes or other in vivo uses, you may have an existing policy. It may not specifically mention the particular product you are talking about, but it will have the same ingredients. So you would go around and talk to Biosecurity Australia. You would say, 'This is a product that has come in. I've looked at the policy. I'm not sure what it means. I'll go around to BA and clarify that.' Where it is a major clarification, it would always come back to us in writing. We would never have advice given to us from BA about major policy that would not be in writing. That is the way our IRAs are done and the minutes that we get back from them.

What we discovered was that, because you can go around and ask people for advice, there is the potential—and that is really what happened, I suppose, with Marnic—that people may not follow up and get the advice. That was the gap that we had. The procedure for going and getting advice—the instruction that you would do that and that they are the people you would seek clarification from—was always clear to the officers in the permit-issuing area.

Senator O'BRIEN—So what this has uncovered is a serious deficiency in the way that the processes allowed your quality control system to work in the management of these permit applications.

Mr Yuile—I think it reflected a practice which was not as formalised as we would have liked—or we now like. It was clearly done in good faith.

Senator O'BRIEN—We can all in hindsight be critical; I know that. But what I am saying is that this seems to have impacted on your ability to manage the quality of the process when you actually cannot control what the chats desk-to-desk communicate and how that affects people's decisions.

Ms Hewitt—I think it is clear that it is much more desirable that this work be formalised, and that there are clear written procedures; and that is what has now been put in place. As to your characterisation of serious deficiency, I would simply go back to those contextual remarks I made earlier about this being the first problem that has ever been brought to our

attention in this area. Yes, we agree: this was not done as well as it should have been. And we have taken steps to remedy that. But it may be the case that that more informal contact, generally speaking, in the past has been adequate.

I would also draw your attention to the fact that, at an earlier time, Biosecurity Australia and AQIS were of course part of a single organisation. I think, therefore, the working procedures probably could have happened more naturally in an informal way without the risk of error. It is even more important, now that the two work areas are separated through BA's proscribed agency status, that we do have very clear documented procedures.

Senator O'BRIEN—So we should categorise the lack of attention given to this matter when the organisations became separate as a deficiency in the setting up of the two branches.

Ms Hewitt—I think it is just another factor in the history and culture of the two parts of the organisation that have now been given very specific attention.

Senator O'BRIEN—It is an inescapable conclusion that it was not given attention at the time that the separation occurred.

Ms Hewitt—There have been two previous ways in which Biosecurity Australia has been organised. Originally it was part of a bigger AQIS, then it was moved into the department proper, then, after the October 2004 election, it was separated entirely with a separate agency status. You would have to go right back. I do not have the date in my head, but it would have been several years ago that BA and AQIS were separated in the way that they were.

Senator O'BRIEN—The answer to question 2004 relates to the timing of the development of additional work instructions for the biologicals unit in AQIS. Can you give me the date the development of this work commenced and tell me who did the work?

Dr Clegg—The answer we give for question 2004 talks about the development of additional work instructions commencing from about May 2004. I cannot give you a more precise date than that. That was within the biologicals unit.

Senator O'BRIEN—Who did that work?

Mr Yuile—It was done by the section head.

Dr Clegg—By the section head, the manager of the biologicals unit and the team.

Senator O'BRIEN—Regarding the answer to question 2051, the minister refers to a number of internal audits of AQIS functions.

Mr Yuile—Is that a general question in relation to internal audits? It is not a Marnic-specific question, in other words?

Senator O'BRIEN—Yes. I asked as part of that question what the outcome of these audits were. The answer was that the outcome was satisfactory. Can you tell me more? What did the audits find?

Mr Yuile—I thought there was another question you had, which we have for response, in respect of internal audit reports which goes to that sort of detail. I think that is one to come to you.

Senator O'BRIEN—Is it?

Mr Yuile—Is that right?

Senator O'BRIEN—It may be. I am not sure what answers you are providing.

Mr Yuile—I do not have the detail of every recommendation, if that is what you are asking. To make sure I have the right question, you have referred to 2051?

Senator O'BRIEN—Yes.

Mr Yuile—And that outlines the number of audits in each of those years, together with a table? Your question, then, was what the outcome was of each of those audits?

Senator O'BRIEN—The answer in (e) is, 'All internal audits were completed satisfactorily.'

Ms Hewitt—You are looking for a little more detail?

Senator O'BRIEN—Yes. That could well mean that the process was satisfactory but the findings were appalling—I do not know.

Mr Yuile—I would have to check with the person who prepared that answer, but I think that does relate to the conclusion of the audit program. I do not have those words you just referred to. I have the attachment.

Senator O'BRIEN—It is (2)(e).

Mr Yuile—I see the question.

Senator O'BRIEN—The answer—

Mr Yuile—'Please refer to the attached table.' Is that right?

Senator O'BRIEN—Are you looking at 2051?

Mr Yuile—Yes.

Senator O'BRIEN—In my copy the answer at part (2)(e) says, 'All internal audits were completed satisfactorily.'

Mr Yuile—I think that does refer to the conclusion of the audit program.

Mr Pahl—Senator, perhaps I can help, as an observer to the DAFF audit committee for some many years. I can recall that AQIS has featured fairly significantly on the audit program each year, given the size of AQIS in relation to the rest of the department. There have been numerous audits undertaken into various activities in AQIS. The committee reviews those reports and, as part of its review process, it ensures that where recommendations have been made by the internal auditors those recommendations have been satisfactorily followed up and/or completed and implemented, as the case may be. At any given time, there are always some recommendations of the internal audit group that will be work in progress and outstanding, and I would imagine, without checking, that that would be the case right now—that there would be some recommendations that are still to be implemented. But there is a very structured process to ensure that the audit program is based around the risks that the organisation faces, and also to ensure that, where the internal auditors made recommendations, they are properly implemented and followed up by that committee.

Senator O'BRIEN—So 'completed satisfactorily' means that, where there were findings that needed to be addressed, they had been addressed; is that what that means?

Mr Pahl—I have not got that particular document in front of me, but what I can say on behalf of that audit committee is that they satisfy themselves that, where the auditors have made recommendations, the recommendations have been fully implemented; or, if for some reason there is a view that they ought not be or cannot be, that they pursue that until they are satisfied, as a committee, that the audit recommendations have been properly considered.

I would also point out that the audit committee itself has two external appointees. So it is a small committee, but two people with special expertise from outside the department sit on the committee and they are very diligent in ensuring that the department does give full expression to all of the various recommendations that are made by the internal auditors.

Mr Yuile—I could add, from an AQIS perspective, that clearly it is very important to us that we have a good program of internal audit. It is a management tool, and that is the way I have encouraged the managers within AQIS to take hold of any audit opportunity. We also separately monitor not only the internal audits but also the external audits, such as those by ANAO, and the recommendations that are made there and that, where those recommendations are accepted, we are tracking the implementation of those.

That is something we have certainly been doing in the 12 months I have been there. It is part of our governance process that we track those internal audit recommendations and their implementation. And, as Mr Pahl has said, in some instances management agrees with the recommendations and proceeds to implement. In other cases, we might disagree with the audit and have to explain why. Or, indeed, if we can see an equivalent approach, or a different approach which is equivalent in its outcome, we would also report that. So those are the sorts of processes we go through internally, and tracking certainly has happened in the last 12 months that I have been involved, and no doubt it has happened before that.

Senator O'BRIEN—The advice says the audits are initiated at the direction of the secretary. Does that mean it is just routine, or are there catalysts that initiate them?

Mr Yuile—Mr Pahl can explain the process, but I can explain from my perspective what we endeavour to do. For example, there is a regular round of reviews of our regional offices. That is part of the internal audit program. But in addition we look at where we think there are particular risks or concerns. We would like to have some external eyes to have a look at that and, as I say, I think it is a really important principle. Unfortunately, we get caught up with the 'gotcha' mentality, in some audits.

I think that is a great pity. The whole point of the internal audit program is to be an additional aid to management in making sure that we have systems and processes in place that are working well. If they are not, then we need to learn from those audits and implement change where that is required. We would make recommendations as to things we think ought to be on the internal audit activity for the year. Then there is a process with the internal audit committee to assess our suggestions along with, no doubt, those of other areas of the department and then come up with an audit program commensurate with the resources available and the risks that are to be addressed.

Ms Hewitt—That list of internal audits is formally signed off by me as secretary, but it is put up as a proposed program to DAFF's executive management team, the meetings of which I chair, and formally signed off on a regular basis.

Senator O'BRIEN—Does advice flow to the minister arising from these audits?

Ms Hewitt—I suspect not routinely. But on matters where we make significant changes to our work practices or where we see significant risks emerging and undertake particular action to ameliorate those risks, if we think the issues are likely to be of interest and concern to the minister, we would certainly brief accordingly. I will ask my AQIS colleagues to add, if there is anything there, but I do not think there is a routine reporting program of our internal audit program.

Mr Yuile—That is the case, unless there was something that was obviously particularly significant that was felt required, but it is really about us administering and managing the affairs of the department.

Senator O'BRIEN—How many particularly significant matters would have been drawn to the attention of the minister in the last year?

Ms Hewitt—We will probably have to take that on notice, if you will allow us to do that, and come back to you.

Senator O'BRIEN—With regard to the CDDA guidelines, I thought you were saying—and correct me if I am wrong—that you do not understand the changes to the guidelines to be such as to have any impact on the claim by Marnic.

Mr Grant—The advice we had from the department of finance was that there was no underlying change in policy under the guidelines. The guidelines were issued to provide more guidance both to applicants and agencies in assessing claims under those guidelines.

Senator O'BRIEN—If a claim is already on foot, the new guidelines supersede the old ones for the claim made under the old guidelines.

Mr Grant—In the end, the investigating officer is responsible for investigating that claim. He uses the guidelines to do that job in the circumstances of the particular claim. Yes, in general he would pick up the new guidelines because they provide new guidance. As I did explain, though, the applicants in this case—Marnic—have some concerns about the use of the new guidelines. We have agreed to write to the department of finance to clarify the intent of the new guidelines in comparison with the old, as a sign of good faith with the applicant.

Senator O'BRIEN—When was that communication sent to the department of finance?

Mr Grant—Last week, I think.

Senator O'BRIEN—Presumably Marnic communicated their concern about the guidelines at the meeting in September.

Mr Grant—Yes, they did.

Senator O'BRIEN—Why did we wait until the end of October to write to the department of finance?

Mr Grant—The meeting was on 14 September and there was some delay before. There was an exchange of letters. There was contact between the legal representatives to clarify the outcomes of the meeting, to agree on the outcomes of the meeting and then a follow-up to those outcomes.

Senator O'BRIEN—Can you explain to me what clause 46 in the new guidelines means, please? It states:

.If the pure economic loss claimed is directly caused by alleged incorrect or ambiguous advice, compensation will only be payable if the agency should have appreciated the implications for the claimant by giving incorrect or ambiguous advice *and* it was reasonable in all the circumstances for the claimant to seek and rely upon the advice.

Mr Grant—As I explained to Senator Sterle earlier, these guidelines are put out by the department of finance so the correct people to ask about the intent of the guidelines in that area are the department of finance. Our understanding is that that clause provides that there has to be a reasonable foreseeability application. That is, when the agency or the department is providing advice or assistance to a client, they have to have an appreciation of the implications on the claimant or on the applicant for giving incorrect or poor advice.

Senator O'BRIEN—Is that something you have asked the department of finance to clarify?

Mr Grant—Not specifically, no. We have written in more general terms to ask what the difference between the new and the old guidelines are, so it is possible we will get an answer. We could follow up on that point if the applicant was particularly concerned.

Senator O'BRIEN—What discussion, if any, did this department have with the department of finance about the formulation of the new guidelines?

Mr Grant—None that I am aware of.

Senator O'BRIEN—What is the involvement of Mr Dalton with the Department of Finance and Administration in terms of understanding these new guidelines? Has he been given a special briefing as to what they mean, or is he at his own ends to understand them?

Mr Grant—I cannot answer for Mr Dalton, but my understanding is that we have not had a special briefing about the new guidelines, no.

Senator O'BRIEN—Clause 47 of the guidelines relates to pure economic loss arising out of lost opportunity to earn a capital gain or a lost opportunity to earn income. Is it reasonable to understand that to mean that, if a company chooses a course of action in relation to a business venture based on advice from AQIS, for example, over another course of action, the lost opportunity from failing to pursue the second option would be considered in any compensation claim?

Mr Grant—Could you repeat that? I missed the last bit.

Senator O'BRIEN—The lost opportunity from failing to pursue the second option would be considered in any compensation claim.

Mr Grant—I think it comes back to the reasonable foreseeability. If, for example, AQIS were in a position to reasonably foresee that whatever implication of the decision they were

making on day one had implications for further businesses and other opportunities down the track, that is the intent of that clause. It is very difficult to generalise that answer.

Senator O'BRIEN—I am trying to understand how AQIS could understand what the business options of a client were in relation to what they were doing.

Mr Grant—I think that is the whole point of the clause.

Senator O'BRIEN—If there is defective administration, the actions could have that effect without the agency appreciating what its effect would be. What you seem to be saying is the new guidelines would protect the Commonwealth in those circumstances.

Mr Grant—I think the new guidelines better explain that you have to draw the direct link between the deficient action and the implications for the company, and there has to be a reasonable foreseeability element in that.

Senator O'BRIEN—Even though you do not understand what the nature of a business is?

Mr Grant—In some cases in generalising you may understand the nature of the business. Remember that these clauses, these guidelines, apply to a whole range of applications—from individuals complaining about their social security provisions to companies complaining about the impacts of administrative decisions—so they need to be written in a way that can be used by a whole range of applications.

Senator O'BRIEN—I am just wondering whether the committee should understand that if it could be generally understood that that might cause a harm, the nature of that harm needs to be demonstrated, but you would not have to say that there had to be a detailed understanding of the nature of the harm, just that it could cause harm.

Mr Grant—The element is that there has to be a reasonable foreseeability. That is what the guidelines are explaining.

Senator O'BRIEN—That is a new test that did not exist before, indeed, in the guidelines that existed at the time the claim was lodged.

Mr Grant—The old guidelines always had an element that when giving advice you had to consider whether it was reasonable for the claimant to have accepted in good faith and to have acted upon the information correctly, so in a sense that is part of the basis of the new guidelines. My understanding is the new guidelines have gone a little bit further in clarifying that the element that you need to be able to foresee is the implications of the decisions you have made.

Senator O'BRIEN—Some might describe it as limiting. That is a point that no doubt an applicant would raise if the entity against whom the claim was made is setting new guidelines for assessment of the claim which limit the assessment of damages after the claim has commenced.

Ms Hewitt—I think, as Mr Grant has been trying to convey, it is not a new requirement; it is additional guidance to assist reviewing officers in their conduct of these cases to guide them on what is judged to be reasonable by the government under the terms of the scheme. At the end of the day, it is a discretionary scheme to deal with matters where claimants do not have a case that is of sufficient merit to be likely to be able to achieve compensation in a court of

law. It is in an area where more judgement is required because you do not have to pass that bar of legal proof; it is a question of reasonable acceptance of responsibility for defective administration where detriment has been caused.

I would not interpret these guidelines as changing the scheme or offering more stringent requirements; it is simply additional elaboration to guide reviewing officers on what had always been intended. Presumably—I don't know—these came to us from the department of finance, as far as I am aware, unexpected and without any suggestion on our part. They probably relate to issues of clarification which have emerged over a period of time in cases affecting all agencies in the service. But there is no question but that the reviewing officer for the department must be bound by the guidelines as they are currently articulated at the time he concludes his work. There is certainly no argument from the department's perspective. We simply want the matter to be settled in an appropriate, reasonable and responsible way, taking into account all the guidance that should be brought to bear to settle the case. We certainly hope that can be done in an expeditious fashion.

Senator O'BRIEN—It has been running for a year now so it has not been as expeditious as any of us would have liked, I suspect.

Ms Hewitt—That is true but the delays have been on the side of the complainant as much on the part of the department, perhaps even, arguably, a bit more so. I am not trying to—

Senator O'BRIEN—The claimant did not lodge a new set of guidelines for the assessment of their claim part of the way through, which might be exercising their mind and certainly exercising mine. For example, clause 48 says:

In these circumstances, compensation will only be payable when the agency could reasonably have foreseen the type of opportunity that, as a result of the agency's defective administration, the claimant lost.

I am struggling to understand how AQIS could understand the nature of the businesses that might be affected by these decisions.

Ms Hewitt—It might, for example, have something to do with the way in which a question was posed of an officer with regulatory responsibilities. I have not seen these before this morning in that detail, I have to say. If you respond to a question from a member of the public or a client and you do not have reasonable information on which to provide the advice in a very specific way, advice that might be tailored very specifically to the person's interests—so if the inquiry is not very specific—it is hard always to be absolutely correct in all circumstances. It is judgement that is required here.

Senator O'BRIEN—In this case we are saying that there were approvals given and suddenly there was advice taken that that was not what should happen and approvals were withdrawn.

Ms Hewitt—That is right and that has been accepted as a problem by the reviewing officer.

Senator O'BRIEN—So I am not sure—if the damage was caused, whatever the contemplation within the business was—whether they had to communicate that to AQIS for the damage nevertheless to be suffered and, in the ordinary course of events, compensable.

Ms Hewitt—I think we are mindful of the concerns that are present in the case of the complainant. The reviewing officer is doing his work with them and will weigh them seriously and objectively, I am sure. It is rather difficult for us to add more at this point. My suggestion would be that we let the process take its course and hope that we can resolve it before very long.

Senator O'BRIEN—The evidence from the department to this committee is that these guidelines were issued by the department of finance. So there was no consultation or discussion between this department and the department of finance about that?

Ms Hewitt—That is certainly my understanding. I am not aware of any such consultation.

Mr Grant—That is my understanding as well.

Ms Hewitt—The corporate policy division, which manages this area, are telling me that they had no involvement in the Department of Finance and Administration's work.

Senator O'BRIEN—Your understanding is these new guidelines replace the old guidelines, even though the claim was lodged at the time the old guidelines applied?

Ms Hewitt—Yes, although you seem to suggest that there is some kind of conflict between the old guidelines and the new, whereas, as we would understand it, it is simply further detail to provide additional guidance to departments and reviewing officers—

Senator O'BRIEN—Or further limiting, when you say 'further detail'.

Ms Hewitt—This is something you probably should pursue with the department of finance but I think it was to make clearer the original intent of the scheme. The department of finance are telling us this does not change the interpretation or the intent of the program; it is simply to be clearer and to provide greater detail to assist both complainants and agencies in settling claims.

Senator O'BRIEN—They would say that, wouldn't they? Someone else might say that this is to constrain the nature of the consideration of the claim within certain boundaries that did not exist in the earlier document. Anyway, I understand you cannot answer on their behalf.

Mr Grant—This scheme applies to hundreds or thousands of schemes across agencies. It is not clear that these particular guidelines were written with a reference to one particular case in mind.

Ms Hewitt—I suppose there may have been some consultation with the Department of Finance and Administration about the detail of the Marnic case on the part of the reviewing officer but it was not something that was done with any intent to stimulate any clarification or change to the scheme.

Senator O'BRIEN—I think you have said that Mr Dalton has had the benefit of legal advice in relation to this matter and particularly, I take it, in relation to the new guidelines.

Mr Grant—Yes, he has received some legal advice about the differences between the old and the new guidelines.

Senator O'BRIEN—Is there any reason this committee cannot have the benefit of that advice?

Mr Grant—I think the advice was to Mr Dalton and would be privileged in that case.

Ms Hewitt—This again, Senator, is an absolutely normal procedure for us in the department. When somebody has a responsibility for resolving a matter—whether it be a code of conduct investigation or a question of ordinary practice in the department against departmental policies and guidelines—if they feel that it will be helpful to the course of their investigative work to have some legal advice, that is available as a matter of routine.

Senator O'BRIEN—Mr Dalton is separate from the department, is he not, in this role?

Ms Hewitt—He is doing this work and he has the delegated responsibility—delegated by the minister, I believe—and he as a member of the Australian Public Service is required, as part of his work, to do this work in an objective and appropriate professional way, and he is quite strictly enjoined to bring his own judgement to bear on the matter. He is supported and advised by the line areas involved, if he seeks information about the background to the case, or Corporate Policy Division and our legal advisers if it relates to his obligations and responsibilities under the scheme.

Senator O'BRIEN—Sure. Nevertheless this is advice obtained with Commonwealth funds. It is about a defective administration scheme's guidelines and how they have changed. It is not as though advice to Mr Dalton is advice to a party to proceed; rather, it is advising him legally on what these new guidelines mean, and I am very interested as to whether there has, in fact, been a change in the legal meaning of the guidelines for interpretation of these claims.

Ms Hewitt—If I could just add, we are in the middle of resolving a matter not currently agreed between two parties. It is being conducted through the legal advisers of both parties, and I think it would be extremely unusual for legal advice to be shared between parties who are taking—

Senator O'BRIEN—But Mr Dalton is not a party, is he? You tell me that Mr Dalton is the recipient of the advice. He is not a party, he is assessing the claim. If it were a claim before the courts, the legal argument would be put and available to both sides.

Mr Yuile—That is an issue between the Commonwealth and the party concerned.

Senator O'BRIEN—What is Mr Dalton's role? Is he acting on behalf of the Commonwealth?

Mr Yuile—He is an officer appointed to undertake the investigation by the minister.

Ms Hewitt—On behalf of the department.

Senator O'BRIEN—He is making the assessment on behalf of the department or in relation to a process which has been agreed. In fact, he is almost an arbitrator, isn't he?

Ms Hewitt—He is.

Mr Grant—He is investigating and making a recommendation about the claim.

Senator O'BRIEN—Either he is at arms-length to the Commonwealth in his role or he is not. If he is at arms-length, then I do not know why both sides could not see this advice.

Ms Hewitt—He is at arms-length to the area of the department that is responsible for what he has found to be the defective administration but, as a member of the Australian Public Service, he is delegated by the minister to undertake this review and to come to a judgement about appropriate compensation. We can reflect further on that if there is any change to our on-the-spot reaction.

Senator O'BRIEN—I am strongly urging you do. I think it reflects upon the independence of this process if what you are saying is that the officer is not independent of the Commonwealth and that the advice is potentially partisan advice—

Ms Hewitt—I am certainly not saying that. I would be very clear in making that point.

Senator O'BRIEN—If it is advice as to what these new guidelines mean, shouldn't that be in open debate between the claimant and the Commonwealth rather than known to only one side?

Mr Grant—Perhaps, but I think you asked whether the information could be released to you.

Senator O'BRIEN—Yes, I did.

Mr Grant—That is a different—

Senator O'BRIEN—But you are saying you will not because it might be released to the other side. That is what you are saying.

Mr Grant—No, I did not say that.

Senator O'BRIEN—Why can't it be released to this committee, if that is not the concern?

Mr Grant—Under your logic, if it was able to be released to the applicant then that is one thing. But I think it is a different matter if legal advice that is being provided—and this is in the middle of an independent review of a claim—were released to a committee in a public sense. I do not think that is appropriate.

Senator O'BRIEN—I think you are drawing a very long bow there. There is plenty of legal advice that gets released. The Commonwealth decides which it will and which it will not release. In this case it is not advice as such to the Commonwealth; it is advice to the arbitrator which is paid for by the Commonwealth, which is what these estimates are about, and it is about how the Commonwealth administers claims for compensation which impact upon the taxpayer. If there is some understanding of what these new guidelines mean and they are in fact a change, I think we are entitled to know it, particularly as it might impact on a potentially damaging claim and others in the future.

Mr Grant—As we have suggested, I think the best place to find that out is to ask the department of finance directly.

Senator O'BRIEN—Who has the advice? Is it Mr Dalton or the department of finance?

Mr Grant—The department of finance are the instigators of the new guidelines. They are the best people to talk to about the implications of the new guidelines in comparison with the old ones.

Senator O'BRIEN—I would say that is absolutely not true. The best advice would be independent legal advice on what those guidelines should be interpreted to mean rather than the subjective advice of the drafter.

Senator Abetz—We are halfway through, aren't we, with this particular matter and, as is often the case you get stuck with not releasing this information until the particular case is over. I think there may be some difficulty with releasing the information that you are seeking.

Ms Hewitt—Since the matter is one which has been raised by the claimant, as I understand it, with the reviewing officer and the claimant is being represented by legal advisers, I assume the claimant has also received legal advice on the meaning of the new guidelines for the scheme. It is not a question of something being withheld; it is simply that both the reviewing officer and the claimant are being advised by their lawyers on the interpretation of the department of finance's guidelines.

Senator O'BRIEN—The reviewing officer is not defending the claim; he is assessing a claim as an adjudicator.

Ms Hewitt—That is right.

Senator O'BRIEN—So it is not partisan advice. If it were a view put to a court, it would be open to both sides to see it. Apparently one side can see it and the other cannot. More importantly, we cannot see it. What I would like to know, and what I am sure others on the committee would like to know, is whether there has been effectively a change in the way that these defective administration claims are to be assessed which will, in effect, limit the Commonwealth's liability.

Mr Grant—But I think the only person who could tell you that is the Department of Finance. The advice that was provided by Mr Dalton's legal advisers is their understanding based on what has been presented in the guidelines.

Senator O'BRIEN—The legal advice simply goes to the department of finance and asks them what they think?

Mr Grant—No, the legal advice compares the old guidelines and the new guidelines and says, 'From our understanding of how these are written and what we read, this is how we interpret them.'

Senator O'BRIEN—And this is what the difference is.

Mr Grant—Potentially.

Senator O'BRIEN—Have you seen the advice?

Mr Grant—Yes, I have.

Ms Hewitt—Mr Grant is responsible as a division head in the department for the administration of all CDDA matters for the portfolio.

Senator O'BRIEN—I thought Mr Dalton sought the advice.

Mr Grant—Mr Dalton did seek the advice, and he has seen it as well.

Senator O'BRIEN—The department is aware of the advice and Mr Dalton is aware of the advice. Mr Dalton is the arbitrator who supposedly brings independence to the matter. I am struggling to understand how that is a proper arm's-length arrangement.

Mr Grant—The advice goes to the difference between the old set of guidelines and the new set of guidelines. The advice is intended to help Mr Dalton in his assessment of the claim.

Ms Hewitt—He, of course, is also free to have, and presumably has taken advantage of, the opportunity to consult Mr Grant and his colleagues in the corporate policy division about aspects of the work as he sees fit. It is for him to decide from whom he seeks advice—either legal advice from the department's legal team or administrative and broader policy advice from Mr Grant, if he should want it. It is not imposed upon him; it is for him, with his independent obligations as reviewer, to decide whether he wants to seek advice or consult anyone. I cannot speak for Mr Grant but he may well have wanted to have his views about parts of his responsibilities and the way in which he was doing his work.

Senator O'BRIEN—I would be very concerned, if I were the applicant, knowing that there is legal advice that the adjudicator has that has been shared with, effectively, the organisation against whom the claim is made but which is not going to be shared with the applicant.

Ms Hewitt—Yet we would not see it as inappropriate not to be privy to the legal advice the claimant is receiving from his legal advisers.

Senator O'BRIEN—No, the claimant's own advice and the Commonwealth's own advice is one thing. Advice which is provided to the supposedly independent adjudicator, which is available to one side and not the other, would be concerning. I am sure Marnic's lawyers will be concerned about that. I am. I think the matter should be before the committee. If it is advice as to the meaning of the guidelines, surely that can only assist the process.

Ms Hewitt—I will certainly reflect further on that. I will advise you and the committee if we think it would be appropriate. But I feel that we need to reflect carefully on this matter and think about its implications for the scheme generally and perhaps consult the department of finance, because I agree with Mr Grant that it is really the department of finance that is responsible.

Senator O'BRIEN—The department of finance are on today. I cannot be in two places at once and ask the same questions.

Ms Hewitt—I cannot resolve that for you either, Senator—

Senator O'BRIEN—I know you cannot.

Ms Hewitt—but it is possible for us to convey a request on behalf of the committee to the department. We could do that, and we could seek the views of our own legal advisers on whether it is appropriate for that information to be shared. I am happy to do that and get back to you in a timely way.

Senator O'BRIEN—All right. Thank you.

[12.13 pm]

Grains Research and Development Corporation

Senator NASH—I have some concerns, obviously as many people do, surrounding the drought and sowing again next year. Hopefully it will rain between now and then. I would like you, if you could, to put on record how the Plant Breeders Rights Scheme operates, which grains come under the umbrella of PBR, the costs involved to growers, which grains do not come under the banner of PBR and roughly, if you have the numbers—I am happy for you to take this on notice—how many of the crops going in at the moment have gone in on PBR seed and how many have not.

Mr Enright—Thank you for the question. Plant breeders rights is a fairly complex issue. It is essentially a piece of legislation which allows the collection of royalties in a number of ways.

Senator NASH—I am happy for you to give us a broad outline and then to come back with whatever you need to on notice as well.

Mr Enright—I think, to be fair and to give an accurate answer with the correct information, we should take that on notice and provide you with the information.

Senator NASH—All right, but perhaps you could give us a general overview now.

Mr Enright—Generally we can but, as to specific details, we will follow that up.

Mr Banfield—Following some recent changes to the administrative arrangement order, the Plant Breeders Rights Scheme now falls within the responsibility of the Department of Industry, Tourism and Resources, as part of IP Australia.

Senator NASH—When did that change?

Mr Banfield—It used to be part of the Department of Agriculture, Fisheries and Forestry, but after the last election the responsibility transferred to IP Australia. Questions about the generality of the Plant Breeders Rights Scheme are best addressed to the Department of Industry, Tourism and Resources.

Senator NASH—That is interesting. I am sure I asked some questions to DAFF just last estimates on this, and that did not come up.

Ms Hewitt—Staff have transferred.

Mr Banfield—The staff have transferred. I am sure Mr Enright and Mr Reading will answer as best they can, but I just wanted to put on the record that the responsibility for the Plant Breeders Rights Scheme no longer rests in this portfolio.

Mr Reading—I can provide a few general comments, and I provided some comments at the last Senate estimates. GRDC is responsible for about 25 leviable crops. The biggest ones are wheat, barley and canola, and if it had been raining they would be a lot bigger this year. We all wish that were the case. The PBR legislation, which was introduced back in the 1980s, basically recognised a person's rights in terms of the intellectual property that a variety has. In some cases royalties are paid as a seed royalty. Crops such as sorghum and canola are primarily paid on a seed royalty. You pay up-front for the seed. There has been a general change and an uptake of end-point royalties—basically, the grower pays an end-point royalty

on his production. As I mentioned at the last estimates, we see that as a much better way to go, longer term, because both the breeder and the grower are sharing the risk. For example, if the crop does not produce, obviously the breeder does not get a return for his investment—and we see that very much aligned. In terms of the uptake of end-point royalties—and I will focus on wheat, which is the first one that comes to mind—there has been a significant increase in the number of varieties that do attract end-point royalties. In 2006, I think somewhere between 38 and 40 per cent of the varieties grown did attract an end-point royalty. The use of that mechanism has increased over time, and you would expect that trend to continue.

Senator NASH—Mr Enright, is there anything you wanted to add?

Mr Enright—I think Mr Reading has covered everything. Increasingly, each individual breeding company decides whether it wants to register a variety under the PBR Act and introduce a mechanism to collect royalties. But, as Mr Reading has said, the trend is that most breeding companies are taking the opportunity of this legislation to either collect levies up front or as an end-point royalty.

Senator NASH—Given that it this comes under the Department of Industry, Tourism and Resources, are you still happy to take that on notice, or do you want me to redirect it?

Mr Enright—We could certainly take it on notice to give you the information on the companies with whom we invest. We have no information or, indeed, ability to talk about companies with whom we do not invest.

Mr Reading—Obviously, in the last Senate estimates we gave quite a bit of information, and we certainly have done that in follow-up questions on that. Could I get the specific question again?

Senator NASH—It will be in *Hansard*. Could you also provide a list of companies you do not invest with but are aware of. I do not expect any information, just the names.

Mr Reading—After the last Senate estimates we had quite a lot of discussion in GRDC. I think we mentioned in the presentation that the whole breeding industry per se is going through a tremendous change in terms of who was in it. We would be more than happy to give a very detailed presentation to the committee, or to any other members who would be interested, on that whole evolution. That would probably be about a one-hour presentation. In terms of answering specific questions, we are only getting a small picture. It is a very important part of the portfolio. There is a lot of investment going on. I think I highlighted last time the amount of investment in pre-breeding. There are lots of changes and evolution. To do it justice, we would be more than happy to give a very detailed presentation. We would probably need about 1½ hours to do it.

Senator NASH—Thanks, that would be good. I might take it up with the chair and he can finalise it.

Senator O'BRIEN—Has the GRDC submitted its annual report for 2005-06 to Mr McGauran yet?

Mr Reading—Yes. We were requested to bring them up here last Friday, and that has been done.

Senator O'BRIEN—This is normally the process where we look at annual reports. Do you know when it is to be presented to the parliament?

Mr Reading—We did what we needed to do in terms of delivering them.

Senator O'BRIEN—When should they have been delivered? Last Friday must have been the outer limit.

Mr Reading—We just went on when we were told to do it.

Mr Banfield—We understand the tabling of the report is imminent.

Senator O'BRIEN—Yes. It would be helpful for me to have it today. In 2004-05 one director received remuneration in the highest band, which was between \$390,000 and \$399,999. That is quite a high number. Was it impacted on by the change in managing director in 2003-04, as suggested by the note in 2004-05?

Mr Enright—Yes. We have changed managing directors, so that includes some remuneration through the previous managing director and, in the latter half of that period, through the current managing director.

Senator O'BRIEN—Was there some payout figure involved?

Mr Enright—No, it was not a payout figure. It was just the salary.

Senator O'BRIEN—What was the highest remuneration paid to a director—to within a \$10,000 band—in 2005-06?

Mr Enright—In the 2005-06 report, there is one in the band between \$460,000 and \$480,000.

Senator O'BRIEN—Was that also the highest remuneration paid to an officer?

Mr Enright—Yes.

Senator O'BRIEN—It is a seven to eight per cent increase.

Mr Enright—Yes. The methodology we use to assess executive remuneration is that they are all rated by Hays International. Through 2005 the position of managing director was assessed—the position, not the individual—and, on the basis of that recommendation, the remuneration salary was adjusted through 2005.

Senator O'BRIEN—Sorry, it was not seven to eight per cent; it was more like 16 per cent.

Mr Enright—Yes. I thought it was 15 per cent. That was as a result of that review, where the board determined that it would be independently assessed, which was done by Hays International. On the basis of that advice, the board determined that the corporation pays on the fiftieth percentile. The remuneration is paid according to that.

Senator O'BRIEN—What impact has the drought had on your levy income?

Mr Enright—To this point, we have done our annual budget and annual operating plan budgeting on the basis of historic production and forecasts. We did it this year. We have produced over 20 million tonnes of wheat for a decade now. We began the year budgeting on that—and we have various models that are quite robust in that regard. Obviously, as the year has progressed, with the drought, production is getting a bit down. We are now adjusting the

forecast weekly. Current indications are that it is going to be a very low year. We will not really know the figure until December, when the crop comes in. At this stage, the indications are that there will perhaps be a 30 per cent decline in leviable income. We are making adjustments to our budget accordingly and we have taken a number of steps already to deal with that situation should it transpire.

Senator O'BRIEN—GRDC staffing grew from 42 in 2002-03 to 52 in 2005-06. Is it expected that staff numbers will continue to expand or will they contract?

Mr Enright—Our established number is now 53 and we do not anticipate any increase in that.

Mr Reading—I would add that our current staff number is 50. In the last couple of years, the nature of GRDC has been changing, particularly in terms of some of the investments in the biotechnology area and those type of things, so we believe it is necessary to have those skills in-house. We made a commitment to the board that we would not increase our overall operating expenses by any more than inflation. Over the 10-year period, our average annual growth rate has been about 3.6 per cent. We have shifted our program team expenses to make sure we are getting the appropriate skills we need in the changing industries, particularly in the biotechnology area, but we have kept our overall cost at less than inflation.

Senator O'BRIEN—Your salaries costs must have grown by more than the rate of inflation.

Mr Reading—The total salary bill has gone up by, I think, about seven per cent over that period.

Senator O'BRIEN—Does your total salary bill include board remuneration?

Mr Reading—Yes, it does.

Senator O'BRIEN—What has been the increase in total board remuneration?

Mr Reading—Over that period of time?

Senator O'BRIEN—Yes.

Mr Reading—That would be all governed by the tribunal. It would be in the '04 report. I can read out their remuneration.

Senator O'BRIEN—That will help.

Mr Enright—Senator, are you asking about the 04-05 period?

Senator O'BRIEN—Yes.

Mr Reading—Two board members received between \$0 and \$9,999, one received between \$10,000 and \$19,999, two received between \$20,000 and \$29,999, three received between \$30,000 and \$39,999 and one received between \$40,000 and \$49,999.

Senator O'BRIEN—I am asking whether the level of remuneration for the board has increased at more than or less than the rate of inflation.

Mr Reading—I would have to take that question on notice.

Senator O'BRIEN—I would appreciate that.

Mr Reading—As I mentioned before, the board remuneration is determined by the tribunal, so whatever the tribunal has recommended in that period is what the board would have received.

Senator O'BRIEN—I want to refer you to the answer to GRDC09.

Mr Enright—Which question did you refer to? Was it a question on notice?

Senator O'BRIEN—Yes, it is a question on notice from the last estimates in May. The question was:

... How much would GRDC have spent on corporate hospitality, let us say, in the current financial year?

The answer was:

Total corporate hospitality expenses in 2004/2005 were \$17,898 plus GST

Total corporate hospitality expenses in 2005/2006 are estimated to be \$15,903 plus GST.

These amounts do not include light meals and drinks provided during meetings. The meals and drinks represent sustenance and therefore not entertainment in nature.

In relation to corporate hospitality, what was the final number for 2005-06?

Mr Reading—For 2005-06 the actual number was \$17,101 plus GST.

Senator O'BRIEN—And that is not including light meals and drinks, is that what I should understand? Or does that include light meals and drinks?

Mr Reading—It does not include light meals and drinks.

Senator O'BRIEN—Who advised that you could exclude meals and drinks from your answer? Is there some advice that says that is not hospitality?

Mr Enright—In answering your question, we took hospitality to mean hospitality in the sense where it was a function that was hospitality. Meals provided at board meetings, for instance, are regarded as sustenance.

Senator O'BRIEN—So it is only meals and drinks provided to board members at board meetings that fall into the category of sustenance.

Mr Enright—That is correct.

Senator O'BRIEN—What does it cost to sustain the board on an annual basis in that context?

Mr Enright—We do not have that number here, but we can provide it.

Senator O'BRIEN—Thank you. With regard to the Single Vision venture, I refer you to the answer to question GRDC13. It says that in December last year GRDC paid \$15,950 to purchase the company Single Vision Grains Australia Limited on behalf of the so-called Single Vision Grains Australia interim board. Can you explain how that purchase is authorised under the provisions of the Primary Industries and Energy Research and Development Act of 1989?

Mr Enright—The establishment of Single Vision Grains Australia in the manner that we have described in previous places was subject to legal advice we sought on whether Single

Vision Grains Australia could operate under the PIERD Act in the manner that it operates and was set up. We were satisfied that it could and it was set up accordingly.

Senator O'BRIEN—Could you give the committee the detail of how the provisions of the act operate to allow that?

Mr Enright—Yes, I can. The project comes under GRDC's powers under sections 11 and 12 of the PIERD Act.

Senator O'BRIEN—Is there no other explanation that you can give the committee? So I should look at the act and it will be self-evidence, will it?

Mr Enright—I do not have the act in front of me.

Senator O'BRIEN—That is fine. I am happy for you to take it on notice if you are able to do that and give us a more detailed answer.

Mr Enright—I can certainly do that. To be clear about what you require there, is it the section of the act under which we established Single Vision?

Senator O'BRIEN—Yes, and the rationale for how that section of the act applies to the action of purchasing the company on behalf of the interim board of the company rather than on behalf of GRDC.

Mr Enright—Yes, I can provide that.

Senator O'BRIEN—On how many occasions has GRDC purchased companies on behalf of individuals?

Mr Enright—We have never purchased—

Senator O'BRIEN—Only on this occasion.

Mr Enright—Only on this occasion, to my knowledge.

Mr Reading—The background details in terms of the questions on notice et cetera gave more background too in terms of the company. Were you happy with that explanation, because I think some of that is probably appropriate to the questions you are asking now. I am happy to go over that quickly again for you, if you would like.

Senator O'BRIEN—No, you do not need to go over the answer. I have it here in front of me. I am not following what you are saying.

Mr Reading—The primary aim when Single Vision Grains Australia—obviously they wanted access to the website and the name. They went down to talk to GCA about that. GCA said, 'For the website, this is it, and also you have to pay for the establishment cost of the company.' I think that was the \$1,640 when the company itself was acquired. The purpose was to get access, so they did not have to re-spend money on developing a website.

Senator O'BRIEN—So \$10,500 for the website; \$1,600 for the establishment costs of Single Vision Grains Australia Ltd; \$2,400 for the administration costs of Single Vision Grains Australia Ltd.

Mr Reading—Correct.

Senator O'BRIEN—Plus GST, bringing it up to \$15,950.

Mr Enright—That is correct.

Senator O'BRIEN—The individuals to benefit from the purchase are GRDC employees. Is that right?

Mr Enright—They are consultants.

Senator O'BRIEN—Consultants. They are not employed. They are not on the payroll, are they, as contractors?

Mr Reading—Except for the CEO, who has to be.

Senator O'BRIEN—Sorry, except for?

Mr Reading—The CEO is on our GRDC payroll, because there is not an entity that we are dealing with, so he is on our payroll.

Senator O'BRIEN—GRDC_15 talks about two payments to the Centre for International Economics totalling \$62,610.01 for its work on the wheat export marketing arrangements. The answer says:

We do not anticipate receiving any further invoices.

So I am taking it that that \$62,610.01 is the full amount paid to CIE. There is nothing outstanding. There is nothing more to be billed. Is that right?

Mr Enright—That is correct. There is nothing outstanding in that, as far as we are aware.

Senator O'BRIEN—Thank you. How have levy payers benefited from the CIE report?

Mr Enright—The CIE report was commissioned by Single Vision Grains Australia as part of their study into options for future wheat marketing arrangements in Australia. They have completed that work. The report was produced which listed a number of options for the industry to consider. That report is now available, and the options are there for the industry to consider.

Senator O'BRIEN—So the report is publicly available to all levy payers.

Mr Enright—Yes.

Senator O'BRIEN—The answer to question No. 2191 says GRDC commenced a review of funding for Single Vision Grains Australia on 27 July this year.

Mr Enright—That is correct.

Senator O'BRIEN—How was that review conducted?

Mr Enright—I will ask Peter Reading to give some background on that.

Mr Reading—As we mentioned at the last Senate estimates, it was always scheduled that a review would be done after 12 months. That was a scheduled review. The review was done inviting input from what we call the 'three founding sponsors', which were GCA, the Grain Growers Association and GRDC. There was a series of meetings held—I think four in all—when the various feedback was discussed. Options going forward were discussed. This culminated in the last board meeting of the GRDC where there was a GCA consult meeting. I might pass back to the chairman to come out with the resolutions of that meeting, and they have since been shared with grain growers.

Mr Enright—Following the discussions around the review, a number of questions were submitted to Single Vision Grains Australia, who provided comment on them. As Peter said, the outcome of those discussions was that four points were agreed. The GCA Policy Council supports the continuation of Single Vision Grains Australia until June 2007. Single Vision Grains Australia will be asked to report on progress at each GRDC board meeting, which they have been doing, at any rate, but also representatives nominated by GCA and the Grain Growers Association are to be invited to attend those briefings. Protocols are to be developed jointly by GRDC and GCA around the release of Single Vision Grains Australia in project outcomes, so when they deliver reports and outcomes we have some protocols around how that should happen. It could improve industry engagement. It was also suggested that Grains Council Australia and the Grain Growers Association who, with GRDC, were the founding sponsors of Single Vision Grains Australia, jointly nominate a suitable person to be appointed to the Single Vision Grains Australia board.

Senator O'BRIEN—What was the nature of the discussion with the grower community, the levy payer community, about what they thought about this Single Vision work approach?

Mr Enright—We work with the Grains Council of Australia and the Grain Growers Association, who are both grower organisations. Remember that it was GCA that asked us in the first place to firstly do the strategy study into the grains industry. It was the precursor to the Single Vision and also set up single vision, so we dealt directly with them on this matter.

Senator O'BRIEN—The answer to question on notice No. 2196 deals with the premises in Capalaba in Queensland. Were those premises at the corner of Loraine and Ricky Streets, Capalaba, Queensland, occupied by GRDC prior to the commencement of Single Vision Grains Australia's operation there in December last year?

Mr Reading—No.

Mr Enright—No.

Senator O'BRIEN—The lease payment, including GST, is getting up close to \$30,000, I think.

Mr Reading—\$26,600, I think.

Senator O'BRIEN—Plus GST?

Mr Reading—Correct.

Senator O'BRIEN—That is why I cannot rattle off a number. I am trying to add \$2,660 to \$26,600. Close to \$30,000 is near enough. What about later years—is it an ongoing lease and is that the rental component on an ongoing basis, or are they unknowns at this stage?

Mr Reading—It is a three-year lease. I would have to take that on notice—if there was an increased valuation clause in it for each year. The key thing we were driving at the time in terms of a GRDC input was to make sure that after two years if Single Vision did not continue, if the industry said they did not want it, we could sublease that, which we did have agreement for. But if there are escalation clauses in there, I will take that on notice, if that is okay.

Senator O'BRIEN—Yes. The answer to question on notice 1847 lists some of the other single vision costs incurred by GRDC. What are the advisory fees costed at \$6,750 in November last year?

Mr Reading—I will just get that figure for you.

Senator O'BRIEN—It just says 'advisory fees'. What does that mean? The number is \$6,750; the date is 7 October 2005.

Mr Reading—Oh, I see. I will take it on notice, but my feeling would be that that would probably be the consultant's fees for one of the interim directors. That is what I believe that would be.

Mr Enright—We will take that on notice and make sure you get the correct answer.

Mr Reading—I will confirm that, but I think that is what it would be, just going by that code.

Senator O'BRIEN—Did GRDC pay almost \$5,000 for the development of Single Vision's logo?

Mr Reading—It says it there in the statement that we provided to the estimates last time and, if that is what it is, I guess they did—correct. If you wanted more specific detail on that, again I would need to take that on notice. Certainly the reply we gave to the question on notice gave all the expenditure that had been spent up to that date, and, if I recall correctly, there was an amount there for the development of the logo taking it forward.

Senator O'BRIEN—What are the Single Vision quarterly fees costed at \$7,363 in January 2006? It is near the top of page 3, on 6 January 2006. The code is YOUN04.

Mr Reading—I will take that on notice, but I would imagine that would also be a payment to an interim director. I think we supplied the director's fees in the last *Hansard*, and they would be paid on a regular basis. I believe that would represent one of those payments.

Senator O'BRIEN—'Single Vision outgoing funds', further down that page, is listed as \$5,000. What does that mean? All that tells us is that you paid out \$5,000.

Mr Reading—Is it coded? I am trying to find it because—

Senator O'BRIEN—It is three-quarters or more the way down the page: 'Single Vision outgoing funds'.

Mr Reading—The GRDC does not have a direct debit facility, so that provided a base amount of money which they could do petty cash from.

Senator O'BRIEN—That is petty cash?

Mr Reading—That is correct.

Senator O'BRIEN—That is as well as things like beverages that appear on there?

Mr Enright—That \$5,000 has not been replenished.

Senator O'BRIEN—There are a number of Mastercard payments identified in this answer. How were the credit card expenses acquitted?

Mr Reading—All the accounts are forwarded to us. They are then checked by our accounts department. Once they have been marked off and checked then the payment is authorised.

Senator O'BRIEN—And body corporate fees, I take it, are payable in addition to the rent?

Mr Reading—I will take that on notice, but I presume that would be the case.

Senator O'BRIEN—I understand that GRDC's mission is investment in research and development for the greatest benefit to its stakeholders, grain growers and the Australian government. How does the purchase of Single Vision coasters for \$770 fit in with that mission?

Mr Reading—Again—and this is probably repeating some of the background we gave you at the last meeting—Single Vision was a culmination of a number of years study which came out, looking towards 2025. It talked about where the grains industry would be or which direction it was going, and it brought out things such as the changes in the international market place, the changes in the domestic market place and the incredible changes that are going on in the industry, some of which you are seeing being played out now in terms of AWB et cetera. There was a lot of discussion. There were a lot of forums held. A lot of meetings were held with growers right around the country. Some of the output of that was they believed they needed some type of body to be able to look at taking it forward in terms of common issues. What are the issues that are common across the industry in terms of the supply chain?

It all culminated in us being approached at Grains Week to facilitate the establishment of the organisation, to look at common issues. Some of those are issues which are currently being examined by Single Vision, and they include biofuels, which I know Senator Siewert was very interested in. They include GMs, which is a very big issue facing this country at the moment in terms of the technology et cetera. We agreed, following the approach by industry, which I think we detailed last time, that we would provide seed funding for two years, to address a number of those projects, to take those projects forward. At the end of the two years, industry then had to say, 'Do we want such an organisation?'

Senator O'BRIEN—And then industry might pay for promotional material like coasters.

Mr Reading—Ideally, we would like the industry to take over, if it believes they want such an organisation such as this going forward. That is what we would like.

Senator O'BRIEN—I do not know that that answer makes the connection between the funding of research and development and the promotional material for a marketing entity. That is essentially what Single Vision is ultimately intended to be if it gets off the ground, isn't it?

Mr Enright—It is not supposed to be a marketing entity at all. Clearly the marketing role is not a role that we saw Single Vision fulfilling. It was to look at issues across the industry and, while marketing was an issue for some, it should not have been a marketing organisation itself. There is a clear distinction there between the role of Single Vision and marketing. But, to go to your question of particular items that money has been spent on, we set a budget that Single Vision Grains Australia cannot exceed—and has not exceeded. Part of that was the

establishment of an office and a structure that went with it. There are some costs in there which would not normally be borne by GRDC.

Senator O'BRIEN—Indeed. It is all well and good to establish a budget, to say, 'This is the aim; this entity is intended to do X,' but if the entity, for example—and I am not saying this is what happened in the case—were to have parties every week paid for with the funds provided by GRDC, whatever the intent, it could hardly have been expenditure in those circumstances delivering the research and development outcome that was funded by growers and taxpayer levies.

Mr Enright—I do not disagree with your scenario, but I do not think the—

Senator O'BRIEN—I am not saying that is exactly what happened but, if you extrapolate from that and say the production of \$770 worth of coasters was to promote the entity of Single Vision, I am struggling to see how that fits in with the legislation that underpins the spending of GRDC's money, particularly in the midst of the worst drought in the century. Justifying the use of levy funds to buy coasters seems to be a really long bow. But there were a number of payments made to M Rogers. Is that Murray Rogers of AWB fame?

Mr Enright—That is Murray Rogers, the Chairman of Single Vision Grains Australia.

Senator O'BRIEN—That is the same person, is it?

Mr Enright—The same person.

Senator O'BRIEN—Does this document set out the entirety of payments to Mr Rogers, or are there payments otherwise identified than Single Vision M Rogers?

Mr Reading—They would be the payments that he would receive as a director and also any payments he had in terms of any expenses associated with that. I think we mentioned in an earlier answer too—I think Senator Heffernan raised the question regarding Murray Rogers from his AWB days—at that stage, he was not involved in the study at all. He withdrew himself from that study and was not involved. Again, Murray Rogers's name, along with those of most of the other directors, was recommended to us on the list from industry.

Senator O'BRIEN—Could you give us the up-to-date figure on the expenditure by GRDC on the Single Vision venture so far—lock, stock and barrel?

Mr Reading—Yes, I can do that. As the chairman mentioned, the GRDC board agreed to pay up to \$1 million per year for two years to Single Vision. The expenditure for the first year was \$892,000—that is to the end of 2006. It was split, basically, into \$613,000 on projects and \$279,000 on admin, including salaries, travel et cetera. Year to date 2006-07, the expenditure is \$378,557.67. The breakdown of that is \$298,369 on projects, primarily being GM and biotech infrastructure and bio-fuels, which we have just talked about; and admin expenses of \$80,188, representing 22 per cent of the expenditure.

Senator O'BRIEN—Just refresh my memory. Why couldn't any of those projects have been administered by GRDC, rather than Single Vision?

Mr Reading—I think we mentioned last time at Senate estimates, that GCA had put forward a number of proposals about Single Vision going forward, and of those stressed that it had to be independent of current organisations. 'Independent of the GRDC' was stressed I

think in at least four of those proposals, because there was this belief that it had to be independent. It had to be industry rather than one specific segment of the industry. That is the reason it was done that way.

Senator O'BRIEN—Are there any of these projects which, in the absence of that sentiment, could not have been administered by GRDC?

Mr Enright—GRDC is well placed to administer them, but the key issue with Single Vision Grains Australia was to take up on those issues which were identified across the industry by task forces which operated in 2004. They were seen as issues bigger than the normal research direction we might take, although important for the industry, but they were the sorts of issues that required coordination right across the industry, with a number of people. Bio-fuels is one of them—the infrastructure project. It involves state governments, rail authorities and transport companies. It was just seen that the whole point about Single Vision was to bring a coordinated effort onto those sorts of projects.

Senator O'BRIEN—But what I am asking is: are you comfortable with the proposition that GRDC could have initiated and administered these projects itself under its charter under the act?

Mr Enright—Obviously it is possible under the act—otherwise we would not be doing it through Single Vision Grains Australia. I think we have established that they must operate at all times within the act, yes.

Senator O'BRIEN—There has been something approaching \$400,000 expended on administration because of a sentiment that it should not be done by GRDC.

Mr Enright—As we explained, Single Vision Grains Australia were requested by industry to set up a mechanism. We responded to that by establishing an interim arrangement for two years, and then it is up to industry to tell us where we go from there. Given the request by industry at the time and given that there were several models being discussed at the same time which involved us paying up to \$3 million per year, I think our response in setting up this interim arrangement was a fairly measured one and gave the industry an opportunity to design the future, rather than us.

Senator O'BRIEN—I hear what you say. If someone says they want \$3 million and you end up spending \$1 million, it looks good in that context, but it is still \$1 million.

Mr Enright—Absolutely. In relation to the role of GRDC in conducting these projects, I think your original question was about why they could not be done by GRDC rather than Single Vision. I think that is what you were suggesting. Had we done that, we would have had an administration cost as well, because to coordinate the biofuels and the GMO project that they are doing, for instance, we would have had some additional costs. It is not as if we could have done them for nothing, so I think we need to bear that in mind.

Senator O'BRIEN—I suspect—correct me if I am wrong—that you are not paying in excess of 30c in the dollar of levy funds out on administration.

Mr Enright—Yes. I think in the first year, given the set-up costs of Single Vision Grains Australia, it was proportionally higher than it would be ongoing.

Senator O'BRIEN—So it would have been cheaper if GRDC had done it.

Mr Enright—It is difficult to compare the same scenario, because at the time we set up Single Vision Grains Australia for all the reasons—we will not go over them again—we set that up in good faith to try and set up a mechanism by which industry could sort these things out. Sure, it had a cost but, as I have said, I think it was a reasonable cost, given the background to this whole event.

Mr Reading—I believe there is an ultimate test. The studies they are doing in terms of GMs, biofuels and infrastructure will all be very worthwhile. In fact, I think the infrastructure one was written up with Victorian farmers two or three weeks ago. So those studies will be worthwhile regardless.

At the end of June 2007, industry—and I mean all industry, and that is grower organisations, the grain majors, the people involved in research and development and the other organisations around that—may say, ‘As an industry, we don’t need this.’ I think Senator Heffernan mentioned that you would get a white knight award if industry could come together, rather than the way we all tend to be going off and splitting our interests at a time when the industry really needs to come together on certain issues. The ultimate test will be in June 2007. If industry says, ‘We don’t like it and we’re not prepared to fund it,’ then it has gone. We have tried. I believe there could possibly be an opportunity lost, but history will judge that. We still have those reports and we will get on with it.

Senator SIEWERT—When you were here last time, I asked you a question about climate change research and how you were factoring that into your program. You said that you were a part of the Managing Climate Variability Program.

Mr Reading—Correct.

Senator SIEWERT—Is that the extent of your funding of research into climate change?

Mr Reading—No. It is part of a specific one. I will take the opportunity to make a few points here. This drought is one of the worst droughts we have had on record—there is no doubt about that. It goes back to 2001, as Senator Heffernan would know. There are some sobering thoughts coming out of it. Had the work not been done on research and development—I will give you a few specific examples in a moment—we would be a lot worse off. We are doing a lot of work into it, and it comes under climate change, plant breeding and agronomy on water use efficiency. In 1984 the plants—the wheat crop particularly—used 30 per cent of water that was available. The rest was wasted, either due to weeds taking it or from not having ground coverage. Now 60 per cent of the available water is used.

Had we not introduced those practices around minimal tillage, stubble retention, summer wheat, fallow, wheat control et cetera, instead of that 10 million tonne crop now, we would be facing three million. I have got photos from Western Australia, your home state, which I could send to show you. The tremendous rate of improvement in terms of water use efficiency has been outstanding, and we have got to do a lot more.

A lot of the climate variability programs are about predictive models, the SOI index and such. The senator mentioned fertilisers last time—in South Australia talking to some growers the other day, they said their sheds are half full of nitrogen fertiliser. Why? Because they now follow canopy management, they do not put all the nitrogen on them when they plant. They

split the application, so they saved it when conditions went down. If you looked at the total amount we are investing in things related to production, climate variability, it is probably over 30 per cent of our portfolio. So the climate variability was one specific program, but if you look at all our agronomy and our farming systems, those advances are all around about climate change.

Another statistic from your state, which surprised me tremendously the other day was: in 1989 in the Hyden area on a 150 millimetres of rain the production was 400 kilograms per hectare. I think it was last year or two years ago on a 110 millimetres of rain the production was 900 kilograms per hectare. All that wheat production has been achieved on declining rainfall in Western Australia, so I think we are doing tremendous things in that area. We are also obviously doing CO₂ levels and a lot of work in terms of breeding projects and utilising CO₂ et cetera.

Senator SIEWERT—I am glad you are using my home state as an example because I have also been doing some reading on some of the work that has been looking at the potential impacts of climate change, rainfall variability et cetera. The point that has been made is that farmers, particularly Western Australia farmers, have been very good at adaptation to the declining rainfall et cetera. That is not an issue; the issue that is coming up is how quickly they can adapt to the change and that it is highly likely that their adaptation rate is going to be much greater than in the past and that has been anticipated.

Mr Reading—Correct.

Senator SIEWERT—They may not be able to adapt as quickly as they have been able to in the past. Are you looking at that or are you part of a program? I did try and look up the Managing Climate Variability Program, but it does not have a lot of detail about it available.

Mr Enright—Part of that is looking at those changes.

Senator SIEWERT—What I want to know is: are you looking at the predictions for the rate of change?

CHAIR—The northern frontier.

Mr Reading—Absolutely.

Senator SIEWERT—It is not just the northern frontier; it is temperatures rising, variation in frosts et cetera.

Mr Reading—Correct. Temperatures are certainly rising; everyone accepts that one. In terms of frequency of droughts, I think the jury is still out on that a bit. Looking back at the details over the 100 years, the frequency has not increased. It is not as bad as it was but whether that is just a change or whatever.

Concentrating on the west again, we have a large number of farmer groups we support there, and they are all working on local adaptation in their particular area, which is very important. We are involved extensively in breeding programs over there—canola, wheat—which is all about new varieties. We are working with CSIRO and New Zealand on high-rainfall wheats, where you can grow the crops in closer where the rainfalls are. So it is being tackled on a number of fronts. It is always a difficult one to win.

Frost has been a particular problem in the west in the last couple of years. One of the reasons for that is that one of the successes of the minimum tillage is they have been able to sow earlier on the opening rain where all the varieties are flowering at a time when you are susceptible to frost. We are in biological systems here which keep moving around. You have got to attack it with I think a multifaceted approach. One of the things about the Climate Variability Program which is so encouraging is we are working with other RDCs, which is very important, so we are trying to get more bang for the buck. We are understanding what the drivers are in terms of the frontiers, and I believe in the next couple of years we will be much better at ultimately predicting in terms of the SOI index and other things like that. It is a combination of all those things you have got to attack.

Another issue, which there probably is not time for in the debate today, is that GM technologies will play a role in there at some stage. There are technologies in GM that can move some of those things, but obviously we have got issues around that. It is being tackled on a number of fronts and it is a battle you never win, but you have just got to keep increasing the pace at which you do it. The total factor productivity of grains in Australia has grown at 3.2 per cent for 20 year—in fact, Western Australia grew higher than that at 4.4 per cent—and we have got to keep those numbers up and we have got to keep harder at it.

Senator SIEWERT—Thank you very much.

CHAIR—All of that is true. Thank you very much.

Proceedings suspended from 1.05 pm to 2.11 pm

Senator O'BRIEN—The agriculture minister's press release of 19 September this year states that regulations for a mandatory code of conduct will be introduced into the parliament as a matter of urgency. How urgent is this? When will we see this code?

Mr Robinson—We anticipate having regulations ready for tabling in November.

Senator O'BRIEN—I assume they will be regulations under the Trade Practices Act?

Mr Robinson—That is right.

Senator O'BRIEN—I take it that it is still the government's intention that the code will come into force on 1 January?

Mr Robinson—It will likely will be later than that. Certainly, we believe the first quarter of the year—early in the first part of year, but not 1 January.

Senator O'BRIEN—Any reason for that?

Mr Robinson—We want to put in place a communication campaign to talk to industry, both wholesalers and growers, as does the ACCC, which has the enforcement obligation.

Senator O'BRIEN—Who will be doing that, the department or the ACCC?

Mr Robinson—Both.

Senator O'BRIEN—What will the nature of the department's communication role be?

Mr Robinson—It will be explaining what the code does, and what growers and wholesalers need to do under the code, and the ACCC will be explaining their enforcement role, which we envisage doing together.

Senator O'BRIEN—How will you be communicating? What is the campaign strategy?

Mr Robinson—We are still working on that. But it will be information on the internet, meetings with growers and wholesalers, and information through the press.

Senator O'BRIEN—What is the budget for this communication campaign?

Mr Robinson—We do not have a specific budget at the moment, but I doubt very much that it would be over \$100,000.

Senator O'BRIEN—On 1 May, the agriculture minister issued a press release announcing that he was establishing a working party to be chaired by himself to develop a voluntary 'Australian grown' labelling scheme.

Mr Banfield—That is the issue I referred to this morning. You will recall when we were having the discussion about Australian HomeGrown I indicated that there had been some subsequent developments on that front. First of all, the ministers and we looked at the possibility of extending mandatory country-of-origin labelling to pick up fruit and vegetables with two or fewer whole ingredients. That was not a cost-effective mechanism for doing it. Subsequently, what the minister and the government generally have agreed to do is to work with industry to see if we can put in place a voluntary 'Australian grown' label. That is what I was referring to this morning.

Senator O'BRIEN—Mr Souness told us at budget estimates that the minister has yet to determine who should be invited to join his working party. Has the working party yet been established?

Mr Souness—Yes. The working group was formed and they subsequently met on four occasions.

Senator O'BRIEN—Who is on it?

Mr Souness—There are three representatives of the primary producers from the horticulture sector. There are representatives of the food processing sector. There is also a representative from a major retailer, and there are senior officials from relevant Commonwealth departments as well.

Senator O'BRIEN—Are their names on the website or can you provide them to me on notice?

Mr Souness—I would have to provide those.

Senator O'BRIEN—Are they individuals or the representatives of organisations that we are talking about?

Mr Souness—They are representatives of their interest sectors, not necessarily organisations. For example, Richard Bovill was a member representing the horticulture sector from Tasmania.

Senator O'BRIEN—How many of the four meetings has the minister chaired?

Mr Souness—The minister chaired at least part of the meetings for the first three. He was unable to attend the last meeting.

Senator O'BRIEN—What outcomes have been achieved so far?

Mr Souness—The working group saw its fourth meeting as being the last meeting. They endorsed a number of approaches in an option for a voluntary labelling scheme that the minister is now considering.

Mr Mortimer—If I could just expand a bit on that. What was discussed was to create a certification trademark and logo which would identify the relevant product. Associated with that would be a code of practice for its use, and then there would also need to be the linkage to the current arrangements in terms of ‘made in Australia from local and imported ingredients’ et cetera, which exists under the Trade Practices Act. The details are now being established in terms of what that might mean; a concept has now been agreed by the group and the department is working to bring that to finality.

Senator O’BRIEN—The department is working on it now?

Mr Mortimer—Yes.

Senator O’BRIEN—Will it be a logo that is free to use, subject to meeting certain criteria, or will this be a device that is obtainable by paying a fee?

Mr Mortimer—That has not been settled yet.

Mr Banfield—What I can say is that the proposition—and we are not anywhere near a final position on it—would be possibly managed by the Australia Made Campaign, the ‘made in Australia’ green kangaroo and the triangle, that would provide the governance arrangements and collect the licensing fee. What we are working on now are the terms of the specifications for the use of the ‘grown in Australia’ label. One of the issues is what the thresholds of Australian product that you can use are and still use the label. For example, if you had a packet of Australian grown peas with three imported cranberries in it, can you still say ‘grown in Australia’? Those are the kind of boundary issues we are working through at the present time.

Senator O’BRIEN—Is this intended for packaged—

Mr Souness—Yes, it is.

Senator O’BRIEN—Presumably the working group was as announced by the minister on 1 May and was examining the provisions of the Trade Practices Act to better reflect the content of packaged food products. What happened about that in the working group’s deliberations?

Mr Souness—There were long discussions exploring the various components of the Trade Practices Act around the ‘product of’ and ‘made in’ provisions within the act. The products that the working group was particularly looking at were things like frozen vegetables, stir-fried mixes and canned fruit. Under the definition of ‘substantial transformation’ in the act, those products actually do not meet that definition—so chopping, peeling, slicing and dicing does not meet the definition of ‘substantial transformation’ under the act. The products that Mr Banfield referred to—for example, the frozen peas with a bit of imported mint with them or something like—do not meet the unqualified ‘made in’ claim; they can only access the qualified ‘made in’ claim. That is something like ‘made in Australia from local and imported ingredients’, even though 98 per cent would be Australian produce. The purpose is to set up a voluntary scheme that would access the logo where you could truly say, ‘The peas in here are

grown in Australia,' and make it quite clear. That is an alternative label to using the qualified 'made in'. So, if you met this scheme requirement, then you would not have to use the 'made in Australia from local and imported ingredients' label, which I think a lot of consumers find rather confusing and off-putting.

Senator O'BRIEN—I am sure it makes a lot of people suspicious that the reverse is true and that most of it is not Australian produce.

Mr Souness—Yes. That has been the constant concern that has been raised by consumers.

CHAIR—Have you got around the made-in-Australia Indonesian prawns?

Ms Hewitt—We have been citing your example in a number of discussions. I had a session not so long ago with Graeme Samuel and the ACCC staff, and we brought your concerns very clearly to their attention because of the concern we have about primary produce often in value terms representing a rather small share of the total cost when you include the packaging. That, I think, is where the—

CHAIR—Is it that you could value add 50 per cent and call it 'made in Australia'?

Ms Hewitt—The problem was that you only have to have 50 per cent or more of the total value of the product, and the packaging—

CHAIR—In other words, the mark-up was enough to let you call it 'made in Australia'?

Ms Hewitt—The concerns have been actively drawn to their attention, but I believe there is not yet a solution in sight on that front. In the meantime, this—

CHAIR—So there are still Indonesian prawns with a map of Australia and a dancing kangaroo on the package saying 'made in Australia'?

Ms Hewitt—Indeed. That continues to be legal.

Mr Mortimer—We are not actually dealing with those issues. We do not have responsibility for that sort of issue. The industry department do, and they operate under a contract with the company named Made in Australia. What we are trying to do is find an initiative which actually cuts around that and provides a more useful branding mechanism for Australian producers.

CHAIR—How can Indonesian prawns be made in Australia?

Mr Mortimer—We are not arguing that.

CHAIR—So why wouldn't common sense say 'stop' if the law beats you? The law is an ass, if it does.

Senator O'BRIEN—I wanted to ask whether this working group had come up with any recommendations regarding changes to the Trade Practices Act to meet the concerns outlined by the minister in his press release of 1 May? I have taken from your answers so far that they have not, but I want to be clear.

Mr Souness—The proposal as was laid out earlier will not require any changes to the Trade Practices Act. One advantage of that process means that, if the minister decides to proceed to implement the proposed arrangements, that could be done fairly quickly. Changes to the TPA would be lengthy and complex and would slow any implementation down. The

working group concluded that this scheme would meet the needs of the horticulture industry and could be implemented fairly quickly.

Senator O'BRIEN—Why would Trade Practices Act changes be lengthy and complex? The government does not have a problem getting its legislation through the Senate, and it has control of both houses, so what is the problem—disagreement within the government or something?

Mr Souness—The provisions 'product of' and 'made in' in the Trade Practices Act are designed to encompass all manufactured goods in Australia, not just food or processed food. It is very difficult to try to extricate food and make a special case of food. The issues would then arise too of whether, for example, Australian furniture made from Australian grown timber should be captured also in this arrangement. It is then how far you start teasing apart the Trade Practices Act for individual sectors. It becomes quite complex when you have a rules based system around a particular sector.

Senator O'BRIEN—Complex for whom?

Mr Souness—I think it is developing a system. This is, again, an argument that the department of industry, which is responsible for these sections in the Trade Practices Act, makes to us—that the complexity is there in trying to change and write a special provision just for processed food within the TPA.

Mr Mortimer—There is also the complexity for different sectors. As Mr Souness mentioned, the food sector is structured and operates in different ways to other manufacturing and product sectors. We would not claim to know what the particularities of their issues and concerns might be.

Ms Hewitt—Having said that, we have drawn to the attention of the industry department and the ACCC the concerns that have been expressed about food products in particular and the sometimes counterintuitive way the current rules affect food products.

Senator O'BRIEN—But they are saying that it is too difficult to separate them out?

Ms Hewitt—That seems to be the assessment at the moment.

Mr Banfield—One of the difficulties that adds complications is that food is relatively unique in the sense that in many cases the packaging component of food is a relatively significant proportion of the cost of the food product. That is not always the case with other categories of goods which use the 'made in Australia' logo. One of the reasons and one of the approaches that we have been following with the 'grown in Australia' label is that, providing 50 per cent of the processing is done in Australia, the critical requirement under the 'grown in Australia' labelling requirement would be that more than 90 per cent of the product by weight in the package would actually have to be grown in Australia. That is the direction that we are taking. If you have, for example, a refrigerator, the packaging around a refrigerator is a relatively low proportion of the total value of the fridge. If you have a tin or packet of peas or whatever it is, the packaging is a higher proportion of the total value of the product. That is part of the problem that I think that Senator Heffernan referred to.

Senator O'BRIEN—I do not think we are making too many refrigerators.

CHAIR—Having Indonesian prawns in a packet that says 'made in Australia' is a lie.

Mr Banfield—It complies with the current requirements—

CHAIR—I am not interested in what it complies with. It is a bloody lie. So we condone lies. It is a lie. It is not true. They are wholly imported from Indonesia and the packaging says ‘made in Australia’. It is fraud on the public.

Mr Banfield—I understand what you are saying, but more than 50 per cent of the value of the product is added in Australia. That is the issue that we are trying to address in this ‘grown in Australia’ labelling requirement.

CHAIR—Maybe we need to have more definition in the labelling? It should be ‘product of Australia’ rather than ‘made in Australia’. It is a bloody lie. Anyhow, there you go.

Mr Banfield—It is legal under the Trade Practices Act. Under the current construct of the law, it is legal.

CHAIR—You are speechless. All right, that is enough. I have made the point.

Senator O’BRIEN—It is a legal lie. There you go. I do not have any more questions.

CHAIR—Are we allowed to ask about honey, or is this the wrong spot?

Senator O’BRIEN—New Zealand honey or Chinese honey?

CHAIR—The imported honey that allegedly has antibiotics in it. Do we test for antibiotics in imported honey?

Ms Hewitt—That would be AQIS, which does that testing on behalf of FSANZ.

CHAIR—That has put them on notice then.

Senator Abetz—They should just buy Tasmanian honey and be done with it.

Senator O’BRIEN—There is not enough, unfortunately.

CHAIR—The thing that annoys me about the prawns is that this has enabled the Australian prawn industry to go out of business. It is just mournful.

Senator O’BRIEN—You mean the farmed prawns?

CHAIR—Yes. It is a disgrace. We perpetrate a lie. There you go. Thank you very much. We can only do our bit.

[2.30 pm]

Australian Bureau of Agriculture and Resource Economics

CHAIR—The last time the bureau was here I recall Dr Fisher said that he thought oil would go back to \$40. I have lived on the dream of this happening every since. Now the dollar is rising does anyone want to make a prediction as to what is going to happen to the price of oil?

Dr Sheales—What I would say is that oil is on the way down for a whole host of reasons. As to Dr Fisher’s projection of \$40—

CHAIR—That was courageous.

Dr Sheales—He was a courageous man when it came to this committee. Certainly you would expect that it will trend down for a while. As we know, there will be the odd hiccup,

but that is the trend for the moment because the higher prices are bringing on more supply and it is probably fair to say that the higher prices also cause people to economise more in its use. In many important producing areas it is a little bit more settled. Political environments help too.

CHAIR—I realise the vagaries of agriculture and all things natural.

Senator O'BRIEN—You would have to say that agriculture is more renewable than oil. I wanted to ask about the escalating impact of the drought. There are a few commodities that I would like to get an update on the outlook for—pork, chicken, sugar, wine and wool.

Dr Sheales—As you would be aware, we put out a report last Friday updating basically the effects of the drought on the crops and some of the major livestock industries. We have copies here if any of the senators would like a copy. The picture is that it will be very costly to the rural sector and also to the national economy in terms of lost production, especially on the part of crops, and also forced sales. For example, with respect to wheat we are forecasting a crop of about 9½ million tonnes. That will be the smallest since 1994-95, and down a bit over 60 per cent on what it was last year. It is a very big reduction. It is a similar story for barley and canola is in even worse shape.

Importantly for the livestock sector, we have witnessed very large turnoff of livestock, particularly in New South Wales but also in Victoria and South Australia as the on-farm pasture growth has been very poor this spring and people are offloading stock to a significant extent to try to get their way through until next year. Not surprisingly, that influx in stock has resulted in a sharp reduction of prices for two reasons—the increased supply but also some of that stock is not in tip-top condition. With respect to the beef industry, we estimate the gross value of production is forecast to fall about 13 per cent relative to last year. That is not all due to drought, but a fair amount of it is.

In the case of sheep it is a much bigger impact and we will see it also in flock numbers. We are forecasting a combination of increased turn-off, poorer condition and lower prices. The value of production of sheep meat in 2006-07 will be down about 35 per cent on what it was last year. We are also forecasting the sheep flock to decrease by about four million over the course of the year as farmers turn off stock for slaughter, mainly because they cannot carry them. Beef cattle will not be quite as hard hit, but still we are expecting the herd to come down a couple of hundred thousand over the course of 12 months.

You asked about wool. One of the issues with wool is that quite a bit of the wool that we will produce this financial year has been grown in the previous financial year, that is, we shear them once a year. We are not expecting a big impact on the value of wool produced in 2006-07. Quite clearly the longer the drought persists then the bigger the impact will be, not only on wool, but on other industries as well.

Senator NASH—Can I get a copy of those reports?

Dr Sheales—Certainly. There are more than enough to go around here.

Senator SIEWERT—Can I jump in and ask a question?

Senator O'BRIEN—I was also asking about pork, chicken, sugar and wine.

Dr Sheales—We have not tried to do detailed estimates on those industries, but to give you a bit of what we see happening is that with horticulture there are two key things really. One is the availability of irrigated water supplies. That is clearly under a lot of pressure in many regions. The other thing—I am talking about wine as well—is that as you know there have been quite severe frosts through some of the producing areas and that will have an impact on production this year. We have not tried to estimate those yet. We will be doing that in December when we put out our next Australian commodities forecast.

The chicken industry will be affected to some extent by higher grain prices and also competition in the meat market—particularly if you are talking about meat—from lower beef prices. We do not expect a huge impact on the chicken industry really. It is one of those industries where they have been extremely adept at improving productivity, maintaining returns to the industry and also achieving lower prices over the long term. It is almost like a fact of life. Chicken prices in real terms after inflation have declined for many years and so they are in an extremely competitive position, even though grain constitutes a big proportion of their costs. What was the other one?

Senator O'BRIEN—Pork and sugar.

Dr Sheales—The pork industry will be affected by grain prices. As I indicated earlier we have not done estimates for that yet, but there will be some impact. The sugar industry is not being affected by the current season but will be affected by some declining world prices for sugar. It is almost one of those written-in-stone things with the sugar industry that they get these price peaks from time to time and they never last long because you get a big supply response. The other complication for sugar at the moment is what is happening with oil prices. As Brazil is the major sugar producer and it is probably still the major ethanol producer, there is a trade-off that goes on in Brazil between producing sugar cane for ethanol or producing it for sugar itself. What we are likely to see is some reduction in the amount of ethanol produced in Brazil and, as oil prices come off a little bit, more of that cane will go into sugar production and that will take some of the pressure off sugar prices. We are already seeing that; sugar prices internationally have come down about 3c a pound US over the last six or eight months.

Ms Hewitt—You were asking about the wine industry. Separate from the drought, last week ABARE published a comprehensive report on the wine industry and the outlook for the wine grape sector, if you are interested in hearing anything about that.

Senator O'BRIEN—Yes, please.

Ms Hewitt—We can make a copy of the report available.

Dr Sheales—I have a copy I could also leave with you. I have got only one of these.

Senator O'BRIEN—I got in first.

Dr Sheales—Did you want any comments?

Senator O'BRIEN—Given that there is only one copy of the report, you might lay out for the committee some detail to whet the committee's appetite.

Dr Sheales—Would you like me to make a few comments?

Senator O'BRIEN—Yes, please.

Dr Sheales—What we tried to do in this report that we put out last week was in a sense take a step back and look at the bigger picture of what is going on in the wine industry globally. I emphasise ‘globally’ because the Australian industry has grown tremendously over the last decade or so and most of that growth in production has been destined for the export market, because the amount you can sell on the domestic market is fairly limited. So we have to look at what is happening globally. What is happening globally is that we have a world market for wine that is—to use my words—fairly static. There is very limited growth in wine consumption around the world. Some markets are still growing reasonably well; others are declining. We have an Australian industry that has been selling what has been an increasing amount of wine into a market where demand is virtually stagnant. Not only is Australia doing that but we also see that some of our important competitors, such as the United States, Chile and Spain—but focused on United States and Chile—are also selling into that market, and they are producing similar grape types to us and selling similar types of wine to us. This combination of static demand and supply still growing but growing at a slower rate than it was means that the only thing that will give in that situation is for the prices to come down and stocks to rise. That is exactly what we have seen happening over the last few years.

That brings us to: what does this mean for Australia? Apart from the fact that the market is intensely competitive and will remain that way, we have what the industry regards as excessive stocks in this country, and certainly they are above what their preferred levels would be. One of the issues that we face as an industry in this country is, if the industry reduces its stocks and we are still competing in that global market, we are probably not going to achieve much by way of improved returns to our growers.

The last point I would make in relation to it is that, based on our surveys of the wine-grape growers, there are a couple of important points. First of all, on average wine-grape producers are making reasonable incomes, particularly if you compare them with the broadacre sector, but the price decline that we have seen in the last 12 months will have a major impact on that. We surveyed most recently two regions—the McLaren Vale and Riverina—and we estimate that in 2005-06, based on just the decline in prices, we would see about a fifth of the McLaren Vale producers losing money in terms of farm cash income and, in the case of the Riverina, around about 44 per cent. They are quite large numbers in terms of those losing money.

Relating to all that we also look at the best performers in the industry—the top 25 per cent of the industry—and they are doing a lot better. For example, in 2004-05 average farm cash income in McLaren Vale—with the larger ones—was about \$240,000, with a return on capital of about 6.4 per cent. In the case of the Riverina, the average farm cash income was about \$287,000, with a return on capital of about seven per cent. I would emphasise that is 2004-05. They will be a bit less for 2005-06, but we do not have the detailed farm level data to give you an estimate on that. So that would imply that, like many other sectors in agriculture, over time in order to remain efficient and competitive in the world market average farm sizes will have to increase. That is the bottom line out of all that. It is a situation where the market is difficult and will remain difficult despite our best efforts, and we are going to have to be very competitive to remain sustainable.

CHAIR—Do you have a view about how you do that in conjunction with also competing in the same capital market with the MIS wine producer?

Dr Sheales—We have not looked at that particular issue. I am aware of it.

CHAIR—It is about time that you did.

Dr Sheales—All I could say, and this is really a personal view, is that new money being invested in the industry presumably is not being invested to lose money.

CHAIR—If you use the Tandow example—

Senator Abetz—If you ask the question, you might actually let the person finish.

CHAIR—I am chairing this and you are not.

Senator Abetz—That is why I think it is particularly rude for the chair not to abide by the requirements of presiding.

CHAIR—If you are adding to your answer the Tandow proposition where—

Senator Abetz—This is outrageous.

CHAIR—Just because it is an MIS, you think it is outrageous.

Senator Abetz—No, you interrupted him. Let him answer.

CHAIR—The example, if you know the one that I mean, is Tandow.

Dr Sheales—I do not know.

CHAIR—They doubled the capital value just by an exchange of contracts in a wine situation.

Dr Sheales—I am not across that—

CHAIR—What I am really saying is: does ABARE give consideration to a prospect where production from an MIS grape industry, which can actually make a profit from fees rather than production, and also give consideration to what influence that will have in the wine industry, as well as the downturn and overproduction?

Dr Sheales—We have not looked at that and I am not in a position to comment on that.

CHAIR—Might I suggest that you could.

Dr Sheales—It is one of those issues that is probably extremely complex.

CHAIR—Do not worry about the minister whispering in your ear. He is a bit agitated over this.

Dr Sheales—A large element of that would be beyond our expertise.

CHAIR—It would not be beyond your expertise to predict what that could do to the market.

Dr Sheales—What I would say, as I said earlier, is that larger operations are making good money still and will continue to do so. If they fit within that sort of category, one would expect that they will continue to make money in their own right.

Senator O'BRIEN—Quality or volume? If they were a larger operation then it could be a larger return, but with a small operation it could be based on quality.

Dr Sheales—It could be. The important thing about any of these businesses, whatever the farming operation, is the bottom line. You either make money or you do not make money.

CHAIR—It does not matter how large or small the operation is if the nexus is the tax deduction, which is the generosity of the taxpayer and the interpretation of the tax office. If it all revolves around that for making the capital investment, then I think there are some clear warning signals. We are to hear later today about an operation in Queensland with an MIS strawberry farm that is going to put Victoria out of business, but I am happy to watch you people gladly oversee the destruction of the institution of family farming, if that is what you want to do.

Senator Abetz—That is an inappropriate comment to this witness. If you have problems with the tax scheme, as we know you do, that is fine, but to then visit the destruction of the strawberry industry in Victoria on ABARE—

CHAIR—I am not visiting it on ABARE.

Senator Abetz—I am sorry. I think *Hansard* would disclose that that is what you did, and that is not appropriate.

CHAIR—In any event, could I ask that ABARE give some consideration to the impact of annual MIS crop production on future markets.

Dr Sheales—Certainly I hear the question and we are sensitive to that. I suspect that we do not have the sort of information that can divide up who owns what and in what way to be able to do that sort of thing.

CHAIR—We cannot get access to MIS water accumulation either because the register is commercial-in-confidence. But, as I say, it is all driven by the generosity of the tax deduction.

Senator O'BRIEN—Going back to drought issues and the wheat crop, what percentage of last year's crop would have been exported?

Dr Sheales—Last year, if we are talking crop year—and I think that is probably the most sensible way to talk about this rather than the fiscal year, which gets reported in Australia's export statistics—for 2005-06 we estimate that about 15.5 million tonnes of the 25 million tonnes produced were exported. Those exports would include a bit of carry-in stock from the previous year, on which I do not have information.

Senator O'BRIEN—If you take 15.5 from 25 you get 9.5, which is about our crop as predicted, so that would mean there is none to export.

Dr Sheales—No, not at all. There is quite a bit of carry-in stock or carryover stock from the previous season, which is available to service markets and also domestic demand this financial year.

Senator O'BRIEN—Do you have any idea what is in stock?

Dr Sheales—That is one of those things that AWB and the grain handlers guard fairly closely. There is an initiative under way, which I do not think has been talked about yet today, by the food and agriculture people to have ABS collect data on stocks held by the major organisations, such as AWB, Graincorp, CBH and ABB. That initiative, I believe, will get under way as of about now, and we will start seeing data probably next month or in December

at least on holdings of grain. Obviously, that will not identify individual companies but will be in terms of what is in the country. So until we do that we—

Senator O'BRIEN—You have got no idea or do you think there is some sort of a ballpark idea of how much is available?

Dr Sheales—We do not have a clear idea, because that information is not made available. We can look at exports and we can look at production and make some estimates for domestic consumption, and say, 'It looks like stocks might be about that,' but we have got nothing that we can hang a hat on, so to speak. There would have been a reasonable amount of carryover, but what that means exactly we do not know.

Senator O'BRIEN—No. The reduction in the crop implies there will be a significant cut in the amount of wheat available to meet overseas contracts next year.

Dr Sheales—For this current year, that is correct. That report that was tabled would indicate on page 8 that with respect to wheat we are looking at exports of about 10.8 million tonnes in crop year 2006-07. That is compared with what I said earlier, about 15.5 in crop year 2005-06. How well that comes out obviously depends on the actual size of the crop once it is harvested and how much gets used domestically. We have put some estimates in for those and that is in that report.

Senator O'BRIEN—Have you any idea of the impact that this shortage of grain will have on the price of grain in coming months?

Dr Sheales—On what?

Senator O'BRIEN—On the price of wheat.

Dr Sheales—It is important to note that, at the same time as we are having a drought, there has been drought in some other important producing countries, and I especially point towards North America, where their grain harvest was down quite substantially on what previous expectations had been. That has been a major driver of an increase in wheat prices in particular over the past probably four or five months. Our developing situation here is adding to that strength in the market. Certainly, grain prices are quite a bit higher than they might otherwise have been mainly, I would suggest, because of what is happening globally rather than in this country. But we are contributing to that.

CHAIR—It would be fair to say, though, that for the last harvest, which was nearly 12 months ago, world grain stocks were at a low and the price was also at a low.

Dr Sheales—I do not have figures quickly to hand at least on grain stocks last year. I would agree that they had come down a fair bit, especially wheat. They are going to come down quite a bit more this year. That is what is driving that market.

CHAIR—It has taken a while for that to be reflected in the price, because stocks have been down.

Dr Sheales—That is true.

CHAIR—So we sort of all got duded last harvest.

Senator O'BRIEN—You probably stored yours. I am interested in the impact the shortage will have on intensive industries which are major users domestically, and what price you might think domestic grain would have to be to make the importation of grain an option.

Dr Sheales—We have not tried to estimate what exactly it would have to be to encourage imports. As I think you have heard earlier today, there have been a number of applications made to import grain. At the end of the day that will be a commercial decision on the part of those involved in the trade.

Senator O'BRIEN—An assumption that seems reasonable to me is that, once local prices jump ahead of the international spot price plus freight, there will be pressure to import grain.

Dr Sheales—As I said, it will be ultimately a commercial decision on the part of those that can import grain. There are a lot of things to be dealt with, including compliance, but I think that is something that is probably better answered by the people who have to deal with that day to day.

CHAIR—I think the short answer to that is that wheat will be tough enough but corn and other things will be a possibility.

Dr Sheales—If you look at the global picture and the wheat prices now compared to 2002-03 when a lot of wheat came into the country, yes, that wheat is not available this year globally, so it is more likely to be—

CHAIR—The Ukraine has closed the door and it will take two years to get it in from China. It is all pretty hard for wheat. This time next year, if it has not changed, we will be in real trouble.

Dr Sheales—We will all be in trouble.

CHAIR—There were no fat prisoners of war; it was probably the best thing for obesity that ever happened. There will be nothing to eat.

Senator O'BRIEN—The national solution is famine, says Senator Heffernan. What work is ABARE doing, if any, in respect of the climate change-type impacts on the economy?

Dr Sheales—I will hand over to one of my colleagues for that.

Dr Gunasekera—We are not doing any specific work at the moment on the relationship between climate change and agriculture, but we will be looking at some of the adaptation issues, particularly structural adjustment and the extent to which farmers are in a position to adapt to climate variability and climate change, but we have not done any research in this area at the moment.

Senator O'BRIEN—Thank you for that.

Senator MILNE—I would like to follow up on that. When we had the oil inquiry, ABARE came before us and said, 'Well, putting climate change to one side, we calculate the economics, blah, blah, blah, of oil price', and so on. Given that you have not done any work at all on the link between climate change and impacts on agriculture, does ABARE still regard it as appropriate that you put climate change to one side in giving any economic analysis to government?

Dr Gunasekera—I am not really sure I understand your question clearly. If you can be a little bit more specific, please?

Senator MILNE—When ABARE appeared before the oil inquiry I asked specifically Mr Fisher, who was telling us about the coal to liquids project, about the fact that we had no problems about future fuel supplies in this country because if oil got to a certain price coal to liquids would be achievable for fuelling transport. I asked him how that was possible in view of climate change particularly because coal to liquids gives you the same greenhouse gas emissions at the pipe as does conventional oil. He said, ‘Well, putting climate to one side...’ At the time I said, ‘But you can’t put climate to one side’, and he repeated, ‘Putting climate change to one side...’ What I just heard you say in response to Senator O’Brien was that, in spite of overwhelming global scientific evidence about climate change, ABARE has done no analysis of the relationship between climate change and agriculture to date. What I am asking you is: does ABARE still believe that you can put climate change to one side when giving advice to government on any matter?

Ms Schneider—The modelling that ABARE is doing on climate change is looking at the costs of meeting certain abatement targets under different policy options. Our modelling is directed at looking at the costs of alternative emission abatement policies.

Senator MILNE—Is it looking at the cost of not acting on climate change?

Ms Schneider—We do not have the capacity to undertake what you would call an integrated assessment of climate change.

Senator NASH—When you are talking about capacity, do you mean manpower or funding?

Ms Schneider—It is modelling. It is having a model that is able to do that sort of analysis.

Senator NASH—So you are just unable to do it?

Ms Schneider—We do not have that modelling capacity.

Ms Hewitt—Correct me if I have not understood you correctly, I think what Don Gunasekera was saying was that a lot of ABARE’s work on adaptation to changes and shocks in the economic sense to Australia’s farm operators is relevant to some of the impacts that some people might predict as a consequence of adapting to climate change. If we look at all the work, for example, that you have heard about this afternoon in response to the drought, the projection of crop reports, the impact on producers, farm incomes and so on, a lot of that sort of work is relevant if you were to imagine that something like the scenarios that we are seeing at the moment in relation to prolonged, unprecedented dry periods might be the sort of thing that we might see more of, if indeed we do see climate change impacts of the sort that some predict. The sort of work that we traditionally do in ABARE around these sorts of issues is the sort of work that is, I think, relevant but we are at a very early stage where, in terms of making assumptions and projections about what might unfold into the future, there is high uncertainty. It is not that there is not work that is relevant and useful. It is really I think a question of whether you call that an adaptation to climate change sort of work program or whether it is adaptation of the farm sector in response to a whole lot of variables in the farm economics environment. A lot of what ABARE is doing is relevant. It is a question of whether

you would categorise that as work specifically in response to climate change or whether you see that as work that is relevant to climate change and a number of other variable elements in the farm environment.

Senator NASH—In a nutshell, you are saying the work you are doing is about farmers being able to adapt to the variability rather than the cause of the variability?

Ms Hewitt—Yes.

Dr Gunasekera—That is correct.

Ms Hewitt—That was a much more precise way of putting it, yes.

Dr Gunasekera—Perhaps the impact of climate variability or climate change will have certain flow-on impacts on, let us say, the water regimes and the land regimes. Those changes in water and land regimes could have an impact on farm productivity. Some aspects are scientific or biophysical. We have not looked at those issues because we do not have the capacity to do those things.

Senator SIEWERT—So you are not looking at those?

Dr Gunasekera—That is correct.

Senator SIEWERT—You are not factoring those into your modelling?

Dr Gunasekera—We are factoring in a sense, because farmers adapt to climate variability on an ongoing basis, but we are not looking at scientific aspects.

Senator SIEWERT—The science is showing that in fact that has happened up until now, but it is highly likely that there is going to be a significant rapid change rather than a slow change. Yes, Australian farmers are really good at adaptation but not really good at the rapid change. Are you doing any work around that rapid change and the need for rapid adaptation?

Dr Gunasekera—We are not doing any work on rapid adaptation.

Ms Hewitt—A lot of the work that ABARE is doing in relation to water, native vegetation and other aspects of the physical environment is highly relevant to these sorts of scenarios.

Senator SIEWERT—The latest report that was released in September, the one about native vegetation in Queensland—

Ms Hewitt—But other work in the natural resources stream of ABARE's work?

Senator SIEWERT—I will come back to that after Senator Milne has finished.

Senator MILNE—Two days before the federal election in 2004 ABARE brought out a report detailing the costs to the Australian economy if Australia ratified the Kyoto protocol. If you can quantify the costs, why can you not quantify the costs of not ratifying?

Dr Gunasekera—I am not really sure what you mean by 'not ratifying', because in our analysis of what we have looked at, if you are going to reduce emissions by using various mechanisms that could have an impact on various sectors in the economy. Those are the aspects that we have looked at in analysing the impact of reducing greenhouse gas emissions. I am not really sure what you mean by not signing the Kyoto protocol.

Senator MILNE—What I am completely puzzled by is the inability of anyone in ABARE to come out with a statement about climate change. Are you aware that Sir Nicholas Stern's report has come out in the last 24 hours?

Dr Gunasekera—Yes.

Senator MILNE—Are you aware that he is a former head of the World Bank?

Dr Gunasekera—Yes.

Senator MILNE—Are you aware that he said that not dealing with climate change, not reducing emissions, is potentially able to take five per cent off global GDP every year henceforth?

Dr Gunasekera—We have not had a chance to look at the report in detail, but I have seen those comments.

Senator MILNE—So do you accept that not reducing greenhouse gas emissions may well have a more substantial cost to the economy because of the impacts—which you have not modelled and which you have not even apparently been aware of—than actually taking the action now?

Dr Gunasekera—I cannot comment on that because we have not looked at those issues, but I have seen literature on some of those aspects.

Senator MILNE—I would like to put it on notice for you. When you have told government that it will cost X amount to reduce greenhouse gases what analysis, if any, have you done on the cost to the Australian economy of not taking those actions?

Dr Gunasekera—We have not looked at those issues. We have looked at the cost to the economy of mitigation.

Senator MILNE—But not on the impacts of not mitigating?

Dr Gunasekera—Because if you look at the impacts, if you look at the Stern report—and I was able to quickly scan through some of the key findings—you see that when they talk about the impacts what they are talking about basically are the estimated potential damages. When they talk about the estimated potential damages there is a range of issues that they discuss—sea level rising, hurricanes, floods and all sorts of other extreme natural events. We do not have the capacity to look at those issues, as my colleague mentioned before. We do not have the analytical framework. You need an analytical framework. You can look at the damages, the impact of the damages and the cost of the damages. We need a framework, what you call an integrated assessment model. We do not have that framework and we have not looked at those issues.

Senator MILNE—Who does have that framework across the Australian government if ABARE does not?

Dr Gunasekera—I am not really sure whether anybody else is capable of doing that analysis in Australia in the Commonwealth agencies.

Senator MILNE—So we have got a capacity in Australia to cost what it might cost to reduce emissions, but we have no capacity to even do a ballpark on what it might cost not to do so? Do you accept in ABARE that climate change is real?

Dr Gunasekera—I cannot comment on that, because that is a fairly broad question. I am not a scientist so I am not in a position to answer one way or the other.

Senator MILNE—As an economist in ABARE, do you believe that greenhouse gas emissions are an externality and ought not to be costed?

Dr Gunasekera—Greenhouse gas emissions have various impacts, but in our analytical work we are not looking at the health impacts or any other damages. In fact, in almost all of our work what we have looked at is the cost to the economy if we are going to reduce greenhouse gas emissions, because that could have an impact on various sectors. The output or the activity in different sectors might decline. What are the impacts of that? Those are the aspects that we have looked at as economists.

Senator Abetz—I think in fairness there is a substantial difference. Where you have a particular target, you have a sum certain that you are dealing with, I would imagine, to make an analysis. In relation to the phrase ‘the impact of climate change or greenhouse gases’, in all of the literature that I have been reading of late, some people tell me—and they are all scientifically qualified—that it is going to be this amount, that amount or the another amount. So ‘the impact of climate change or extent of greenhouse gases’ is an uncertain sum against which to try to then model. I would imagine it would be very difficult to get accurate modelling on this, but I have read estimates somewhere that, if we were to abide by the Kyoto protocol worldwide, we would reduce the world temperature at this stage by about less than one degree fahrenheit. You then have to ask: what is the actual impact in relation to that? To try and model that economically, I would have thought, would be a very big ask, given all the variables. Whereas with the Kyoto agreement you had a specific target that you could measure.

ACTING CHAIR (Senator Siewert)—Where I am coming from is the other end of it, and that is the impact that existing climate change—what is happening already—will potentially have on agriculture and looking at overlaying the models across, for example, land capability. There are models. The models for Australia now have been fairly well refined. Looking at those models over Australian agriculture, where can we expect the most change and where should we be planning for that—for example, with water resources? In WA we know that rainfall has decreased in south-west Western Australia. It is indisputable, and I think that is where Senator Milne was coming from as well. It was definitely where I was coming from when I was asking my questions. What work have you done around that?

Ms Hewitt—Perhaps I could make a suggestion. Part of what you are asking—and I think perhaps this is the difficulty the ABARE colleagues are having with the questioning—relates to the biological or the biophysical impacts of climate change. We have another whole work program under way in relation to some of those matters in our Bureau of Rural Sciences. We also have some work, not so much at this stage in the climate change area, which is jointly worked on between the two bureaus—between the economists and the scientists in the Bureau of Rural Sciences. But there is a significant work program around climate change and adaptation in agriculture that is done by our scientific staff in the BRS. I suggest we spend some time when they come to the table talking about that work.

ACTING CHAIR—It still needs to relate to your economic modelling for the industry. I am still asking the question: how has that been relating to the modelling and the work that you are doing? It does not sound like you are doing it. Is that correct or not? I am not trying to put words in your mouth. It just does not sound like you are doing it.

Ms Hewitt—As to the sort of integrated analysis that you are looking for, which comes to some conclusions about physical impacts, an event will enable the economists to cost them. I think that is what we are saying. We have not at this point.

Ms Schneider—We do not have a formal link between the scientific assessments of the impacts of climate change and the economic-modelling framework that we utilise at this point.

CHAIR—There is no formal link in that modelling?

Ms Schneider—There is no formal link in that modelling. There are some models. The sorts of models that do that analysis at the global level are extremely large and complex models. There are not many of them in the world. The Stern report used a particular model. We do not have that capacity at the moment.

Ms Hewitt—I am not sure whether the Greenhouse Office and the Department of Environment and Heritage may be able to provide further comment on Australian capability in that area. Clearly, it is beyond ABARE's capability at this point.

Senator MILNE—If I could just return to the question I asked before about the economics and the way you approach something in ABARE. Do you regard the climate as a public good and greenhouse gas pollution as an externality when you cost anything?

Ms Hewitt—I would have to ask my other colleagues to answer that.

Dr Gunasekera—I think it is accepted and well regarded that the climate and most of the natural variables are public goods. That is why people always comment about these being public good issues, so we need the cooperation of everybody to address some of these issues. I agree with you; it is a public good. It has strong externalities and so on.

Senator MILNE—When you do your assessments, do you regard greenhouse gases as an externality?

Ms Schneider—Yes, that is implicit in the sort of modelling that we are doing. We are modelling alternative policy approaches to reducing greenhouse gas emissions. Implicit in that policy framework is that notion.

Senator MILNE—So they are an externality and are just something that other people pay for; they are not an economic cost. A different economic model would internalise the cost of that pollution, wouldn't it?

Ms Schneider—No, I do not think that is the way that we would view it at all. When we do our modelling, the most efficient way of meeting a target is to impose a cost on carbon emissions. We do that through the implementation of the carbon tax in the modelling framework. That could reflect different sorts of regimes. It could be a tax. It could be an emissions-trading regime. It could be a system of regulations. However, implicit in that notion is that there are externalities associated with greenhouse gases.

Senator MILNE—Thank you. Coming back to when you costed the changes that were being talked about in relation to the carbon, oil and emissions from motor vehicles, ABARE came out with a report saying that, if you put a price on carbon, you would double or treble the price of fuel. Can you just tell me whether you included the tax on top of the current arrangement. Did you take away the excise and put the tax on instead of the excise, or did you add it on the top?

Dr Gunasekera—In such analyses, we have not removed any existing taxes or excise duties. The carbon taxes are on top of the existing tax regime.

Senator MILNE—Do you think that was an honest appraisal given that everywhere else in the world where they have introduced a carbon tax they have taken away the excise and imposed the tax on the embedded carbon? To add the carbon tax on top of the excise inflates the impacts wildly. Can I ask why you did not give the option of removing the excise and putting on the carbon tax, which might well have resulted in a neutral price change as opposed to just giving the option that will double the price of petrol?

Dr Gunasekera—I think the work that you are referring to was commissioned by CSRIO, and the scenarios that we analysed were basically given to us by the CSRIO. We did not change the scenarios. The scenarios were basically given to us. The reference case or the 'business as usual' case includes the existing policies, taxes and various other excise regimes. In analysing those scenarios, we have used a carbon tax on top of the existing regime. That was the way CSRIO and the other members of the Energy Futures Forum formulated those scenarios. We took those scenarios and we examined them as they were given to us.

ACTING CHAIR—I want to follow up a couple of questions we were just talking about with respect to climate change. Ms Hewitt, I think it was you who referred to the other reports that ABARE is doing, such as the native vegetation reports et cetera. Does that include the report that was released in September, *Native vegetation: public conservation on private land*?

Ms Hewitt—What I was thinking more of, although when I mentioned native vegetation that was in the back of my mind, was some of the more innovative work that ABARE has been doing in the water area, on trading in options, options for water purchase and that type of thing. There is a very significant stream of work in the natural resources area that has capabilities and skills that are relevant to—

ACTING CHAIR—Would you mind providing me with a list? I have been doing quite a bit of research in this area. I may have missed some of the reports that you are talking about.

Ms Hewitt—Certainly; I would be happy to let you see what has been published over recent times.

ACTING CHAIR—That would be useful. I do have the one that was released in September.

Ms Hewitt—That was in relation to the Queensland regulation presumably.

ACTING CHAIR—I also have the *Natural resource management on Australian farms* report that was released in September also, which I would like to ask a couple of questions about. It contained some really interesting information. I had a couple of specific questions.

One of the favoured options of farmers increasing their involvement in natural resource management was increasing and upgrading their machinery to implement sustainable management practices. What sort of machinery are we talking about?

Mr Gooday—That sort of machinery is basically for people moving towards machinery that allows them to implement minimum till.

ACTING CHAIR—We are talking about min-till and things like that?

Mr Gooday—Yes.

ACTING CHAIR—You also make some really interesting comments about the benefits of adjusting natural resource management programs to increase adoption of sustainable agriculture practices. What specific practices are you talking about in this case? It is in your conclusion. I have just printed out the summary.

Mr Gooday—There are a number of sustainable agriculture practices that people recognise as best practice, and in doing this report we noticed that quite a few of those practices had some focus on them through different programs, which groups such as National Landcare Programme provided funding to, that that was increasing the adoption of particular practices and that there might be some benefit in expanding or broadening that.

ACTING CHAIR—Are you talking about issues like min-till? Coming from Western Australia, we regard that as standard agricultural practice now. In no way would I suggest that we would be funding that under NRM funding anymore. Is that the sort of thing that you are talking about?

Mr Gooday—It varies from region to region. While minimum tillage would be a standard practice in some regions, it is not in others and it is not suitable in some others. The survey that was used to collect these results was a reasonably broad survey, so it could not really dig down into the detail of a particular region.

ACTING CHAIR—It also talked about the skill levels. When people said they thought they had the skills necessary to implement some of the sustainable management practices, was that self-assessed skill and knowledge?

Mr Gooday—Yes, that is right. Essentially, when they were asked whether they had the skills necessary to implement sustainable management practices, the majority of them were indicated that they thought that they did.

ACTING CHAIR—How is this information being handed on to the NRM agencies that are implementing NHT? Is there an automatic process?

Mr Gooday—This report was funded by the NLP, and we work closely with them in designing the survey. We presented the results of the report to them. They are fully across it.

ACTING CHAIR—I just want to go back to the crop and livestock report. You talk about summer crops but touch on this very briefly. You provide some figures on the expectation for rainfall and temperature. Will you be producing a similar report like this around the summer crops?

Dr Sheales—Our next report on crops, which will include summer crops in more detail than in this, will be released on 5 December. The early indications, as this report indicates, are

not too flash, to put it mildly, for that important Queensland/Northern New South Wales growing area. All we can do is hope that that improves somewhat, but it does not look too good at the moment.

ACTING CHAIR—Will you have a clear idea by 5 December?

Dr Sheales—A clearer idea, both for the winter crops—how harvest has progressed to that point; it is so small it might mostly be over by then, which is unusual—and to what degree there have been summer crops. I guess the important one is grain sorghum when we are interested in feed issues. We will have a pretty clear idea then how plantings have gone. Obviously, we are still some way to harvest, and they will need plenty of moisture to get them through to harvest.

ACTING CHAIR—You may have answered this for Senator O'Brien, who might have asked this and I missed it. How confident are you now of the figures in the October report? I understand the reasons why you have had to downgrade your estimates over the last month or so. Is it likely that you are going to have to do it again, or are you fairly confident you have an accurate prediction now?

Dr Sheales—We can never be 100 per cent sure.

ACTING CHAIR—I appreciate that within the bounds—

Dr Sheales—It is the nature of the game.

ACTING CHAIR—Yes.

Dr Sheales—But what I would say is that, if it were to rain today or tomorrow, it is not going to help.

ACTING CHAIR—No, not yet.

Dr Sheales—We have tried to factor in the case of it not raining at least for a couple of weeks. Beyond that, I do not think it can do any more damage, frankly, to the winter crop. In some smaller areas that might not be true but, as a general statement, I do not think there is a lot of downside risk left in that crop estimate. There could be a little bit but not a lot.

ACTING CHAIR—I appreciate that. I suppose where I am coming from is: are you fairly confident that the existing estimates, in light of no rain, are accurate?

Dr Sheales—That is what I am trying to imply. We are close to about where it will turn out. If it does not rain, it is not going to make much difference to what we have there. If it does rain, it will not make much difference either, unfortunately. We are just too far gone.

ACTING CHAIR—If it rains, in fact, you will get to a certain point and it will damage it, not help.

Dr Sheales—That is true. We can get to that situation as well. However, the way this year is shaping up, I do not think we are likely to be worried by that too much.

Senator NASH—In relation to crop and stock work that you have done, have you done any work on hay, given the amount of crops being cut for hay, and how important that will be as a fodder over the coming 12 months? Have you done any work in terms of capacity and pricing around hay?

Dr Sheales—No, we have not. It is really too hard to get any sort of quantitative handle on that. We are aware, as you are, that quite a few crops are being cut for hay. Unfortunately, they are not getting much hay off them. Even grain crops are being cut for hay. Some are so poor they cannot even cut them for hay. As to quantifying how much hay we might get off them, we are not in a position to estimate that. All we can do is listen to some of the anecdotal information that is coming forward. I would agree, though, that it is going to be fairly tough, because there will not be much hay around coming out of this year.

ACTING CHAIR—I have another question. I want to go back to the natural resource management report. I have the full report, but I am just reading from the summary. At the end of the summary, you make the statement:

... the main benefits generated by additional ... measures are unlikely to lead to significant adoption since adoption will often result in lower profits.

I appreciate that. You continue:

Under these circumstances governments may need to consider policies that provide incentives to farmers to generate off-farm benefits.

Start from the premise that I understand what you mean by 'off-farm' in terms of if the benefits are off-farm. What do you mean by that last statement?

Mr Gooday—Some of the benefits of some of the practices we would like people to adopt in a global sense obviously are not captured by the farmers themselves.

ACTING CHAIR—I read about that.

Mr Gooday—So in order to get those sorts of practices adopted it is unlikely that purely persuasive measures in terms of providing them with information on—

ACTING CHAIR—I understand all that. Assume I understand that. It is the next piece of advice.

Mr Gooday—There are basically two ways you can get people to adopt these sorts of things without regulating it. One of them would be to invest in R&D. That would lower the cost of the techniques. The other would be to provide them with some financial incentive to adopt.

ACTING CHAIR—So you are talking about ecosystem services and those sorts of things.

Mr Gooday—Yes.

ACTING CHAIR—Thank you.

[3.32 pm]

Australian Quarantine and Inspection Service

Senator STERLE—I would like to ask some questions about grain imports. Can you remind me of the protocols that apply to the importation of grain?

Mr Yuile—I might invite my colleague Peter Liehne to take you through that issue.

Mr Liehne—The protocols that were in place for importations in 2002 and 2003 included requirements that the grain be imported from countries that are designated as low risk, that the movement and the control of the grain from discharge from the ship through to processing

was carefully monitored and strictly managed to ensure there was no spillage—there were very clear instructions for the management of any spillages and waste—and that the grain was processed in metropolitan areas.

Mr Yuile—The other dimension to this is that our colleagues from Biosecurity Australia are involved in undertaking risk assessments of that importing country and the grain involved. That is another step to this process, and a critical step.

Senator STERLE—Do these requirements vary according to the type of grain that is being imported?

Mr Liehne—Yes, they would. The management of the grain would be dependent on the quarantine risk assessment that is undertaken by Biosecurity Australia. At the moment we have a number of applications before us which are being considered by Biosecurity Australia. They will provide us with an import risk assessment, or a quarantine risk assessment, that we will then take into account when issuing the permit. The conditions and requirements that were used in the last drought may be varied depending on the advice that we get from Biosecurity Australia.

Senator STERLE—I assume grain can only be transported up-country if it has been denatured at port. Is that correct?

Mr Liehne—That is true. The grain has to be processed in metropolitan areas prior to any movement into rural areas. If they are producing stock feed, the components have to be broken down to a level where the quarantine risk was managed before the components could be transported for further processing.

Senator STERLE—The minister is reported in the *Weekend Australian* as saying that the government is considering potential sources of imported grain. Can you tell the committee what the potential sources of grain being considered by the government are?

Mr Liehne—We have a number of applications before us for wheat, for maize and for sorghum. The potential sources vary. They include the USA, China, the Ukraine, Canada and some South American countries, such as Brazil and Argentina. At this stage they are being considered by Biosecurity Australia, and it is only on the basis of Biosecurity Australia's risk assessment that any permits would be issued for those countries. There were a number of those that were not assessed or permitted in the last round, and Biosecurity Australia are looking at those in detail.

CHAIR—Obviously there would have to be a two-year process for China, I would reckon.

Mr Liehne—You would have to direct that question to Biosecurity Australia.

CHAIR—I am familiar with the answers to that stuff. There are not many wheat options about.

Mr Yuile—My colleagues from Biosecurity Australia can obviously give you further advice, but clearly they are prioritising on the basis of previous risk assessments and endeavouring to address obviously the lowest risk.

CHAIR—We have got to terms with the GM in canola. I do not want to break commercial-in-confidence stuff, but obviously there are one or two grains that can come in with fewer

complications, and good luck to the people who are proposing to bring it in. I am not going to give the game away here.

Senator O'BRIEN—Senator Sterle was referring to the minister's comments in the *Weekend Australian*. In the same story the minister referred to 40 applications from commercial operators wanting to import grain to feed stock. Can you tell us about the nature of those applications without breaching any commercial issues?

Mr Yuile—I think we may have just covered that in the answer. They are from a variety of sources and a number of different grains.

Senator O'BRIEN—What sort of grains?

Mr Yuile—Wheat, corn and sorghum are the three that readily come to mind.

Mr Liehne—If I could expand on that, there are 17 applications for importations of wheat from various countries, 14 applications for importation of maize and some seven applications for sorghum imports. There are also some applications for the importation of seed for crushing for the production of oil for human consumption, but where the resulting meal could be used for stockfeed. There are three for soybeans, two for sunflower and one for canola.

CHAIR—That begs the obvious question: with canola and the issue of GM feed, given the consumer resistance and all of that, where do we stand with GM canola being imported?

Mr Liehne—The issue of the presence of GM in the food supply is an issue for Food Standards Australia New Zealand, and the GM canola varieties that are being imported have all been approved for use in the food supply by FSANZ and approved by the ministerial council.

CHAIR—Where is that from?

Mr Liehne—The proposed importation is from Canada.

CHAIR—So I take it it is GM canola. The segregation thing does not work, so there is an assumption that it is GM canola?

Mr Liehne—That is correct.

Senator O'BRIEN—Over what period have the applications been lodged? When did they start coming in?

Mr Liehne—We started getting applications a little over a month ago. As we have received them they have been directed to Biosecurity Australia to review the risk assessments and to confirm that prior assessments are still current.

Mr Yuile—Or whether there are any additional conditions that might be required.

Senator O'BRIEN—Does the application say which port the shipment will be lodged in and how it will be treated at that point?

Mr Liehne—The way that we managed that in the last round of imports in the drought—and we propose to do so this time—was that we would issue permits on a shipment basis. In other words, the applicant would need to advise us of the commodity, the volume, the source, the intended vessel and the intended arrival time, and we would issue a permit for that specific shipment. Because of the complexity and the cost of managing the flow of product, it

allows us to manage resources to ensure that the capacity is there to do the appropriate management of the commodity on arrival. So, yes, they do have to give us that information. The initial applications are of a more general nature in order to get the risk assessments conducted, so that they can then determine where they could purchase grain for import on the basis of knowing that they could import certain grains from certain sources.

CHAIR—And the risk assessment includes a source in-field inspection, does it?

Mr Liehne—That is true. That is correct.

Senator O'BRIEN—The story in the *Australian* says that imports could start as early as January. When do you expect the first shipments of grain to come into Australia?

Mr Liehne—We have not been given any advice from the importers as to when they intend to ship. The advice we had earlier on was that for some of the oil production there would be shipments prior to that time, but for grain for stock feed that is likely to be around that time, if not later.

Mr Yuile—It would depend again on the finalisation of risk assessments in order to then be able to determine the conditions for the permit, and then of course the traders can plan their shipments accordingly.

Senator O'BRIEN—How much grain has been imported into Australia over the last couple of years?

Mr Liehne—There has been no bulk grain since the last drought in 2002-03.

Senator O'BRIEN—So there has been some bagged or containerised grain, has there?

Mr Liehne—Niche product grain, that is true, and also seed for sowing in some circumstances that could fall under the sorts of broad categories that we are talking about.

Senator O'BRIEN—I am going to go to another subject.

Mr Yuile—If you have further questions about the risk assessment—if you have not, that is fine—our colleagues from Biosecurity Australia are here if you want to pursue that. If we have satisfied you and we have not made any errors—

CHAIR—It would be fair to say that we have had a bit of practice at this now. You blokes have been on alert for a while.

Mr Yuile—My colleagues can answer for that. Sadly, because of the drought experiences of 2002-03 and indeed earlier, there has been considerable expertise built up, particularly around this careful supervision and management from discharge to transport and then to processing itself before movement. We have a national coordination centre with specific expertise that comes from past experience which we will bring to bear on this event and the recommendations that Biosecurity Australia make to us with respect to any change in the conditions. So the short answer is, yes, we have some experience. We are not being complacent about it.

CHAIR—We will not let you be complacent.

Mr Yuile—There is a very detailed manual in terms of the procedures that are to be pursued and there is a degree of expertise around the organisation which we will bring to bear on the imports once we have got schedules established.

CHAIR—Senator, where are you moving to now?

Senator O'BRIEN—I have got another subject with AQIS.

CHAIR—I want to do the Walgett thing. Is it time to do that?

Mr Yuile—We are in your hands.

Senator O'BRIEN—While he is looking for that I will ask a couple of questions. I note table 34 on page 302 of the department's annual report shows that 27 AQIS officers suffered 'serious personal injuries' and another 29 were involved in 'dangerous occurrences'. Can you give us an indication of what sorts of injuries and what sorts of dangerous occurrences are being spoken about there?

Mr Yuile—Yes, certainly. To give a bit of context to the table, as you know we have got some 3,000 employees in some 200 locations around Australia, and they range from airports to mail centres to bond stores to quarantine stations and, of course, to abattoirs. Officers of the organisation are involved in a range of activities, from inspecting the holds of vessels to boarding foreign fishing vessels for quarantine inspection to supervising the slaughter floors of abattoirs. So there are a range of activities which are quite different to a Canberra based job in an office. In that context, we take the occupational health and safety issues very seriously and have encouraged a strong regime of reporting.

In the case of 'dangerous occurrences', they are early warnings of events that we require notification of, and notification to Comcare, because they are issues that we are actively trying to manage in order to avoid injury. They do not result in any illness or injury, but they enable us then to follow up in terms of risk mitigation of particular issues. The sort of example might be that we find, notwithstanding a declaration, for example, that a container still has some fumigation gas in it. That is an exposure for our employees so we would want to deal with that. In the case of serious personal injuries, as the footnote suggest there, this is where a person needs some medical treatment by a doctor, either in a hospital or outside of a hospital. The sorts of injuries that we are talking about could be sprained ankles, lacerated fingers—for example, someone who caught them in the cage of a detector dog—and back strain related to moving on and off a vessel they had been inspecting. So they are those sorts of injuries. I guess the terminology sounds quite dramatic, but it is not always quite that context.

Senator O'BRIEN—Can you give us on notice a list of the so-called serious personal injuries and the dangerous occurrences? I note that 2005-06 was a particularly bad one for injuries within AQIS.

Mr Yuile—We can certainly answer your question, yes. I think the context is really important here. We have actively encouraged staff to report any incidences because we do want to actively manage it. It is really important to note that the duration of absences due to illness and injury in AQIS has been falling. The average number of weeks lost per claim in AQIS in 2005 was 2.2 weeks, whereas the APS average is some 3.8. Equally, our average

claim costs have been coming down over the last couple of years, to an average in 2005 of \$12,200, compared to an APS average of \$27,000. I want to re-emphasise that we are actively managing the occupational health and safety issues. These reports help us to actively manage that risk.

Senator O'BRIEN—Thank you for that.

CHAIR—I have to go away for a little while at 4 o'clock, so I will try to be quick. I am putting a case to get a gamma knife in Australia. For those who want to know what a gamma knife is, a gamma knife turns a 12-hour traumatic brain surgery into a day surgery procedure. I want to talk about the Walgett game plant and to make some comments that are from the former owner. This man was evicted from his home in Glebe Point Road by the ANZ, and it is being auctioned next Saturday. This is a guy who is about to lose his home. All his assets are gone. His partner was forced by the ANZ to sell his assets, including a hotel. The Walgett plant, which they lost, has now reopened with new owners but the same management and over 70 per cent of the same staff. It has a different on-plant vet. The area technical manager is having no problem processing over 600 kangaroos a day. The on-plant vet, who I will not bother naming, who was at Walgett from 2001 to 2004, went to Booyong, owned by the Northern Cooperative Meat Company, and 'was investigated and has been suspended or sacked by AQIS'—these are his words—'and is suing AQIS'. There it is. He continues, 'My wife has had a nervous breakdown.' This matter has gone to the Ombudsman. He continues:

Two months after the Ombudsman's letter to xxxx extremely critical of AQIS and DAFF's assessment of the CDDA claim (lodged 2 years ago) which was denied (Minister McGauran has a copy) why is the charade of continuing denial and cover up by AQIS of the facts of the case which is causing further extreme stress and financial hardship to ... families still going on.

Mr Yuile—We can respond to that.

Ms Hewitt—I do not think it is appropriate for AQIS to respond, because this issue is the subject of a CDDA claim. I would have to say quite clearly to the chair that I would not accept many of the characterisations in the letter.

CHAIR—That is all right. This will be a chance, in an appropriate time and fashion, just to sort this out.

Ms Hewitt—Sure.

CHAIR—These people are seriously stressed. I thought the only way to deal with this was head on.

Ms Hewitt—Absolutely.

CHAIR—I appreciate the attitude of AQIS and everyone else. He continues:

On Friday, 20 November xxxx, AQIS Canberra, told xxxx that if Walgett Game Meat went to the media the CDDA would scheme would not be reassessed as recommended by the Ombudsman.

Then there are some other comments which I will not read out. He continues by saying that Walgett Game Meat has made representation to the government to settle disputes between the company and AQIS and he asks why AQIS is continuing to mislead the current minister regarding the facts in the CDDA claim, agreed to by the Ombudsman. My understanding is that the Ombudsman was, as it were, sympathetic to this case and certainly to the northern

guy. Is there a possibility, not necessarily now—you can take it all on notice—that we can sort this out?

Ms Hewitt—We are trying to move this one forward as quickly as we can. Could I just ask Mr Grant, in five minutes, to give you a very quick story about what has happened and what is proposed to be done in the next little while?

Mr Grant—It would be good to put on the record some of the timing of the process to date. The investigating officer was appointed to investigate the Walgett matter on 6 January 2005. On 23 March 2005 the investigating officer made a decision that the claim did not meet the criteria for the CDDA. That was about three months of work by the investigating officer. On 1 July 2005 the applicant approached the Ombudsman and asked the Ombudsman to review that decision. On 2 May 2006 the Ombudsman produced a draft report that upheld the decision made by the investigating officer from DAFF.

Ms Hewitt—So that is about a year.

Mr Grant—That was about eight or nine months. As I was saying, the Ombudsman produced a draft report that upheld the decision made by the investigating officer in DAFF and asked for comment from both the applicant and the department. On 28 August 2006—that is another four or five months—the Ombudsman wrote to the department saying that it had reviewed its draft report on the basis of discussions with the applicant and was recommending that the department revisit the claim in three specific areas. On 28 September we advised Walgett that we were intending to revisit the claim, as recommended by the Ombudsman, and on two occasions, on 25 September and 9 October, we had correspondence from Walgett recommending that the current investigating officer, Mr Pahl, stand aside because they were concerned there may be a perception of bias. On 18 October Mr Pahl advised that he would step aside in the interests that there be no perception of bias on his behalf and, yesterday, on 30 October, the minister appointed a new investigating officer. That investigating officer is Dr Cliff Samson, deputy secretary in the department. Dr Samson is now undertaking the revisiting of the areas, as recommended by the Ombudsman.

CHAIR—It is just a shame that there is not some way that we could stop the bank.

Ms Hewitt—Yes, but I do want to have on the record, if I could, that the department has done its best to move really seriously and quickly in a fair way to look at this claim.

CHAIR—I appreciate that.

Ms Hewitt—In three months the investigating officer did a lot of work on what was a very complex matter. The rest of the time slippages have been absolutely out of our hands. Now the claimants themselves have said they believe there is a perception of bias. I do not think that is something that I would automatically accept on the face of it, but if that is the view of the claimant I think it is in our interest to try to make sure that further working time and resources and effort invested into this exercise have some prospect of being accepted by the parties. That does mean that a new investigating officer has to go back to the beginning and review all that material and satisfy himself of the facts before coming to a determination.

CHAIR—Thank you very much.

Ms Hewitt—So we will continue to take it seriously, but I do think it is entirely unreasonable to express the situation in the language there.

CHAIR—I can understand, if you are about to lose your house et cetera, you are going to be pretty—

Ms Hewitt—That is understood, but I do have to put the department's record fairly and objectively on the table.

CHAIR—I am grateful, on behalf of the committee, that you have. It will be of little comfort to these people, but I suppose the facts are the facts. Obviously they think that their troubles began when the person, whoever the plant vet was, was not trained or familiar with whatever the act was he was prosecuting and that they were unfairly treated and what have you.

Ms Hewitt—The minister has now appointed a very senior and experienced officer to look afresh at the issues, so we will give it attention.

CHAIR—I am very grateful for your help, and I apologise for putting it on half-cold to you today.

Mr Yuile—Chair, can I go back to a comment you made in relation to canola imports. The application is actually for GM canola, not ordinary canola, so it is a specified GM crop and approved by the Office of the Gene Technology Regulator.

CHAIR—Yes. We have approved the importation of GM canola.

Ms Hewitt—Certain varieties have been approved for release in Australia.

CHAIR—Which in any event cannot go up country, but the by-product, you say, can.

Ms Hewitt—I believe there are certain varieties of GM canola which are perfectly legal for import to Australia. There is a question, because of the state government moratoria, about their commercial release for production.

CHAIR—Most definitely it is going to be a 'no' at the moment, but in any event we are going to approve the importation of GM canola. I must declare I am a canola grower too. I will have some questions on both honey and GM canola later, about the protection of the non-GM grower as opposed to provisions for the GM grower. We will deal with those after four o'clock.

Proceedings suspended from 3.59 pm to 4.21 pm

Mr Yuile—Just for the record, there was an officer mentioned in the communication that the chair read out in relation to Walgett who is not in the country at the moment. The inference in that communication is very worrying to me and, knowing the officer and the integrity of the officer, I cannot imagine that they would have said anything like what was suggested. When she is back we will communicate with the chair just to clarify that. I just wanted to put that on the record. It is quite misleading of that person.

ACTING CHAIR (Senator Siewert)—Okay. Thank you.

[4.22 pm]

Biosecurity Australia

Senator O'BRIEN—Welcome back. I want to start by asking about the minister's press release of 18 October announcing changes to the import risk assessment system. The press release says that the new arrangements will commence early next year, and I understand that the changes will require the tabling of new regulations, but no legislation is required. Is that right?

Mr Grant—I can probably handle some of those questions. Yes, that is correct.

Senator O'BRIEN—Is it only the timeframes for the import risk assessment process that will be regulated or will other parts of the process become the subject of regulation?

Mr Grant—We are going to regulate two different types of import risk assessments, what is called a standard import risk analysis and what will be an expanded import risk analysis. We would regulate the timeframes for both of those. The standard one would be regulated at 24 months from the time that the Chief Executive of Biosecurity Australia announces the commencement of the process, and the expanded IRA would take 30 months. The 24 months and 30 months are maximums. They do not have to take that long, but they cannot take more than that. We would also propose to regulate that the maximum time for consultation with stakeholders through the formal consultation processes that are in the system would be 60 days. Included in the regulations would be provisions to stop the clock under certain circumstances. Where Biosecurity Australia needed to do additional research to find new science or they were waiting on the delivery of material from an applicant overseas about pests or diseases from that country and there was an expectation that the delay was going to be significant, there would be the provision to stop the clock. That would be enshrined in the regulations as well.

Senator O'BRIEN—How long would the clock stop for?

Mr Grant—We have not designed the regulations yet. My recollection is that it is in the order of six months. I might have to take that on notice and confirm it. As I said, we have not designed it yet.

Senator O'BRIEN—Are you saying that it has not been designed and, therefore, it is not with the draftsman?

Mr Grant—We have had some discussions with the draftsman, but we have not finalised the drafting yet.

Senator O'BRIEN—I thought you said that it had not been designed?

Mr Grant—We have not finalised the regulations. We have had some preliminary discussions with the Office of Legal Drafting to explain the provisions that we want in regulation. We have not yet gone through the process of the formal design of the regulations.

Senator O'BRIEN—Are you still talking about how some of the parts of the regulations would work? I took it from your answer that that is where you were—for example, you said that stopping the clock for six months was still under contemplation.

Mr Grant—I have just been advised that the provision that we are planning to put into the regulations is that the discretion for stopping the clock will be with the Chief Executive of Biosecurity Australia and will depend upon the delay that could be expected in the provision of the information required.

Senator O'BRIEN—So it would be indeterminate?

Mr Grant—Under the regulations, what would happen is that, if the Chief Executive of Biosecurity Australia wanted to stop the clock for a legitimate reason that is set out in the regulations, he would make a public announcement that he was going to stop the clock and that public announcement would include the timeframe that he was proposing to stop the clock for, pursuant to the information that he was seeking.

Senator O'BRIEN—And the reasons for stopping the clock?

Mr Grant—And the reasons for stopping the clock, yes.

Senator O'BRIEN—I presume that scientific panels will still be appointed?

Mr Grant—By the Chief Executive of Biosecurity Australia?

Senator O'BRIEN—Yes.

Mr Grant—Yes, that is correct.

Senator O'BRIEN—If they say, 'We need to do some work', the chief executive can say, 'Yes, I will stop the clock' or, 'No, finish at a particular time.' Is that how it will work?

Mr Grant—The panel would say to the chief executive: 'In order to complete the risk assessment to the professional extent required, we need to conduct some new research. We have asked the exporting country to provide additional information about the sorts of pest and disease risks that exist in those countries. We need to undertake some additional work, and our expectation is that the completion of that work will take of the order of six months, nine months, three months,' or whatever it is. The Chief Executive of Biosecurity Australia will make a judgement about whether that work can be completed without stopping the clock or whether there is a need to stop the clock in order to make sure that that work is undertaken and the timeframes are met according to the regulations.

Senator O'BRIEN—What are the reasons for selection of the two time lengths?

Mr Grant—They are much quicker than the current process. One of the objectives in the reform was to significantly improve the timelines. One of our objectives was to set timelines that were significantly better than the experiences that we are currently having. It was a judgement that maximums of 24 and 30 months were the sorts of times in which we could be very confident that we could complete the IRAs.

Senator O'BRIEN—That is an absolute contradiction. Your experience is that you cannot meet those times, so you are going to set the times so that you can become more efficient.

Mr Grant—We are also trying to encourage people. There is a new reform process here. We are setting ourselves some deadlines. We want to improve. We want to make the process much more efficient and timely.

Senator O'BRIEN—You are telling us that the government's view is that the process has been inefficient. Is that right?

Mr Grant—We would all agree with that, yes.

Senator O'BRIEN—So the process has been inefficient?

Mr Grant—Correct.

Senator O'BRIEN—For that reason you are limiting the maximum time for public consultation to 60 days?

Mr Cahill—Your question to start with was to do with the different time frames associated with the different processes, standard and complex.

Senator O'BRIEN—Standard and expanded?

Mr Cahill—Standard and expanded.

Senator O'BRIEN—I am not sure what 'complex' means. Maybe that is a third category.

Mr Cahill—No. It is standard and expanded. It recognises that there are differences in the complexity of the science and the biosecurity risk that you are addressing in response to market access applications from other countries. For example, if you look at the major import risk analyses that we are undertaking, such as apples, bananas, chicken meat, prawns and those sorts of things, which are very complex, substantial bodies of work, what we are saying is that from the announcement of the commencement of those import risk assessments we think that a reasonable time frame in which to complete those complex analyses is 30 months. That also takes account of different elements in the process. In the case of the expanded process, they include the possibility of putting out issues papers and consulting with stakeholders in relation to that, as well as a more extensive review of the science towards the end of the process by the Eminent Scientists Group. That is built into the expanded process also. With the standard IRAs we undertake at present some of those now work on the basis of reviews of existing policies. We might have a policy in place at present that requires a review that we would send down the standard regulated pathway and/or we might have applications that involve less complex issues than the major ones that I have mentioned. We have indicated from the commencement of those processes that we think it would take no more than 24 months to complete those standard IRAs.

Senator O'BRIEN—Are you proposing to better resource the import risk assessment panels to do the work more expeditiously?

Mr Cahill—At the very start there is a better process for setting the priorities attached to access requests that come to us. That is a broader process that extends beyond Biosecurity Australia and takes account of, for example, whether countries have multiple applications, what priority they might attach to those applications and what can be reasonably undertaken within the resource space available to Biosecurity Australia within the period that we are talking about. There is a priority-setting mechanism that will go on that will take account of our capacity to do a particular job or work. Certainly in the future I expect that we will manage the larger exercises, such as the apples and bananas that we have had in the past, very much more on a dedicated project basis, so that we allocate appropriate resources at the very outset to complete the task within the regulated time frame that we are talking about.

Senator O'BRIEN—Can we get an idea of the resources that have been applied to these sorts of import risk assessments in the past in terms of personnel and dollars so that we can assess that over time? Can you take that on notice and give us that information?

Mr Cahill—We have records that tell us the sort of expenditure that we have expended to date on the major IRAs.

Mr Grant—There are very different estimates. If you take the apples from New Zealand IRA that has been going on now for many years—

Senator O'BRIEN—There have been several.

Mr Grant—There have been several incarnations of the same risk analysis.

Mr Cahill—There have been four different applications, the most recent one originating in 1999. There have been multiple drafts of the report, as you know, and various inquiries and other actions that have drawn that process out.

Senator O'BRIEN—There have been outcomes which you have been objected to as well.

Mr Cahill—In terms of views expressed by stakeholders?

Senator O'BRIEN—Refusals initially. The initial decision was that we would not allow New Zealand apples in. That has been reconsidered after pressure from New Zealand.

Mr Cahill—If you are talking about apples in particular, as I said there have been four applications and not all of those applications have been the same. They have had different perspectives on them for different kinds of product.

Senator O'BRIEN—That raises the question: how much are we going to respond to pressure and what are our obligations under our international trade commitments to conduct import risk assessments when requested?

Ms Hewitt—We can be very clear about that. We are not going to respond to pressure at all, nor would we have done so in the past. I can assure you that the risk assessments are conducted and will be conducted on the basis of scientific risk. That will be and remain the focus of Biosecurity Australia's work. We have progressively made adjustments to the organisation and location of the work in the portfolio to underline and clarify that, but there has been an awful lot of misleading publicity around that subject that may have found its way to you. I would simply like to put it on the record and be very clear in saying that the two sets of issues are seen entirely differently. It is one of the reasons in this latest round of reforms for removing the work to establish the priorities around the BA work program out of the scientific domain of Biosecurity Australia, and to have that priority setting done by a different group of staff in the department, so that BA can concentrate on the scientific risk assessment work.

Senator O'BRIEN—What priority-setting policies will govern parts of the department? Presumably it will be under your control or whoever is the secretary?

Ms Hewitt—That is right.

Senator O'BRIEN—How will you prioritise?

Ms Hewitt—As Mr Grant was saying, that would be managed in a national interest sense by looking at the priorities of the particular trading partners who apply for access, as well as

our own sense of the most important and the most high-priority sets of issues from Australia's point of view. The point would be to make sure that there is no suggestion of trade-off in the way in which Biosecurity Australia goes about doing its scientific work.

Mr Grant—The additional criteria might include the risk that was being assessed. It might include consumer interests in Australia as well. There will be a series of criteria that the committee external to Biosecurity Australia will assess to allocate priorities for Biosecurity Australia's assessment work.

Senator O'BRIEN—If we signed a free trade agreement with someone that says that we will do something, will that govern the priorities?

Ms Hewitt—We are always open to listening to the priorities of our trading partners, but that does not mean in any way that we would be influenced in the scientific assessments by the order in which the work was done. There may be very good reasons for facilitating a request from a trading partner to do work in a certain order of priority, in the same way that we would, and commonly do, go to our trading partners and say, for example, to the Chinese, that our number one priority for access to China's market is a particular product, and in their queuing for scientific assessment we would prefer this product to be looked at ahead of some other products. That does not predispose the outcome of a scientific analysis and the conditions under which trade may or may not proceed.

Senator O'BRIEN—What does it mean when you say that the maximum time for consultation would be 60 days?

Mr Grant—It means that the formal consultation process available for consultation between Biosecurity Australia and stakeholders would be a maximum of 60 days from the time that Biosecurity announced the start of the process until the time that stakeholders had the opportunity to submit their comments. In the system there is provision, under exceptional circumstances, for that period to be extended by a further 60 days. The circumstances may be that, for some other reason, the particular stakeholders for whom the assessment applies are unable to provide the comments in a reasonable time and there is a judgement made—again, by the chief executive of Biosecurity Australia—that those comments are a critical part of the process and it is critical that they be included in the assessment.

Senator O'BRIEN—How can the chief executive make that decision? Surely the scientists would know whether a particular comment was relevant or irrelevant, rather than the secretary?

Mr Grant—No. The Chief Executive of Biosecurity Australia—

Senator O'BRIEN—How would the chief executive know, because presumably the specialist scientific panel would be best placed to know that.

Mr Cahill—At the moment the standard consultation period is 60 days. In the case of apples, at the release of the apples report on 1 December last year, which was a substantial report issued at a difficult time for the domestic industry and for the New Zealand industry, I had requests to extend the consultation period. It was also the holiday period and I made a judgement that I thought those requests were reasonable so I doubled the consultation period to 120 days. I will have that capacity under the new arrangements.

Senator O'BRIEN—So are you saying that there is no change?

Mr Cahill—The standard consultation period is 60 days and there is a capacity to extend it once up to a further 60 days.

Senator O'BRIEN—That is a once only?

Mr Cahill—That is correct.

Senator O'BRIEN—What will happen in relation to a process where there is effectively a draft finding and a period for comment? Will that cease?

Mr Cahill—We are talking about the publication or release of a draft import risk analysis for public consultation.

Senator O'BRIEN—It is at that point that consultation will kick in and not before?

Mr Cahill—There will be consultation leading up to that.

Senator O'BRIEN—That is what I was asking. I am talking about one part of the consultation and you were saying that the maximum time for consultation would be 60 days, so I was taking that to mean 60 days out of the 20 months as consultation. But you are saying that is not the case.

Mr Grant—There are a number of periods of consultation through the process. There are two formal processes of consultation in an expanded IRA process. One is at the point where Biosecurity Australia releases an issues paper and one is at the point where it releases the final IRA. Under those circumstances there is the provision for 60 days of consultation, plus in exceptional circumstances there is a potential to double that period.

Senator O'BRIEN—In each of those cases it is 60 days plus a potential for extension—

Mr Grant—That is correct.

Senator O'BRIEN—in 'exceptional circumstances'?

Mr Grant—In exceptional circumstances.

Senator O'BRIEN—That presumably will not be defined in the regulation. It will be at the discretion and finding of Mr Cahill?

Mr Grant—Yes. It will be at the discretion. The aim of this process is to get the comments in. We are not trying to short-change stakeholders in their ability to put comments in. The comments that stakeholders put in are useful and valuable to the process, so we do not want to short-change that approach at all. I am not sure that you have seen the flowchart that was available. Would it help if you had that?

Senator O'BRIEN—It probably would help if I had the flow chart because I have not seen it.

Mr Grant—It is available on the Biosecurity Australia website. In addition to the formal consultation mentioned there, there are also numerous periods of informal consultation that Biosecurity Australia will have with applicants, industry, other interested stakeholders, industry departments, state governments and so on.

Senator O'BRIEN—Where consultation times are extended, that concertinas time within this defined period of 24 or 30 months for scientific consideration?

Mr Grant—Yes, it does.

Senator O'BRIEN—There is no capacity to take that into account or it is not intended that there be a capacity to take that into account in the time limit?

Mr Grant—That is correct.

Senator O'BRIEN—That would not be grounds for a time out?

Mr Grant—No, it would not.

Ms Hewitt—Except to the extent that an issue required some unanticipated elaborations and further research, something which constituted grounds under the enumerated grounds for stopping the clock that would be available to the Chief Executive of Biosecurity Australia. The idea would be that just routine spinning of the wheels would be discouraged by people understanding that the process had a finite limit, unless there were sensible and reasonable grounds for varying the normal practice. It is an approach to regulation that is quite commonly adopted in other arrangements that are managed by the Australian government. For example, the OGTR regulations have these sorts of provisions. It is in order to put a sense of rigour and order into the way the work is done.

Senator O'BRIEN—Looking at this flow chart, what is implied is that there will be consultation with an applicant, industry, other relevant stakeholders, the state and territory departments, the Department of the Environment and Heritage and, where relevant, DHA. Then BA will announce the scope and approach to a risk analysis?

Mr Grant—That is correct.

Senator O'BRIEN—There will be a consultation period?

Mr Grant—Not a formal consultation period. BA will consult with all of those people that you have read out to inform itself of the information that might be available, the sort of technical science that exists around a particular analysis that it needs to do, and the sorts of science that might exist. It might seek recommendations from industry or state governments about particular scientists that it might be useful to have on the panel because of their expertise. In order for BA to come to a decision about the complexity of the risk analysis that it needs to undertake, the members of the panel that it needs to employ and the time that it might take, they will undertake that series of consultation.

Senator O'BRIEN—There will be an understanding before the announcement that an announcement is likely or pending?

Mr Grant—Yes, I expect there would be among the key industry stakeholders for whom the risk analysis applies.

Senator O'BRIEN—How do we understand what 'key industry stakeholder' means in this context? Is that select or are you going to the main industry organisations?

Mr Cahill—Underpinning this new process is very much an intention to engage and be more inclusive with stakeholders in the whole process, so that we do not rely entirely towards the end of the process on formal periods of consultation, and that we engage at the very outset

to identify what are the issues that we need to look at—what are the issues of science that we need to examine, have we got the scope right, are there other issues that we need to be taking into account, have we captured the nature of the request that has come to us properly and scoped that out correctly? Those things we will have a better understanding of at the very outset. We will then make an announcement that makes it clear to all the world what we are doing and how we are going to do it, and then we embark upon the process as indicated in the flow chart, which has further opportunities for engagement with relevant stakeholders as we go along, together with a formal period of consultation on the draft report when that happens.

Senator O'BRIEN—I understand the new arrangements will change the role of the Eminent Scientists Group. I assume that when the minister refers to greater scientific scrutiny in his press release that this is what he is talking about. How will the role of the Eminent Scientists Group change and how will this improve scientific scrutiny?

Mr Grant—I think there are two ways that the role will change. The current role for the Eminent Scientists Group is to provide advice to the Director of Quarantine as to whether the stakeholder comments that have been made to Biosecurity Australia have been adequately taken into account by Biosecurity Australia in producing their final report. What we are proposing to do is to retain that role for the Eminent Scientists Group in the reform process, but also to ask the Eminent Scientists Group, on the basis of the information provided by Biosecurity Australia, by stakeholders and by any other interested party in terms of new scientific material, to provide advice on whether, on balance, a reasonable decision has been made in the recommendations made by Biosecurity Australia in their draft report. There is an expanded role for the ESG in taking on that additional role.

In addition, we expect that more risk analyses will go through the Eminent Scientists Group in their reform process than currently do. Mr Cahill mentioned that currently, for example, we undertake a number of policy reviews. They currently do not go through any scientific scrutiny through the ESG, but in some cases they will go through the expanded IRA process and they will go under scrutiny by the ESG. The ESG will look at more of the risk analyses than they currently do.

Senator O'BRIEN—Is it just intended that they look at expanded IRAs?

Mr Grant—Yes, it is.

Senator O'BRIEN—So?

Mr Grant—Expanded IRAs are generally those where there is not any existing policy in place, where the science is complex or sensitive, where the workload is estimated to be significant and where it is envisaged that you need an expanded process which includes scientific scrutiny at the end.

CHAIR—What is an example of that?

Mr Grant—Any one of, say, the current largish IRAs. Bananas would be an expanded IRA. You might look at some particular—

CHAIR—That would be an understatement.

Mr Grant—In some more sensitive policy reviews, for example, it might be considered preferable to go through an expanded path.

Ms Hewitt—Red meat, for example.

Mr Cahill—Yes, I was going to offer that as an example.

CHAIR—Do not load me up late in the day.

Senator O'BRIEN—What would be the difference? The right of appeal remains. It is essentially the same process, is it?

Mr Grant—Not quite. In the current right of appeal there are two grounds for appeal. You can appeal that the process has not been undertaken adequately or that the science has not been assessed properly. Given the extended role of the ESG in ensuring that the science has been assessed properly, the new process will have an appeal option that only has a process appeal as the basis of an appeal.

Senator O'BRIEN—So the appeal process is a much reduced one, but it remains a feature?

Mr Grant—It is reduced and it remains a feature.

Senator O'BRIEN—There was a bit of licence in the press release.

Mr Grant—Except that the Eminent Scientists Group is, in fact, an area where there is a review of the science. The eminent scientists, by their name and nature, are the very people who should be reviewing science. They are—

Senator O'BRIEN—Let us be frank. The press release says the right of appeal remains a key feature. What you are telling us is that the right of appeal in relation to the science has been removed. All that you will be able to appeal about is process.

Ms Hewitt—Could we put it this way: what we have done is add to the eminent scientists process a very specific obligation to provide not just advice on whether all stakeholder comments have been adequately taken into account but also advice to the Director of Quarantine on whether the science is sound, reasonable and appropriate. It is a sort of peer review obligation that is much more extensive than the obligations on the Eminent Scientists Group in the current process; it is to have taken that scientific appeal and to have moved it into the peer review elements of the ESG process. I do not think it has been reduced; it is just being done in a different part of the flow-chart.

Senator O'BRIEN—That is a very creative way of dealing with what is actually the removal of the right of appeal for other parties.

Mr Cahill—It is also worth adding that, as we indicated earlier, we expect substantially more risk assessments to go down the regulated pathway. So risk assessments that have previously been undertaken as reviews of existing policy, not as IRAs—therefore they were not subject to appeal under the old arrangements—will be subject to appeal under the new arrangements.

Senator O'BRIEN—I think it would be interesting to know when it is proposed that the regulation will be placed before the parliament.

Mr Grant—We are hoping to get the regulation into parliament early in the new year.

Senator O'BRIEN—Early in the year?

Mr Grant—Early in the new year, yes.

Senator O'BRIEN—Thank you. I will move now to the issue of Senator Heffernan's favourite, the banana import risk assessment. I do recall that it was planned that we get a draft report on this assessment out in the first half of this year. You told us in May that you did not get all the information you needed so that the timetable had slipped, as these things tend to do. Much of that information was to come from the Philippines, as I recall it, and the gathering of that information involved travelling to that country. Has that happened? If not, what is the hold-up?

Mr Cahill—I think I did address this at the last hearings. I indicated that we had not proceeded with a visit and we were not intending to proceed with a visit at this stage. We are intending to complete the draft IRA on the basis of the currently available information.

Senator O'BRIEN—How overdue is this import risk assessment if you expected the draft report in the first half of the year and we are now, near enough, into November?

Mr Cahill—Again, I think I said at the last hearings that, because of our inability to undertake that further visit to the Philippines there had been 'some slippage'. I think that was the language I used. I indicated at those hearings that I expected to release the draft report in the second half of this year, and that remains my intention.

Senator O'BRIEN—Do you know how far away the draft is?

Mr Cahill—It is very close.

Senator O'BRIEN—I am still struggling to understand how Biosecurity Australia, if it thought it needed to travel to the Philippines to clarify a number of matters, could adequately complete the import risk assessment, that not having happened.

Mr Cahill—Again, as I think I indicated at the last hearings, at the moment we are working on a revised draft report of the banana IRA. As you know there have been previous draft reports issued. So we have quite extensive information available to us from the analysis that has been undertaken from stakeholder comments, from submissions from the Philippines and otherwise. We have also previously undertaken visits to the Philippines, so we have quite substantial information available to us to proceed with the revised draft IRA. I think I also indicated at the last hearings that, yes, it would have been helpful if we had been able to undertake a visit to clarify some information, but our inability to do that does not prevent us from producing a revised draft report. It may influence the nature of the assumptions that have to be made as part of that drafting process.

Senator O'BRIEN—Thank you for that. The last time we met the comment period on the draft apple import risk assessment had just closed and you had received some 40 submissions and were considering those comments. I take it you have now considered those comments and there is a draft final report currently being considered by an independent Eminent Scientists Group?

Mr Cahill—The draft IRA report was referred to the eminent scientists group recently, and they have finished their deliberations. They had 60 days, which expired at the end of September. They have provided a report to the director of quarantine and to me, and we are now working on the production of the final report.

Senator O'BRIEN—When will the final report be released?

Mr Cahill—I expect that to occur very soon.

Senator O'BRIEN—I understand that any appeal at this stage is limited to a significant deviation from the assessment process as described in the handbook called 'The emergence of a significant new body of science'?

Mr Cahill—That is correct.

Senator O'BRIEN—And there are 30 days for that final appeal to be lodged from the time of the release of the final report.

Mr Cahill—That is correct.

Senator O'BRIEN—Does that mean in the absence of an appeal that is the end of the process?

Mr Cahill—Whether there is an appeal or not, we obviously have to wait for 30 days from the release. If there is an appeal, that goes through a process with an independent panel outside Biosecurity Australia and it is determined. If there is no appeal, Biosecurity Australia makes final policy recommendations to the director of quarantine.

Senator O'BRIEN—What is the earliest we could see apples starting to be imported into Australia?

Mr Cahill—I am not pre-judging the outcome of the process, of course. The process has not concluded.

Senator O'BRIEN—But it could.

Mr Cahill—With that in mind, once a final policy determination is made by the director of quarantine, that establishes the broad conditions which are taken into account if a permit application is made. The next step beyond that is to ask for an import permit, which goes to AQIS, and then they consider the issuing of that import permit. In the lead-up to that, there would also be some detailed arrangements, a work plan and operational protocol, that would need to be developed by AQIS with its counterpart in New Zealand for any importation and any permit conditions that might be granted.

Senator SIEWERT—What were the dates for that report? Has it been released or is it just about to be released?

Mr Cahill—The final apple report is under preparation now and I expect that to be released very soon.

Senator O'BRIEN—I am going to ask about the chicken meat import risk assessment process. Which countries are seeking to export fresh chicken meat to Australia and which countries have expressed an interest in sending product here?

Dr Martin—I would have to take on notice which countries have sought access for uncooked versus cooked meat. Some of the applications would just be for chicken meat and would not actually specify that, but we can look at that. We have had access requests from the United States, Thailand, Denmark and New Zealand—they are quite longstanding access requests—and more recently from Brazil, China and Malaysia.

Senator O'BRIEN—The draft IRA was released on 28 June. The consultation period was scheduled to end on 28 August but was extended to 29 September, as I understand it. According to memorandum 2006/30, the final report was to be the subject of a review by an independent eminent scientists group to ensure that stakeholders' comments were properly taken into account. Where are we up to in that process?

Mr Cahill—As you say, the comment period closed at the end of September. We received 20 submissions. BA is giving consideration to those stakeholder comments now and is preparing a report that will be referred to the eminent scientists group for review. The issue now still rests with Biosecurity Australia to take into account those stakeholder submissions.

Senator O'BRIEN—After going through the independent eminent scientists group the final report will be open to appeal, but on very limited grounds, as I understand it.

Mr Cahill—It will be open for appeal on the two grounds you mentioned earlier, deficiency of process or deficiency of science. I should add that, when the improvements to the IRA process were announced, it was also announced that the major legacy IRAs that are on our books at the present time will continue to be completed under the existing process.

Senator O'BRIEN—Has there been any assessment of the economic impact of unrestricted access of fresh chicken meats on the Australian industry?

Dr Martin—Biosecurity Australia looks at the consequences of disease introduction. We do not look at the actual economic effects of import competition.

Mr Cahill—And, of course, there is no decision. There is no policy determination. There are no imports at the present time, either. We have not advanced the process to that point, perhaps.

Senator O'BRIEN—There are those who suggest that the import of product would take 40 per cent to 50 per cent of the Australian market. I assume that, if that were the case, there would be some consideration given to an adjustment package for Australian growers and processors and their workers.

Ms Hewitt—I suggest that that would not be a matter at all for Biosecurity Australia. If some adjustment pressures arose in the industry, that would be a matter that would be looked at and advised about from elsewhere in the department. But I think we are back to the point where we want to distinguish very clearly between the scientific assessment work—

Senator O'BRIEN—I understand that. Can you tell me where those questions should be asked?

Ms Hewitt—The Food and Agriculture Division would be the primary area in the department. Its meat and dairy branch is the part of the department that would monitor and assess whether there was a need to prepare advice for ministers or, indeed, it would be asked perhaps on occasion by government to produce advice around questions of industry adjustment.

Senator O'BRIEN—Perhaps you could take it on notice for them to answer.

Ms Hewitt—Thank you.

Mr Cahill—Dr Martin can correct me if I am wrong, but, as I understand it, the draft report contains proposed conditions that require the heat treating of imported chicken meat in the same way as existing conditions for cooked chicken meat, under which no imports have yet occurred.

Ms Hewitt—Were the draft report to be reflected in the final report and policy that were to be adopted, there is nothing obvious at the moment suggesting that that would in itself lead to adjustment pressures.

Senator O'BRIEN—When there is a final report, I assume that that will need to be translated into a sort of framework or protocol for any imports consistent with that. What will the role of the domestic industry be in the process of developing the detail of those administrative arrangements and implementing those arrangements?

Mr Cahill—The kinds of arrangements would be similar to those that I outlined a moment ago for apples, the detailed operational arrangements that might underpin that and the protocols attached to that. To some extent the onus rests with the exporting country as well, to also demonstrate that it can produce arrangements that comply with the quarantine measures that have been put in place. So there is an interactive process that would occur between AQIS and its relevant counterpart, and that can and does involve consultation with the relevant industries.

Senator O'BRIEN—Is there a formal consultative structure in place with domestic stakeholders which would be referred to for discussion about implementing a new protocol?

Mr Cahill—You are talking, I think, about operational arrangements, which are really matters for AQIS.

Mr Grant—There are a series of AQIS consultative committees.

Senator O'BRIEN—I am not sure they have got one on importing chicken meat.

Mr Grant—Not one specifically on that, no.

Mr Cahill—In practice—and no doubt AQIS can correct me—I think what has happened in the past is that there has been consultation and engagement with the relevant industries, not necessarily through any established consultative forum but using the key industry groups in particular to consult with.

Senator O'BRIEN—So if I wanted to ask about the draft quarantine requirements contained in the draft import risk assessment, are you saying I would need to ask AQIS?

Mr Cahill—In the chicken one in particular?

Senator O'BRIEN—Yes.

Mr Cahill—In the draft report they are proposals that Biosecurity Australia has put in.

Senator O'BRIEN—Under the heading 'Requirements' at 2 it states that:

The chickens must be slaughtered and the meat prepared in establishments currently approved by the Director.

Can you take me through the approval process for these establishments?

Dr Martin—Sorry, I do not have the proposed requirements here. They are standard requirements that AQIS uses for imported commodities, for imported meat, that they have a standard of construction that meets the Australian domestic standard.

Senator O'BRIEN—So will this process involve inspection and certification by Australian authorities, or would we accept certification by authorities in the source countries?

Dr Martin—I think you probably need to ask AQIS that question but, as a general rule, if Australia and the country have a long importing relationship then, rather than individual inspections, it may be something like a systems review where several plants are inspected to see that they can actually meet the requirements.

Mr Cahill—Biosecurity Australia was funded in the last budget to increase, as part of its assessment work, on-the-ground assessments—so, verification of systems, information and processes that are underway in the exporting countries. So, rather than rely just on information presented, it is very much about going and having a look for ourselves. I think that reflects very much also the nature and the trend of arrangements that we are putting in place into the future. For example, there was an earlier discussion about the importation of grains. In the 2002-03 drought I do not believe that on-the-ground inspections were undertaken, but they will be on this occasion. So I think you will see much more of that into the future.

Senator O'BRIEN—So I take it we will accept monitoring by local authorities in some countries and in others we will not accept it—we will want to do our own verification, depending on which countries we decide to take imports from ultimately.

Dr Martin—I would think in this case, because it is a new product, we would look to do some verification for all countries, but for countries that we do not have an established importing history with, we may need to do a full veterinary services evaluation—and that is a very large evaluation—as well as looking at plants.

Senator O'BRIEN—So we would probably want to do a special evaluation for Thailand, Brazil, China and Malaysia, but less so for US, Denmark and New Zealand?

Dr Martin—Certainly we have a long-established history of importing from the US, New Zealand and Denmark.

Senator O'BRIEN—In section 2.1, in the last sentence in that paragraph it states: AQIS may take into account existing approvals granted by the relevant overseas veterinary authorities. Does that mean that construction standards, hygiene standards and transportation standards other than those applying in Australia might be acceptable?

Dr Martin—I am sorry. I do not have a copy in front of me.

Senator O'BRIEN—Perhaps you could take that on notice.

Dr Martin—Yes. It may be that AQIS need to respond to that.

Senator O'BRIEN—I am happy for whoever can respond to respond.

Mr Cahill—We will take it on notice.

Senator O'BRIEN—In section 2.2 of the draft quarantine requirements document relating to the slaughter, preparation and storage of meat, it requires that it be done in accordance with the quality assurance principles such as the HACCP approach. Do we know which countries are considered to have adequate regimes in place for quality assurance systems and which countries do not?

Dr Martin—Several countries, like the US, Canada and European countries, use HACCP, as do some Asian countries, or a quality assurance approach. So that would be part of the review which would look at that.

Senator O'BRIEN—I think there might be a few questions in this area. If anyone else has got any questions about the chicken and the import risk assessment, I have got a fair few but I am happy to interrupt if someone else wants to go for a while.

Senator IAN MACDONALD—I do not have any on chickens but I thank you for allowing the rest of us to have a go.

Senator O'BRIEN—Yes. That has always been available. Is it possible for the committee to obtain a list of bodies that could provide certification that product meets all aspects of quarantine and public health requirements in the countries seeking to export fresh chicken meat to Australia, or who have expressed an interest in sending the product here?

Dr Martin—Because we do not have conditions for chicken meat finalised for this, we have not reviewed specifically for that.

Senator O'BRIEN—Right.

Mr Cahill—It is probably a bit premature to do that. We need to get a bit further along the process to arrive at an outcome on the conditions and translate that into an import protocol and the arrangements that sit around that, and the certification issues. That would be the point at which we could provide that information.

Senator O'BRIEN—Are the veterinary standards in all the countries that we know about which are seeking to export chicken meat to Australian acceptable to AQIS?

Dr Martin—As I discussed before, with countries with which we have a long history of trade, those veterinary services are acceptable—for example, with the US, New Zealand and Canada—but with other countries with which we do not have such a long history of trade or we import very little in the way of live animals or animal products we would require an evaluation of the veterinary services.

Senator O'BRIEN—So is it possible that we would need to have Australian vets in some plants in some countries? Would that be the sort of thing that might be required in the absence of confidence in the local veterinary community?

Dr Martin—If we found the veterinary service was not acceptable, then normally imports would not occur for that product. They may be able to take corrective action to address those findings, so it would depend on that.

Senator O'BRIEN—According to the draft document:

Only meat from chickens that have been kept since hatching in a country or zone recognised by the Australian government authorities as free of notifiable avian influenza and the flock of origin of the

chicken had not been vaccinated against notifiable avian influenza or the chicken meat had been heat treated at a temperature of 70 degrees C for one minute will be acceptable.

Can you take me through the process that will be required to have a country or zone declared free of notifiable avian influenza?

Dr Martin—This is a generic import risk analysis, so the proposed recommendations are based, as you have read, on disease by disease. When the import risk analysis is finalised, AQIS would receive an import application. If that was from New Zealand, for example, or the US then they would need to provide information to Australia on their disease status. For certain diseases that would require surveillance that they had done, for example for avian influenza, to support that. It may require Australia visiting and reviewing the system. For zoning, there is a whole set of criteria that we have included in the import risk analysis that countries would need to address in a submission to us.

Senator O'BRIEN—Assuming that we have some zonal arrangements in some countries where some zones are accepted and some not, what sort of process will we use to check that the product was being sourced from the zone as claimed?

Dr Martin—That would require a visit, an assessment, to actually see that that was the case. It would require looking at what sort of controls they had to ensure that the product actually came from where it said it came from and that there was separation so that product from the infected zone could not come into the free zone. So it will require initially a detailed submission from the exporting country and then it will require an assessment which will include an on-the-ground assessment.

Senator O'BRIEN—Who pays for the on-the-ground assessment?

Dr Martin—Biosecurity Australia would conduct that in conjunction with AQIS.

Senator O'BRIEN—So it is not cost recovered from the applicant.

Mr Cahill—The Biosecurity Australia part is not cost recovered. As I mentioned, we got additional funding in the last budget to increase our efforts in those areas. AQIS, more generally, is cost recovered, and some of those costs are built into the cost of the import permits.

Senator O'BRIEN—In relation to the cooked chicken meat option, does it allow for meat to be sourced from regions or countries where NAI is present?

Dr Martin—If a country is infected and cannot claim freedom then the risk management measure proposed is that the product be treated to a set temperature for a set period of time.

Senator O'BRIEN—At 70 degrees C for one minute. How does that compare to the current protocol for cooked chicken meat?

Dr Martin—The cooked chicken meat protocol is based on infectious bursal disease, and that requires it to be at 80 degrees for 125 minutes. They are the same requirements that we have proposed here to address infectious bursal disease if a country is not free.

Senator O'BRIEN—I understand there is a study by Capua and Alexander this year stating that:

There has been no proper study into the inactivation of avian influenza viruses by heat treatment in which inactivation curves have been constructed and DT values determined.

Where will we find the science that underpins the 70 degrees C and one minute?

Dr Martin—There has been some research on inactivation of avian influenza viruses, so that is work that is being looked at. In looking at recommendations for human health, organisations like WHO, the World Health Organisation, recommend at what temperature that products should be cooked at to address avian influenza, so those were taken into account.

Senator O'BRIEN—So there are proper studies into the inactivation of AI virus by heat treatment. Is that what you are saying?

Dr Martin—There are limited experimental studies.

Senator O'BRIEN—It seems a little uncertain.

Dr Martin—We could provide you with the research.

Senator O'BRIEN—The references would be fine, thank you. The heat treatment must take place in Australia. What will the process be of bringing in the meat and securing it until the heating takes place?

Dr Martin—One option that is proposed—again these are all draft recommendations for comment—is that it would come in, remain under quarantine control and then be processed at processing plants that had entered into a compliance agreement with AQIS. So it would not be released for retail sale until it had been processed.

Senator O'BRIEN—Okay. So would that treatment have to be near a port in the same way as treatment for grain has to be near a port?

Dr Martin—It would certainly need to be securely transported to ensure that the risk was minimised.

Senator O'BRIEN—What does that mean?

Dr Martin—We have recommended in there that it is in refrigerated containers. You may remember the pig meat incident with the truck, so it is to minimise that.

CHAIR—That is the pallet that fell off the back.

Dr Martin—Off the truck. I would like to stress that these are drafts that are out for comment, so we are seeking people's views. We do have several comments on processing on shore and that it be near the port of entry.

Senator O'BRIEN—There are a number of avian influenzas, not just the notifiable one, are there not?

Dr Martin—There are.

Senator O'BRIEN—I am told that all Australian poultry is free of all of them. Is that right? If you do not know, you might want to take that on notice.

Dr Martin—Product integrity may be able to answer that. I understand there has been a small serological survey that has not detected any avian influenza. I do not know that Australia would claim freedom from all avian influenza viruses. But all those comments will be looked at by Biosecurity Australia and the IRA team.

Senator O'BRIEN—I understand LPAI is widely present in the United States and that H9N2 is endemic in Asia. Do you know why the draft focuses only on NAI?

Dr Martin—The notifiable avian influenza includes low-pathogenic avian influenza and highly pathogenic avian influenza. That is what is a listed disease in the OIE, and that is what countries are claiming freedom from. Most countries work towards freedom for highly pathogenic avian influenza and some countries are starting to do surveillance for other notifiable avian influenzas.

Senator O'BRIEN—In relation to Newcastle disease, what is the process of checking country or zone freedom for this disease?

Dr Martin—Again, that is the same process that I outlined for influenza. For all the diseases we would request that the exporting country provide information on its status and justification as to why it is claiming freedom.

Senator O'BRIEN—Is it well known which countries are free from Newcastle disease and which countries are not?

Dr Martin—Countries do report to the OIE on their disease status. However, we would also require the country to provide supporting information.

Senator O'BRIEN—I presume there will simply be a declaration required to ensure the chickens from which meat is derived have not been vaccinated with live Newcastle disease vaccine less than 21 days before slaughter.

Dr Martin—If that is what is in the final conditions, then that would be a certification requirement that the veterinary authority will have to certify to.

Senator O'BRIEN—There are a number of other questions. I will look at these and see which ones I can put on notice. If others have got questions for Biosecurity Australia, they might jump in now.

Senator FERRIS—I have some. Mine are on apples. I do not know if anyone else has them on apples.

Senator O'BRIEN—I have already asked some on apples.

Senator SIEWERT—Yes, and I just followed it up. The report is being released very shortly—that is right?

Mr Cahill—Very soon, I think I said.

Senator FERRIS—Please forgive me, but did you deal with the issues that have been raised by the apple and pear industry: clustering, inspections for fire blight and European canker, insects and trash. Did you address any of those issues?

Senator O'BRIEN—No.

Mr Cahill—In the discussion today?

Senator FERRIS—Yes.

Mr Cahill—No. We have not addressed it in the discussion today. It is addressed in the draft report that has been referred to the Eminent Scientists Group that has completed its review, so all of those comments by APAL have been taken into account.

Senator FERRIS—Is it likely that the report will be released before the end of the year?

Mr Cahill—I think I am on the public record as saying that that is my expectation, yes.

Senator FERRIS—These people have been through many seasons of uncertainty.

Mr Cahill—I know.

Senator FERRIS—I think they would be grateful for any assistance you could give in getting a speedy release of that report.

Mr Cahill—I am endeavouring to work as closely as I can with APAL and other key stakeholders to make sure that the process is brought to a conclusion in a timely fashion.

Senator FERRIS—Thank you.

Senator IAN MACDONALD—I think we spoke at last estimates about the discounting of regional areas for assessments by Biosecurity Australia. I am told the term is ‘consequence assessment’ but, as I understand it, if there is a risk that impacts nationally it is viewed in a different way than if the risk only relates to an industry that is confined to one region of Australia.

Mr Cahill—I will ask Dr Roberts to respond to that question.

Dr Roberts—The consequence analysis we use in the risk analysis process does look at the aspects of the size of the industry, where the industry is located and what absolute impact the diseases could have on the industry. So there is some consideration of the size and distribution of the industry when that is undertaken.

Senator IAN MACDONALD—If it is an industry that is only regionally based, no matter how important it might be regionally, as I understand it you assess things on the basis of ‘no discernible impact on a national scale’. Is that right?

Dr Roberts—There are a series of rules in the methodology that BA follows. It goes through a set of tests, and the category you are describing is one of them, no discernible impact. That is assessed at various levels: at the very local level, the district level, something that probably approximates to state level, and a national level. That is all factored in to provide a final consequence score.

Senator IAN MACDONALD—I am concerned about the pilchard industry in South Australia; the tuna industry in South Australia, which is regionally based but certainly a very significant Australian industry; and similarly the Tasmanian salmon industry, which again is regionally based but a very significant national industry. As I understand it, there will be risks allowed to those industries that would not be allowed if those industries encompassed the whole of the continent.

Dr Roberts—I am on the plant side. I have got no direct experience with the risk analyses of those products or diseases that may affect those. Maybe Robyn Martin might want to comment.

Dr Martin—Certainly even if an industry is regionally based but it is significant, that effect is taken into account. When we look at consequences we look at impacts on things like international trade. If all the export of tuna stopped, that would cause a massive effect not just to that area but also nationally. So that is taken into account.

Senator IAN MACDONALD—Someone has told me, whether it was here at the last estimates or whether it was in a letter I got from Mr McGauran, that as I understand it you allow more risk if the industry is not one that can have a national impact. Is that right?

Dr Martin—We need to look at things on a scale, but if an industry is regionally based but, for example, contributes a large amount nationally, then it does not matter that it is regionally based. Certainly we do need to look at how significant the effects would be overall, so we always look at the national effect this would have on animal health, plant health, on international trade and on the environment. So those things are looked at. We always look at it nationally first and then work down.

Senator IAN MACDONALD—I am not using the buzz technology, and I am not even absolutely certain myself of how this all works but, in my simple understanding, if for example the Tasmanian salmon industry was duplicated in Queensland and duplicated again in Western Australia, would the risk assessment be the same as it currently is?

Dr Martin—We would look at what effect would it be nationally if the industry was much bigger. It would not matter whether it was much bigger in Tasmania, for example, or whether it was spread throughout Australia, that would be the same. It could be still just located in Tasmania but, if it was a much bigger industry, the impact may be greater nationally. So it is not really so much the location, it is actually the impact at the national scale.

Senator IAN MACDONALD—What you are saying to me is that the assessment is more stringent if it is a big industry than it is if it is a little industry.

Dr Martin—It depends, because it is a series of impacts. They are different impacts, so it could be a very small industry. But, for example, if the disease affects wildlife, it would have a very significant national consequence.

Senator IAN MACDONALD—Not if the wildlife was only based regionally.

Dr Martin—If it was an endangered species, that may still be of significance. It includes things like the health of the animal or the plant, the impact on the environment, the impact on the industry and support structures, such as feed companies and all the services that assist that industry. All of those impacts are done. The effect on the industry may not be that great but overall—because it has a big impact on the environment, which would be nationally, or it may impact socially, and we do look at the social impacts—it is the summation of all of the impacts.

Senator IAN MACDONALD—I am led to believe—and I am referring particularly to the Tasmanian salmon industry—that there are risks allowed to that industry that would not be allowed in the case of an industry that was more geographically spread across Australia. You are saying to me that is not correct?

Dr Martin—It is not so much the location. It is the sum of all of those impacts—how bad. For example, a single FMD outbreak would stop all beef exports. It could be only one case that could be eradicated but, because it would affect all of the exports, that would be felt on a national basis.

Senator IAN MACDONALD—In the case of the salmon industry, if it were diseased and were destroyed, not only would it affect the export of the Tasmanian salmon, which may not

be large, but it certainly would mean a huge lot of foreign imports coming in to replace what the Tasmanian salmon industry had lost, as well as throwing thousands of Tasmanians out of work.

Dr Martin—The risk assessment for salmon was done quite some time ago, in 1999, so we do have measures in place for salmon.

Senator IAN MACDONALD—They are not measures that, naturally enough, the industry is terribly happy with, because the industry thinks that there are more risks allowed for their industry than are perhaps allowed, as you say, with perhaps the cattle industry.

Dr Martin—As we explained, it is a set of rules that look at the impact for each of those effects.

Mr Cahill—Some of the risks that the industry might be concerned about are not necessarily quarantine risks. They are not necessarily disease risks. That may influence their perspective of the impact as compared with the quarantine risk assessment.

Senator IAN MACDONALD—Can you give me an example?

Mr Cahill—For example, if their concerns do relate more to concerns about pressures on the industry from imports as compared with—

Senator IAN MACDONALD—I would hope that does not come into the thinking.

Mr Cahill—It does not. I am not suggesting that it does. I am just reflecting on different perspectives that some may have about that.

Senator IAN MACDONALD—That is the first refuge of those who would argue with the Tasmanian salmon industry—that they are worried about competition. That is simply not correct. There are imports now and they handle them; they compete very easily with them. They are not worried about any trade issues. What they are worried about is some of the disease coming in from Chile, is it not? Was I told Chile? There is stuff coming in. It might not have been Chile. Chile has banned the imports of other salmon into their country because of fear that imports of salmon from affected countries could destroy the Chilean industry, but we do not seem to have the same sort of concern for the Australian salmon industry.

Dr Martin—My understanding of the concerns with the Tasmanian salmon growers is that Chile is seeking access for the Australian market and they are concerned about disease risk with Chilean salmon.

Senator IAN MACDONALD—You have got it right. I have got it wrong. That is fair enough.

Dr Martin—They may be concerned about the other, but that is what they have spoken to us about.

Senator IAN MACDONALD—The suggestion made to me is that, because it is only down there in Tasmania, which no-one really cares about, there is a higher risk threshold than there would be were the industry more widespread across Australia. Therefore, if it failed, there would be people in Queensland, which is an important state, who would be out of work and not just people out of work in Tasmania, which is not an important state.

Dr Martin—We would never consider Tasmania as not important—and that is not correct.

Senator Abetz—In relation to the assessments that are made, I do not know how many salmon farms there are in Tasmania but for ease of making the point let us say that there are only 10 farms. Would the assessment of risk be any different if in fact there were 100 farms and therefore the damage done might be tenfold that which currently exists in relation to the threat of disease coming in? How do you factor that in? That was the point that Senator Macdonald was making between Tasmania and Queensland. How is that factored into the process, if at all?

Dr Martin—As I explained, the effect on domestic industry is just one component that we look at, particularly when we are talking about aquatic imports, where the environment is a very important consideration. That is not restricted to Tasmania. It is a series of all of those impacts. When we are looking at the effect on domestic industry, then that may not be as significant if it is a very big domestic industry. But the environment may be a much bigger impact than, for example, cattle disease that only affects cattle.

Senator IAN MACDONALD—That comes back to the point that I made before. If it is a big industry, yes, there is a greater concern than if it is a little industry.

Dr Martin—You cannot look at them in isolation. You have to look at all the impacts together. You cannot just look at the effect on domestic industry. It could be a small industry but one which has a very big international market, and so that could be very significant if it lost that. You need to look at all the impacts.

Senator IAN MACDONALD—It could be an industry that does not have any exports but employs a lot of people in a regional area. You know that it is this government's policy to promote regional industries, so that we do not all end up living in Sydney, Melbourne or Canberra. We want to promote industries. Perhaps I am not understanding you rightly, but it concerns me, it concerns the Tasmanian salmon growers, and it concerns most other people who have some association with regional industries that there seems to be a greater acceptance of risk where the industry is small or regionally based, or in one region of Australia rather than all regions of Australia.

Dr Martin—That is not correct. We do consider the impact on social amenities within the regions. If that industry is very significant for that region, that is taken into account. That is one of the impacts.

CHAIR—Is this the same logic that you would use with the importation of prawns? You had looked at, as I understand it, the health aspects of Indonesian and Chinese prawns. Are you still looking?

Mr Cahill—Yes, we are—the prawn risk assessment.

CHAIR—Is this the same sort of category that Senator Macdonald refers to in some sort of zonal impact, the same criteria?

Dr Martin—That could be the same, because the prawn farming industry is very important to Queensland and other areas in Australia, but it is particularly based in Queensland.

Mr Cahill—The fundamental issues in relation to the prawn IRA are issues about the risks of particular diseases entering the country that we are still looking at based on the scientific evidence. We will have a result on that shortly.

Ms Hewitt—A result in the sense of a draft report?

Mr Cahill—In the sense of a draft report.

Senator IAN MACDONALD—I was coming to prawns very shortly. Senator Heffernan has jumped my gun. In relation to both prawns and salmon, if it has an impact on the environment then that can be very significant. If you are looking at environmental legislation and principles, the environment works on what they call a precautionary principle. You do not even have to prove that it is going to cause problems; if you are in doubt, you do not let it in. That is the environmental precautionary principle which DEH followed. If you allow some risk in salmon or prawns you could have a huge impact on the natural environment. If this were DEH doing the assessments they would not even allow it, because they work on the precautionary principle that, if there is a suspicion, then you stop it there.

Mr Cahill—We do operate under a slightly different legislative framework as well and the Quarantine Act does acknowledge the prospect of some risk. I was wondering whether it would be helpful to the committee if we provided some further written information about issues to do with consequence assessment. We have encountered difficulties with stakeholders in their perception of how we approach that issue with the reality. If it helps, we would be happy to provide some further information about that.

Senator IAN MACDONALD—You can convince me, because I obviously do not fully understand the technicalities. But people such as prawners and salmon growers engage what seem to me to be reputable and very able scientists and you are not able to convince them. That is the concern that I have in both instances, and there may be others.

Ms Hewitt—I will just add to John's suggestion that we do try to provide some written material for the committee. It is often difficult to convey this complex scientific material orally across the table and it might be the basis for perhaps a further discussion on a separate occasion. I would also like, with your agreement, to have colleagues consult the Department of Environment and Heritage. I know from my work in international environment negotiations that there is quite a lot of definitional rigour around the way in which we apply a precautionary principle as well in our environment legislation, as well as in other areas. It might be useful to go back to the comparison that you have asked us to make and try to put together some quite considered information for you and then, if the committee wishes, we could have a full follow-up discussion.

Senator IAN MACDONALD—That might be useful because, if you are bringing into the Barrier Reef any marine organism that might have an impact on our very special Barrier Reef, it would be banned. There would be no question of, 'if it is only of little effect, we can let it in and hope it does not happen'.

Ms Hewitt—The same would apply here. If we were talking about an organism that had a risk of any serious kind of entering the marine environment and having that impact on important Australian species, I am sure that the conclusion in BA's work would be similar. There is a very low tolerance of risk.

Senator IAN MACDONALD—With respect to prawns, white spot syndrome is around.

Ms Hewitt—I am hoping to be able to have a detailed conversation with you on the next occasion about that, because we have a draft assessment due to be released within weeks.

Senator IAN MACDONALD—You know what is in the draft assessment, and I do not. That is a concern. Perhaps it is among the concerns being addressed.

Ms Hewitt—That is understood.

Senator IAN MACDONALD—If that is the case, I will accept your urgings not to pursue it.

Ms Hewitt—It is a lot easier for us to discuss the issues in detail when we have got something on the public record.

Senator IAN MACDONALD—I do have some questions that quite clearly someone has given me about the statistical methodology.

CHAIR—You will have an opportunity to put them on notice.

Senator IAN MACDONALD—Thank you, Mr Chairman.

CHAIR—I do not want to start a fight.

Senator IAN MACDONALD—I appreciate your involvement and assistance, having sat here all day watching other members of the committee speak for hours on certain issues that are close to them, including yourself.

CHAIR—I would hate for you to be offended.

Senator IAN MACDONALD—I never get offended by anything you do, Mr Chairman.

CHAIR—I would have thought the summary of the past 20 minutes is that, if you are driving a bus and get killed or you are riding a pushbike and get killed, you are still dead. In other words, it does not matter how big the thing is, if it blows up, that is it.

Senator IAN MACDONALD—Your suggestion, when you interrupted me, was where I was getting to. I had a series of questions given to me that I do not fully understand, but I thought I might put them on notice to you rather than repeat them parrot fashion and not quite understand your answers. Suffice to say that it does concern me that reputable people who are not worried about the trade implications do fear for the safety of what is a multimillion-dollar industry. I know we have obligations with WTO, et cetera, but if there is the slightest risk of destroying an Australian industry or an Australian icon such as the Barrier Reef I do not think that any risk is too big, subject to WTO. I will put some questions of those on notice.

CHAIR—Are there any concerns about antibiotics in imported honey? Have we looked at that?

Dr Martin—That would be a question for AQIS, imported foods.

Ms Hewitt—It would be a question for AQIS on behalf of the health portfolio. As you know, AQIS manages at the border the guidance provided by FSANZ about food safety, and I suppose it is that point you are getting to. We could take on notice the question.

CHAIR—A person has written:

... we have been informed by a honey producer that honey has been previously imported containing antibiotics, a practice unacceptable in locally produced honey. Why should this be allowed in an import?

Mr Schipp—I understand that your question relates to honey as food, rather than honey as a therapeutic good?

CHAIR—Honey is honey.

Mr Schipp—We screen honey actively for both pesticides and antibiotics.

CHAIR—Is there a different treatment for the two lines coming in?

Mr Schipp—As a therapeutic good?

CHAIR—Yes.

Mr Schipp—If it comes in as a therapeutic good it does not come under our act, under the Imported Food Control Act.

CHAIR—How much comes in as a therapeutic good versus as a food?

Mr Schipp—We would not be aware, because that is not referred to us through customs. Customs only refers to us food for inspection under the Imported Food Control Act.

CHAIR—Is that consistent?

Senator Abetz—Chair, just so that I understand as well: we have exactly the same product coming into Australia and one tin of it is labelled as a therapeutic good and another tin of it is labelled as food—exactly the same product and of the same origin—but it might go through two different screening processes.

Mr Schipp—Before the break there was a mention of medicated honey, and Medihoney is a brand name of a topical ointment based on honey that has a therapeutic benefit in the treatment of burns and cuts. As a therapeutic good it is not inspected.

Senator Abetz—So honey is able to come in as a therapeutic good?

Mr Schipp—That is correct.

Senator Abetz—And it is only if it is mixed with some other ingredients?

Mr Schipp—That is correct.

Senator IAN MACDONALD—What if someone uses an ointment as just pure honey and nothing else?

Mr Schipp—As long as they do not make a therapeutic claim, then it is regarded as a food but if they make a therapeutic claim then it must be assessed by the Therapeutic Goods Administration.

Senator Abetz—Then the same pot of honey that I was just talking about can come in.

CHAIR—Is it possible to bring in a therapeutic honey that is honey?

Senator IAN MACDONALD—The Medihoney is just honey.

CHAIR—No, if someone could answer the question.

Senator IAN MACDONALD—It is a very expensive honey.

CHAIR—Is it possible to bring in therapeutic honey that is simply honey?

Mr Schipp—As long as no therapeutic claim is made, then it is regarded as a food.

CHAIR—You have got all sorts of bloody snake-oil salesmen in the world. If it is pure honey and I say to some poor old person in the bush that this is a cure for all evil—so if I put some therapeutic claim on it—it is possible to avoid the other process?

Mr Schipp—No, because the moment that you put a therapeutic claim on it then it comes under the jurisdiction of the Therapeutic Goods Administration.

CHAIR—That is exactly what I mean.

Mr Schipp—They would inspect that label.

CHAIR—If the label says, ‘This pure honey is therapeutic,’ it goes into that column and if I say, ‘This pure honey is actually tucker; you put it on your toast,’ it goes down a different line. Is that right?

Mr Schipp—They fall under different inspection regimes according to the claim.

CHAIR—That is what I call cleverly inconsistent. With respect to antibiotics in honey, are there different standards for the therapeutic side compared with the food side?

Mr Schipp—I cannot answer for Therapeutic Goods. I can only answer for Food Safety.

CHAIR—What is the answer?

Mr Schipp—It must comply with the food standards code, which applies equally to domestic food as to imported food.

CHAIR—What is that with regard to?

Mr Schipp—There cannot be residues of pesticides and antibiotics, and we test accordingly.

CHAIR—But I am really asking you: do you test the bloody stuff?

Mr Schipp—Yes.

CHAIR—You test it for antibiotics?

Mr Schipp—Yes. Ten per cent of consignments are tested under the active surveillance program.

CHAIR—I do not know what level the local production of honey is at but if it is similar to that for grain—and bananas, for that matter—there might be a domestic shortage. Are we equipped to deal with applications? Is this just a matter of everyday business at the office?

Mr Schipp—It is. There are a number of imports of honey and, as they come through, we select 10 per cent on a random basis.

CHAIR—Are there less friendly places? Do we have to go and have on-field inspections of where it comes from?

Mr Schipp—No, we treat it as a processed food.

Mr Yuile—Chair, we also export honey, as you know.

CHAIR—Yes. If I have any further deliberations on that I will put questions on notice. Does anyone want to talk about BSE? I was recently at a group of five nations function. I was visiting with the Argentinian person who was a visitor to that. It was very plainly put there that they think our position on BSE is, as it were, in no-man's land. I put it in very plain language to them that I think their position is all about getting us to agree to something so that they can overcome the marketing edge that we have in the market because we are actually BSE free. So they want us to approve a process whereby we could import BSE products into Australia from a country that has had or has BSE so, in my view, they can then go to Japan and say, 'Those Australians have the highest status in world, and they will take our meat. You should also.' I think I am right on the money there. My suggestion to them was that they should go away and get a test for BSE that is live rather than dead. As I said to them, in my view, you cannot have a BSE-free herd in an area where there is BSE, because the herd has got to be dead to test it. So is there work being done—I know there is in the States—on a live BSE test?

Mr Yuile—I would like to invite Dr Biddle, who is the Acting Chief Veterinary Officer, to answer that one.

Mr Biddle—As for your question about developing new tests for BSE in live animals, that is a research objective. It is a very difficult process. Much investment is currently occurring in the human health sector for related prion diseases and to help assure the safety of the blood supply for transfusion and other medical purposes. The amount of investment that is occurring there probably means that is the area where a breakthrough will occur, and then there may be the potential to translate that scientific advance into animal testing and other areas. But at this stage we do not have a live animal test for BSE.

CHAIR—Despite all the blurb, to say that you have a BSE-free herd in a country that has BSE is based on the assumption that if you killed a beast it would not have BSE? How can you have a BSE-free herd in a country that has BSE? How can you be sure that it is BSE free if it is not dead?

Mr Biddle—Basically, the criteria employed in those countries are based on clinical observations and history of the herd over time.

CHAIR—Yes, I understand all of that.

Mr Biddle—If claims are being made about the status of that herd, the flow of cattle from other herds into that herd would be taken into account. The absence of clinical signs consistent with BSE would be another factor. The extent of testing done on the outturn of the herd over time, as it goes to slaughter or for other purposes, would add to the quality of the evidence. It is an evidentiary approach. It cannot be absolute. I agree with your hypothesis.

CHAIR—In all of that the half-way house in this would depend on a very rigid traceability scheme?

Mr Biddle—Yes, good herd records.

CHAIR—I will also put on the record that, at that quite entertaining dinner, much was made of the 'fact' that this is not a risk and that it is about one of those old mother's tales.

Sadly, Senator O'Brien has just told me that there have been two deaths in recent times. Is that correct?

Senator O'BRIEN—So I am told. But I would not want to put that on the record.

CHAIR—It is a live risk. It is not something that we ought to tread lightly with. There are a lot of things in life that you do not appreciate until you have not got them. We have a wonderful clean, green and free status. I thought I would put that on the record, because until they come up with a live test you will have a lot of trouble convincing me that we ought to be taking blood products, especially those from countries that allege that they have BSE-free herds. Are there any further questions for Biosecurity?

Senator O'BRIEN—Yes. Going back to the chicken meat issue—and there are some other questions to do with process, and I will consider them and I might put them on notice—I wanted to ask, following up on the honey issue, in terms of importation of chicken meat, is it envisaged that we would have a testing regime for a range of drugs, health products, and pesticides in chicken meat?

Mr Schipp—Yes, we would envisage conducting a range of tests.

Senator O'BRIEN—So they would be determining what sort of sample you would apply it to and then testing those samples in each import shipment?

Mr Schipp—What we would envisage doing is running a battery of tests on a rolling basis. For some period we would test for pesticides; for another period, we would test for antibiotics; for another period, we would test for something else.

Mr Yuile—In terms of standards, Food Standards Australia would be responsible for the—

Mr Schipp—The criteria that we are testing against is the Food Standards Code.

Senator O'BRIEN—In relation to this import risk assessment, what time line are we working to?

Mr Cahill—With respect to the chicken meat IRA, as I said, we are considering stakeholder comments now. It will then get referred to the Eminent Scientists Group. They have 60 days to complete their consideration. We then produce a final report and recommendations. It has got a little way to go yet.

CHAIR—Who is the driver?

Mr Cahill—The chair of the IRA team is—

CHAIR—No. Who wants to bring in the chicken meat?

Mr Cahill—We did discuss this earlier in terms of—

Senator O'BRIEN—The US, Thailand, Denmark, New Zealand, Brazil, China, Malaysia—to name a few. What country visits has Biosecurity Australia made in relation to the import risk assessment? Which countries have been visited and who made the visits?

Dr Martin—As I explained, this is a generic import risk analysis, so it is looking at disease by disease what diseases are concerned with chicken meat. We have not done specific country assessments. That will be done once we have a final and we have import applications.

Senator O'BRIEN—Whatever the outcome permits, once there are applications there will be another process and there will be a determination as to whether you need to visit those countries?

Dr Martin—As I explained to you before, yes, we would see that—because this is a new product that we have not imported before—all the countries would be visited. For some, where we have confidence and have a long history of importing, there would not be an evaluation of veterinary services, but there would be a systems review, which would include some inspection of plants.

CHAIR—Is this cooked chilled import?

Dr Martin—The proposal recommends risk management for nine diseases. There is the option of country or zone freedom, which would mean that it could be fresh chicken meat. Most countries have the diseases that we have listed. New Zealand would be one exception. They would need to put in an application for zone freedom, if they think that; otherwise the product would need to be cooked. It is my understanding that most of those countries have variant or very virulent infectious bursal disease; it will be cooked at 80 degrees for 125 minutes.

CHAIR—I will wait with all of those arguments. This happens with a whole range of products from New Zealand. What is their protocol for importing chicken meat into New Zealand? Surely it would have to be consistent with ours?

Dr Martin—New Zealand is very strict. I understand that they do not import chicken meat into New Zealand.

CHAIR—Could you provide the committee with their protocols for importing chicken meat? I always reckon what is good for the goose is good for the gander. If they do not allow chicken imports, that will be useful for me to know.

Dr Martin—Certainly, we can provide that.

CHAIR—And if they do, under what circumstances?

Dr Martin—It depends on a country's disease status. New Zealand does have a different disease status from Australia. Australia does have some strains of infectious bursal disease. New Zealand claims freedom.

CHAIR—It is a bit like honey imports into New Zealand, is it not?

Ms Hewitt—You are probably aware of that.

Senator O'BRIEN—A little bit. It took more than 10 years, but they did very well.

Ms Hewitt—And also with bananas.

CHAIR—Are you blokes bragging now?

Ms Hewitt—No. We are just pleased sometimes to see results.

Senator Abetz—The victories do not tend to attract as many questions at Senate estimates.

CHAIR—That is always the way. Good news is not news.

Ms Hewitt—We just thought we would put it on the record.

Senator O'BRIEN—What period of disease-free would a zone have to have to be eligible? Is there any protocol on that? Would it be three, five or 10 years?

Dr Martin—We would look at what the OIE recommends. We would look at each disease that has a code chapter.

CHAIR—And we are expected to believe OIE, are we?

Dr Martin—As we said, we are going to seek a submission from countries, and it will include visits. If it is a zoning assessment, that would be an on-the-ground assessment.

CHAIR—You would test the OIE protocol, would you? Have you learnt from mistakes?

Dr Martin—Indeed.

Senator O'BRIEN—So it is the OIE's schedule of disease status of all potential sources of the product that we would rely on?

Dr Martin—For the length of time for country freedom?

Senator O'BRIEN—Yes. For those diseases where there is a code chapter, yes. For some diseases there will not be a code chapter.

Senator O'BRIEN—If so, what will we require?

Dr Martin—That will be something that we will need to consider. That is something that we should look at as we go through the comments.

Senator O'BRIEN—So you would expect that the final document will have something to say about that?

Dr Martin—We would have a period of time for country freedom. Often for diseases it is 12 months or two years.

Senator O'BRIEN—Have we looked at the record of those countries in reporting changes in disease status to the OIE as they are required to? Do we know whether countries meet their obligations? Is that in doubt in some respects?

Dr Martin—We have not looked at specific countries, as we have explained, because it is a generic. However, it would be something that, when we look at any import applications, would be taken into account.

Senator O'BRIEN—Some countries, I am told, do not have good records in reporting disease outbreaks or have ongoing problems with particular diseases punctuated by periods of declared disease freedom. Foot and mouth in South America springs to mind. Where would we access that sort of information? Does Biosecurity Australia have that information at hand?

Dr Martin—Certainly, we have information provided to OIE and various other sources. We would also seek a submission from the country. As I said, if we have any doubt we would do a country evaluation.

Senator O'BRIEN—If OIE is not being told the truth, and the country is not going to tell us the truth, who else would you seek information from?

Dr Martin—You also look at all the scientific literature that is published. There are list servers such as Pro-Med, which reports disease outbreaks. They are looked at. There are quite a lot of informal channels as well as formal channels.

Senator O'BRIEN—Would you be going to the Australian industry bodies to see if they had a view?

Dr Martin—We certainly will be engaging industry and have advised them that we will engage them as applications are received.

Senator O'BRIEN—These areas would have to be vertically integrated. The whole process would have to be a disease-free zone, would it not, from hatching to growing to processing?

Dr Martin—If it was a zone freedom, that whole area would need to be free. If it is a compartment, then it may be that it would be an individually totally vertically integrated operation. That is not a zone. That is classified as a compartment. That would need to be assessed very much case by case and would require an on-the-ground assessment.

Senator O'BRIEN—Who would do that?

Dr Martin—Biosecurity Australia. It may involve AQIS. It would depend on the disease of concern that they were claiming freedom from within that compartment. It may have a disease expert from one of the state governments or from the Commonwealth department of agriculture.

Senator O'BRIEN—Would you have a government vet at processing plants?

Dr Martin—If we were looking at inspection of plants, then that would be the case.

Senator O'BRIEN—That would be an AQIS responsibility, would it?

Dr Martin—We would need to consult with AQIS to see who they thought was most suitable to come. Biosecurity Australia would be looking at the country evaluation and the disease status rather than the actual inspection of plants.

Senator O'BRIEN—I was going to ask some questions about prawn import risk assessment. There is no draft at the moment, but I think you were telling us that one is imminent. Is that right?

Mr Cahill—Which one was that? Prawns—yes, one is imminent.

Senator O'BRIEN—In that case I will not ask any further questions.

CHAIR—I have a question about GM imports. Obviously, Minister McGauran has written to one of the warriors in this area, Juliet McFarlane, who we all know. There are some questions here, which we might as well deal with. Minister McGauran says that producers will decide whether to grow GM crops or stay with conventional ones. That is fair enough. Canola is the only food crop to be given a commercial licence by the federal regulator, so this is the GM crop in question. I do not know whether that necessarily follows, but it is probably a statement of fact.

It further states that, 'Although there are moratoria in every state and no commercial plantings, Bayer Crop Science and Monsanto were unable to contain the GM genes even

under strict OGTR guidelines, and a level of 0.9 per cent contamination has been forced on producers. This means that already producers' choice to farm GM free has been lost even before commercial release. The GTGC guidelines have developed a pathway to market for GM growers. However, no such guidelines have been established for non-GM growers. This is despite the promise made by the government that growers will have a choice. There is no on-ground test to detect the presence of GM so that neither growers nor bulk handlers will be able to detect levels of delivery, thereby denying the promised choice.'

That is a bit like the live cattle test. Where are the guidelines or protocols for a pathway to market for non-GM growers? How will growers and bulk handlers segregate GM from non-GM canola without an on-ground test? How will growers who wish to market as non-GM and capture the premium currently being offered to Australian canola growers and comply with the Trade Practices Act and labelling laws be able to market their non-GM canola without an on-ground test?

Ms Hewitt—I think we may have misunderstood the direction of your line of questioning, because this is really one for the rural policy and innovation colleagues, who will appear later in the program. They are doing some work on the question of segregation.

CHAIR—I have just put them all on notice. The reality is you cannot. It is either all in or all out, in a practical sense. It is garbage to think that you are going to be able to segregate canola.

Ms Hewitt—My colleagues can certainly—

CHAIR—Just try to clean out a header before you go into the wheat crop. You will find it is a very difficult task.

Ms Hewitt—My colleagues can certainly tell you of the work that we are sponsoring.

CHAIR—I am sorry to have bored you with that.

Ms Hewitt—Not at all.

CHAIR—We have three minutes before dinner, so we might as well knock off. We might advise the department who we have time for tonight so that, if anyone can go home early, they might as well go. What do you think?

Senator O'BRIEN—Those who have finished can go home and those who have not cannot.

CHAIR—There you go.

Proceedings suspended from 6.27 pm to 7.31 pm

Department of Agriculture, Fisheries and Forestry

Senator O'BRIEN—Arising from our discussion about the CDDA scheme and to whom we should ask questions, today these questions were asked of the Department of Finance in response to *Finance circular 2006/05* which says:

The operation of the CDDA Scheme is the responsibility of individual portfolio Ministers. The portfolio Minister may authorise agency officials to make CDDA decisions on the Minister's behalf.

The question was:

Am I correct in understanding that the operation of the scheme is the responsibility of the portfolio ministers?

The answer was yes. The next question was:

Should questions about the operation of the scheme, including the application of guidelines to particular circumstances, be directed to portfolio agencies rather than this department?

Again, the answer was yes. So, the matter is in this department's court, not that of the Department of Finance.

Ms Hewitt—Certainly the operation of the scheme, under the guidelines of the Department of Finance, is the responsibility of individual portfolios. But the development of the guidelines is quite definitely a matter of the Department of Finance and Administration's responsibility. I did a bit of catching up also over the dinner break with Department of Finance colleagues who mentioned to me that it was in response to an ANAO review of the scheme that they decided to review the scheme itself and the guidelines that supported it. While it is correct to say that we have the responsibility operationally for implementing the scheme in our respective portfolios, the scheme itself, its design and its guidelines, are the responsibility of the Department of Finance.

Senator O'BRIEN—The interpretation of the guidelines are clearly a matter for the portfolio minister. The guidelines are as they are. Their application to particular circumstances and, therefore, their interpretation are a matter for the particular portfolio minister—

Ms Hewitt—But their development is the responsibility of the Department of Finance, and it is to them that we go to seek clarification when we, as an implementing agency, want to probe further into the intent of the scheme and the guidelines which, after all, have been developed and issued by the Department of Finance. I think, perhaps, it is semantics here. I certainly accept that we are responsible for its operation and, in that sense, interpretation in our context. But the Department of Finance is the agency which has overall responsibility for the scheme across all of government. We are a very small part of a big picture here. I understand that some other agencies, Centrelink, for example, DIMIA and the tax office have considerable numbers of these cases—up to 1,000 in the case of some agencies—each year, which puts our involvement with the scheme into a very different sort of context.

Senator O'BRIEN—It seems to me that if this department is responsible for deciding how to apply the guidelines to a particular circumstance, this department must be doing the interpreting.

Ms Hewitt—We have the ultimate discretion about how to undertake review of actions under the scheme. But I think it is quite natural for us to want to consult the Department of Finance about the intent of the scheme and the guidelines they have given us to work with.

Senator O'BRIEN—Apparently, your officer has taken his own legal advice, which has been shared with you rather than—

Ms Hewitt—Not with me—

Senator O'BRIEN—relying on the advice from the Department of Finance.

Ms Hewitt—No, I have not seen the advice.

Senator O'BRIEN—I did not say you, but your officer has and has shared it with another officer of the department.

Ms Hewitt—Yes. I think the same officer has also taken advice from the Department of Finance. The reviewing officer, I think, is perfectly entitled to take advice from a number of sources, in the case we are talking about both from our legal advisers and from the area of the department that has the coordinating responsibility for work under this scheme. I believe the reviewing officer has also spoken to the Department of Finance to have their interpretation of the guidelines.

Senator O'BRIEN—In this case Mr Dalton is charged with approving or declining the claim.

Ms Hewitt—Yes.

Senator O'BRIEN—So he is the decision maker?

Ms Hewitt—That is right.

Senator O'BRIEN—He has taken advice—

Ms Hewitt—From several sources.

Senator O'BRIEN—Yes, including legal advice?

Ms Hewitt—Including legal advice, including advice from the relevant area of our department and from the Department of Finance.

Senator O'BRIEN—His decision is not subservient to a determination by the Department of Finance, is it?

Ms Hewitt—No, nor anybody else in the department. He has discretion as the officer charged with the responsibility of making a decision. He is the decision maker.

Senator O'BRIEN—He has shared that advice with Mr Grant.

Ms Hewitt—I understand so, yes. Perhaps, as part of a process of seeking Mr Grant's advice on some aspect or another of it, but that is—

Senator O'BRIEN—What is Mr Grant's role?

Ms Hewitt—He is the head of the division in which matters of this kind and, indeed, any other governance matters are handled in the department, so he has some skills in—

Senator O'BRIEN—He is handling this matter on behalf of the department?

Ms Hewitt—No, he is not. No, the matter is in the hands of Mr Dalton, who is seeking advice from sources whom he believes are able to offer him guidance that is valuable to him in his independent role as decision maker.

Senator O'BRIEN—Who is handling the department's interests in this matter?

Ms Hewitt—The department's interests do not exist, other than that we have an obligation to have the matter reviewed, and the minister has delegated the matter for that purpose to Mr Dalton. He needs support and advice as he sees fit, but he has an obligation under the guidelines and under the arrangements, which are set in place by the scheme, to come to his judgments independently, seeking advice from where he believes he can get it.

Senator O'BRIEN—I do find it extremely strange, given the advice we have now received from the Department of Finance and all of the responses I received this morning about needing to ask questions of the Department of Finance, that they are unequivocal in saying this is a matter for the portfolio.

Ms Hewitt—The decision is certainly a matter for the portfolio—

Senator O'BRIEN—And how the guidelines are applied to particular circumstances are a matter for the department as well.

Ms Hewitt—Ultimately that is true, but I do not think if you asked the Department of Finance did they have a view about what was intended by the scheme since they are the ones who are responsible for it and the development of the guidelines under it, I think they quite clearly have some responsibilities in that area, but when it comes to decision making under the guidelines, that is a matter for the individual agencies and individual decision makers in agencies. I do not think the two things are necessarily at odds.

Senator O'BRIEN—The department has published guidelines and the department operates under them?

Ms Hewitt—The Department of Finance publishes guidelines.

Senator O'BRIEN—Yes. This department operates under them.

Ms Hewitt—Where an officer who has the responsibility of making a decision under those guidelines has some uncertainty about it, I think it is reasonably natural that he might go back to the department from which they originated, or speak to a legal adviser or someone else who has had experience and responsibilities either with this scheme or similar independent reviews of actions. For example, in the Corporate Policy Division the governance area provides support and guidance to reviewing officers who are asked independently to investigate matters—for example, the illustration I gave this morning was matters arising under the Public Service Code of Conduct; or it could be matters in the workplace that have reached the stage where an external person is required to explore whether some action needs to be taken outside a line management if there is a grievance or matter of dispute that cannot be resolved at the local workplace level.

Senator O'BRIEN—If your delegate wants to be clear on the guidelines, why can that advice not be shared with the applicant? Surely they have the same right. This is not adversarial, is it?

Ms Hewitt—I did say that we would reflect further on this, but my initial reaction was to see it as a matter for the decision maker in his independent role, but still as an employee of the Australian government and still acting therefore in the interests of the Australian government, to do his duty independently as a decision maker in a particular case. You used the expression 'arbitrator'. I do not think it is quite that—it is a decision maker operating under the guidance of a scheme which is endorsed by the Australian government. It is not quite the same as being an impartial, independent person operating in the interests of both the Commonwealth and an applicant. The applicant has his own legal advisers in this case.

Senator O'BRIEN—I am sorry, that is what I thought you effectively said this morning: that Mr Dalton was independent of the department—that he made his own decision; and he made his decision on the facts of the matter and in accordance with the guidelines.

Ms Hewitt—That is true. He is independent of the line area of the department the actions of which are being investigated in this case. But he is not an independent adjudicator separate from the Australian government; he is a member of the Australian Public Service operating under its programs and undertaking a specific role.

Senator O'BRIEN—Does that mean that he cannot be impartial in this process?

Ms Hewitt—I do not believe that; but I do not think it necessarily means either that he should be sharing the advice he has received in the execution of his responsibilities with the applicant. I did say also that we would reflect further on that matter and would offer some comment back to you about whether, in fact, the legal advice he obtained was material that he thought could appropriately be shared with the applicant. It is not something I can—

Senator O'BRIEN—It is about the powers that he can exercise. That is what you are telling me, isn't it?

Ms Hewitt—I am not sure, because I have not seen the advice myself.

Senator O'BRIEN—But they are about the guidelines which govern the powers he can exercise.

Ms Hewitt—It may be, or it may be material that is detailed in relation to the particular case.

Senator O'BRIEN—Mr Grant said it was.

Mr Grant—With respect, I did not say that it was about his powers.

Senator O'BRIEN—Was it about the guidelines?

Mr Grant—Mr Dalton's powers are delegated to him by the minister. The guidelines do not delegate the powers to Mr Dalton; the guidelines help Mr Dalton exercise his powers as delegated by the minister.

Senator O'BRIEN—Do they help Mr Dalton or do they guide Mr Dalton in the exercise of his powers?

Mr Grant—I think 'help' or 'guide' is the same thing.

Senator O'BRIEN—I do not think so. I think if it is directing him down certain paths then it is more than helping him: it is telling him how he should go about his job. It is telling him what the limits of his power are in dealing with the matter, isn't it? You are telling me he should comply with that, aren't you? He should comply with the guidelines in dealing with this matter, shouldn't he?

Mr Grant—Yes, of course he should.

Senator O'BRIEN—So they are directing him in how he performs his function.

Mr Grant—Yes, the guidelines set out the basis on which he has to assess the claim and the rules of the scheme under which he is operating.

Senator O'BRIEN—And that is what he is taking advice on?

Mr Grant—In this case, as was discussed this morning, he took advice on the difference between the old set of guidelines that were issued in 2001 and the new set that were issued this year.

Senator O'BRIEN—So, we are going back to the matter that the claim started under one set of guidelines. Then there was a new set of guidelines. He is taking advice as to how he should now operate. I really think, if he is adjudicating on this matter in accordance with the guidelines, he should be sharing the legal advice which relates to those things which limit how, or direct him as to how, he should perform his functions.

Mr Grant—As Ms Hewitt said, we will reflect on that. But as we also said this morning, the applicant specifically asked Mr Dalton to contact the Department of Finance and Administration to determine whether it would be appropriate for the claim to proceed under the original set of guidelines. We had that discussion this morning and we indicated that we had made that approach to the Department of Finance and Administration.

Senator O'BRIEN—And they said you are bound by this second set of guidelines?

Mr Grant—They have not replied.

Senator O'BRIEN—So assuming that they asked and he has inquired, is the intention to advise Marnic of the outcome of that inquiry?

Mr Grant—Of course.

Senator O'BRIEN—So in relation to that aspect of the matters that constrain him, or direct him, there will be a communication with Marnic? I do not see the legal advice on what the new guidelines mean, if they apply, to be any different.

Ms Hewitt—I think it very much depends on the nature of the questions put by Mr Dalton to the legal advisers and whether he believes that that is something that ought to be shared with the applicant. We are happy to convey that question to him, but I do think we need to leave him to do his job independently, making sure that he is doing it in full conformity with the guidelines that are relevant.

Senator O'BRIEN—He is talking to Mr Grant about how he does his job. He is talking about it to the department of finance, and he is talking to lawyers. I do not propose to intervene in how he does his job at all other than to make a suggestion, and I am making it to you, that I think it is appropriate if there is legal advice which he is obtaining about the rules that constrain how he deals with the claim and the department's officers have been made aware of that advice then Marnic should be made aware as well. You have said that you would take that on notice. The reason I raised the matter again with you was that we, as suggested, raised the matter with the Department of Finance and Administration. I have reported the answers that they gave to those questions which indicate that, according to them, the interpretation of the guidelines in relation to this claim is a matter for this department, not the department of finance.

Ms Hewitt—Ultimately that is true, yes. The interpretation is the responsibility of the decision maker. But the department of finance's views are, I think, highly relevant to the interpretation that he might want to make.

Mr Grant—Particularly as they have changed the guidelines during the process.

Senator O'BRIEN—It appears to be getting messier and messier, and I am not surprised that their legal advisers are seeking that detail because I would want to know, if I were them, what exactly was the position that their client was in and how they should advise him. If the department's officer is relying on another department's views and the legal advice as to how he operates, I think they should know.

Ms Hewitt—We have certainly taken that on notice. We will convey that to Mr Dalton and respond in due course.

Senator O'BRIEN—How long do you think it will take to respond to that matter?

Ms Hewitt—I really cannot give you an answer at this point, but we will certainly do it as quickly as we are able, sensibly, to do that.

Senator O'BRIEN—In relation to the international division—I think that is who we have here—what has happened with the dispute initiated in 2003 by the European Community and the Philippines over the sanitary and phytosanitary agreement?

Mr Burns—Both disputes are currently on hold. I might start with the Philippines dispute. You might recall that originally there were two issues that were addressed by the Philippines. One was specifically on pineapples and the other one was a broader dispute about fruit and vegetables. In particular, there was an interest there in bananas. As you said, there was a panel established to look at the broader dispute in August 2003. While the dispute is on hold, it is possible for the Philippines to reactivate that dispute. All they would need to do is contact the WTO Director-General and a panel could be established within the space of 10 days. Whilst it is on hold, we are certainly ready and, hopefully, geared up to respond should the Philippines reactivate. Of course pineapples have been coming in from the Philippines since last year, so we are hoping that the heat has been taken out of the pineapple issue.

On the other broader issues, we actually had a delegation of DFAT and one DAFF person go to the Philippines earlier this month, on 19 October. They had senior official discussions with the Philippines government. At that meeting we indicated an interest in having discussions with the Philippines to try and ensure that they do not take that next step of taking the dispute to the WTO. I would have to say that the response was positive. The Philippines recognised the fact that the banana IRA, in particular, is progressing. As you heard earlier from BA, it is getting closer and so we are hopeful that we can, through a constructive dialogue with the Philippines, avoid them taking that next step.

Similarly with the EC dispute, we are hopefully heading towards what we have called a mutually agreed solution. The EC had set out certain conditions that they wanted to see met by BA in particular. We have been looking at those issues and having an ongoing dialogue with the European Commission. Most recently there was a high-level discussion in July this year. Again the message that we are getting from the European Commission is that they are generally satisfied with the progress, and we are hopeful that we could get to a point, perhaps even by the end of this year, where we would be notifying the WTO that we have found a solution to that dispute. Fingers crossed that we are not going to go to the next step of having a formal panel on either of those issues.

Senator O'BRIEN—The basis of the European Community continuing their position is that simply that they do not activate it; they can leave it sitting there as a matter hanging over our heads, potentially. Is that how it works?

Mr Burns—There are two things they could do. They could leave it hanging or they could notify the WTO and say that there has been a solution reached and therefore they are not going to continue with that dispute. We would hope that they would go down that track.

Senator O'BRIEN—Is it common for these things to be notified and then left in limbo for this period? What are we up to—three years?

Mr Burns—There are precedents for that. In fact, there was a precedent that Australia was involved in with the European Commission many years ago where both parties agreed that there was no point in proceeding to a panel, and the WTO—in those days it was still the GATT—was notified that we did not want to proceed to a panel.

Senator O'BRIEN—We are really guessing as to what the outcome of these matters will be at this stage. Is that how I should understand your answers?

Mr Burns—I would not like to be making a definite prediction, but on our side we are confident that we have got a constructive dialogue and that we will not be looking down the barrel of a dispute imminently.

Senator O'BRIEN—Is this section doing any work in relation to progressing the aspects of the US FTA relevant to this department?

Mr Burns—That is correct.

Senator O'BRIEN—Could you tell us what is happening there?

Mr Burns—There are several elements. The department has some responsibility for implementing some of the commitments regarding, for example, beef quota access into the US. But the issue that probably has attracted more attention is the establishment of an SPS committee with the US where we are looking at both sides' priority access issues, where we discuss progress on our priority access issues. In fact, there was a teleconference of that group just last week, where we ran through progress on both sides' priorities. I would not say that there were any great breakthroughs at that meeting, but we certainly have a constructive dialogue with the US now where we can talk openly and frankly about where they are up to with some of our priorities and vice versa.

CHAIR—Did you say SBS committee?

Mr Burns—SPS.

CHAIR—I was going to have a bit of fun with that!

Senator O'BRIEN—Have the impending changes to our import risk assessment process been discussed at this SPS committee?

Mr Burns—The one with the United States?

Senator O'BRIEN—Yes.

Mr Burns—It was referred to and, as I recall it, there were one or two questions of clarification about what it meant. But, from memory, the general response from the US side

was that they saw this as a welcome change in terms of some clarity around timing, and no doubt when they meet with us face to face they might want to ask some more questions. Certainly there was no sense from them that there was any particular need to go into detail at that meeting on what the changes might mean.

Senator O'BRIEN—Generally speaking, they welcomed it?

Mr Burns—I would not say they welcomed it as a fantastic development.

Senator O'BRIEN—They wouldn't, would they? They would want everything removed; that would be great.

Mr Burns—They acknowledged the fact that we now had some clarity around timing, which many of our trading partners would welcome.

Senator O'BRIEN—What about the relevant aspects of the Australia-Thai free trade agreement in agricultural products?

Mr Burns—As you may well know, there has been a similar committee established to look at how we are going with our priorities. We have been keen to meet with Thailand on some of those issues but, as you are probably aware, there have been some delays in government processes in Thailand while the new government was coming into effect. We are hoping that we can meet formally in that group by the end of the year. The other issue that the department has a role in, in terms of implementation of the Thai FTA, is the issue of safeguards. You may have seen press releases during the year about triggering of safeguard action on canned pineapple and canned tuna from Thailand.

Senator O'BRIEN—Has there been any response from the Thai authorities about that?

Mr Burns—No. In fact, Thailand has triggered some safeguards against us as well. Both sides know how the mechanism works, and neither side would really like to see it happening, in terms that we do not want safeguard action against our exports and, similarly, they probably do not want safeguard action against their exports to us. But both sides know that is part of the agreement and they know the rules of racing about how those things will be implemented.

Senator O'BRIEN—That is all I have got for item eight. I have questions for APVMA.

[7.59 pm]

Australian Pesticides and Veterinary Medicines Authority

Senator O'BRIEN—I want to ask about a press release issued by APVMA on 18 April, which says:

The Australian Pesticides and Veterinary Medicines Authority (APVMA) has today proposed that agricultural chemicals containing short-chain ester forms of 2,4-D be de-registered because of the unacceptable risk they pose in relation to off-target damage to the environment and crops.

Can you provide details of the assessment process that led up to the APVMA decision that this particular ester should be deregistered?

Dr Smith—As to the announcements regarding the decisions on the 2,4-D high-volatile ester, there were three particular forms of 2,4-D that related to that press release. They were the ethyl butyl and isobutyl esters. They were reviewed as part of our ongoing existing chemical review program. The assessment of these particular esters was a subset of a major

review, which is still continuing, covering the full range of 2,4-D chemicals. The environmental assessment of these particular forms of 2,4-D was accelerated following some concerns in the summer of 2004-05, where there were widespread reports of off-target crop damage to grape and cotton crops in particular during that period. The assessment looked at extensive information provided to us from a range of sources, including the registrants of the particular chemical products, from the farming sector and from other interested organisations. That assessment was conducted by us in consultation with environmental scientists from the Department of the Environment and Heritage. There was a preliminary review findings report issued for public comment in April of this year. It detailed extensively the scientific assessment and invited public comment on the findings. At that stage it was proposing that we would cancel the registration of these particular high-volatile forms of 2,4-D. We received some 60 submissions from interested parties in response to those preliminary review findings. They included the farming sector. There was a balance of views as to whether we should or whether we should not proceed with our recommendations, and we considered all of those submissions extensively in conjunction with the Department of the Environment and Heritage in reaching the findings communicated in the press release that you were talking about. We also communicated directly with people involved in the review. They were communicated with after the APVMA board made a decision, as happens in the case of all chemical reviews.

Senator O'BRIEN—Who are the main users and what are the main agricultural uses of 2,4-D?

Dr Smith—2,4-D is a widely used herbicide for control of broadleaf weeds in agriculture. It is particularly widely used as a pre-emergent herbicide in the grains industry. That would probably be the major user of it.

Senator O'BRIEN—What are the alternative products on the market that farmers can use instead of 2,4-D?

Dr Smith—It is important that I clarify that the press release that we are talking about and the decision that the board has taken relates to these three high-volatile forms of 2,4-D. There are a range of other 2,4-D products, such as amines and the acid and less volatile esters, which remain registered and remain available for people to use. There are a number of other herbicides as well, such as MCPA, but there are quite an extensive range—

CHAIR—There are plenty of other remedies?

Dr Smith—Yes.

Senator O'BRIEN—Are they just as effective or are there drawbacks to their use?

Dr Smith—As part of our registration process or our assessment process for pesticides and agricultural and veterinary chemicals, we have to assess and be satisfied that they are efficacious when used according to label directions. All of these products that are registered are efficacious. There may be different views amongst farmers that one particular product is more effective than another, but our view is that they are all efficacious.

Senator O'BRIEN—Safety is a relative thing. I know MCPA has certain substances that you would not want to be in contact with for too long, so they are all safe subjects to use according to directions? Is that the best way?

Dr Smith—That is correct, although I would go back to my earlier comments that the review of these high-volatile forms was fast-tracked because of the crop damage concerns of the summer before last.

CHAIR—The grapes?

Dr Smith—The grapes, and there was a lot of cotton as well. But it is a subset of a larger review, which is looking comprehensively at the toxicology and everything of all the 2,4-D products. Based on our current assessment and understanding of risks, they are safe when used according to the label.

Senator O'BRIEN—Is cost a big issue with the alternatives?

Dr Smith—The feedback that we have had from farmers in response to the decision on the high-volatile esters are that the high-volatile forms, which we are suspending the registration of, are cheaper. The exact amount by which they are cheaper is variable depending on who you talk to, but one of the things that we cannot take into account as a criterion when we are making decisions on registration of chemical products is cost. Our legislation is very clear in the criteria that we have to take into account, and they are health, environment, trade, efficacy—those sorts of things.

CHAIR—The difficulty with this is that it a cheap sort of a sledgehammer approach rather than a surgeon's knife to do the job. There is no question that 30 or 40 years ago it was the way to go, because it bowls stuff over and, if it happened to be a hot day, it would bowl everything down in the valley over as well. These days spraying is much more precise, much more scientific and, I regret to inform those objecting, it has had its time. It is like dieldrin or some of those other chemicals; it has had its day.

Senator O'BRIEN—What is the situation with our international competitors in this high-volatile form of 2,4-D?

Dr Smith—We have good contacts with our colleagues in the United States, Canada and Europe. The information we have is that these particular high-volatile forms of 2,4-D remain registered only in Australia, Malaysia and Thailand. They are no longer registered in North America or Europe.

CHAIR—I would shoot two out of every three lawyers if I was a judge, but the litigation prospects from using ester these days are just not worth the risk. It is just too volatile.

Senator O'BRIEN—On 11 October, Minister McGauran issued a press release in which he announced that the farmers would continue to have access to high-volatile esters of the herbicide 2,4-D and that access to this chemical will in future be regulated through a permit, at least until April 2007. Do you know the basis of the minister's decision to continue to allow the use of these high-volatile forms of 2,4-D for the time being?

Dr Smith—I have a copy of the minister's press release as well. The minister's press release was focusing on a particular aspect of the decision that the APVMA had announced, in that when we put the preliminary review findings out for comment we received a lot of submissions, and we were proposing at that stage to cancel the registration and that would be the end of the story. What we have done at the moment is suspended the registration—this is our legal mechanism—and issued new instructions for their use during a period while we

have allowed those people who have suggested that they might be able to generate and develop more data to do so. It will remain to be seen whether that is forthcoming. Those suspensions mean that in those new instructions for use there are conditions about how much can be applied and the conditions under which it can be used, and the key new instruction is that it cannot be used except between May and August. It cannot be used over the summer period, which is when the problem with the volatility that happened a couple of years ago occurred. What we did say was in response to comments from a number of people, particularly in the broadacre farming areas of Western Australia. They believe there were areas within their farming sector where this damage from volatility was not an issue because there were large areas of just grains farming. We have said that we would consider permits for its continued use during the summer period in those sorts of areas where we could be satisfied about it and where the relevant state departments of agriculture and environment which are responsible for the control of its use would also support its use under permits in those areas. The minister's press release was amplifying that aspect of the decision that the APVMA board made.

Senator O'BRIEN—Was it not contained in the original announcement?

Dr Smith—I believe there was also a mention in our media release that we would consider permits.

Senator O'BRIEN—And 30 April 2007 is when APVMA will make a final decision? Is that how I should understand the press release?

Dr Smith—Those people who have said that they were going to generate and provide additional data have been given a time frame in which to provide that data to us. By 30 April 2007 our intention is to have the board review the situation on the basis of what information has been provided at that stage, and then we will review it in terms of the information that comes forward. At this stage we have no evidence to give us confidence that the ongoing registration of these particular products should be maintained.

Senator O'BRIEN—It cannot be used between October and April?

Dr Smith—It cannot be used between October and April unless under a permit, which APVMA would issue.

Senator O'BRIEN—Basically, from the time of the minister's press release until 30 April anyone who wanted to use it would have to make a specific and detailed application to APVMA?

Dr Smith—They would have to provide us with certain information to convince us that the environmental and off-target crop damage risk would be minimal, and we would be liaising very closely with the relevant state departments on that.

Senator O'BRIEN—Would you continue to involve the Department of the Environment and Heritage?

Dr Smith—We would continue to liaise with the Department of the Environment and Heritage.

Senator O'BRIEN—Whose decision is final on this? If someone makes an application, where does the buck stop? Is it with APVMA?

Dr Smith—Yes.

Senator O'BRIEN—Can they go to the minister and appeal if they do not like your decision?

Dr Smith—No, they cannot.

CHAIR—I would like to get a better understanding of this. If you have 20,000 acres of wheat out the back of Bullamakanka in Western Australia and you have no lucerne, no canola—no anything—sure you could whack it out; it is cheap. I have a current ticket, and I cannot think of one application where there is not an alternative. The difference might be 50c an acre or something. It is like zero tillage now. The whole spraying thing is much more scientific. This was in the days of Vietnam War-type thinking. There was not much lucerne about and there was no such thing as canola. This is a broadleaf thing. I have to assure you that it works well. You cannot see where they took my second head off here because of surgery, but it was good stuff in its day. Thank you.

[8.16 pm]

Bureau of Rural Sciences

Senator O'BRIEN—In terms of the national agricultural monitoring system, the initial package relates to broadacre farming, as I understand it. When will the refinement in the software cover irrigation and intensive industries?

Dr Ritman—The development occurring this year is to investigate irrigated industries, and at this point \$700,000 has been allocated to that. The intensive industries will follow, but we are working with the states to investigate the irrigated industries as part of an enhancement to the current NAMS system.

Senator O'BRIEN—Last time you told us that there was a work plan underway and you would report to PIMC this month.

Dr Ritman—The Primary Industries Ministerial Council. There will be a work plan report from the irrigated industries. As you would appreciate, it covers quite a deal of different sorts of information that we have to get together for the NAMS—a lot of the water information that would help in irrigated industries. There is an ongoing work plan for the whole of this year and there will be a report as to the progress of the project.

Dr Samson—The work plan was looked at by the Primary Industries Standing Committee meeting earlier this month and agreed to. We can check and get back to you, but my recollection of the work plan is that substantial progress will be made on bringing irrigated industries into the NAMS system by the end of the current financial year.

Senator O'BRIEN—Can we expect something to happen by the end of the next calendar year?

Dr Samson—Yes. Without having the detailed work plan in front of me, I think progressively you will see developments in the system. It will not suddenly not be there and then be there in a final form. As we have done with the system to date, there will be a trial to give people the opportunity to give us feedback on how it is working.

Senator O'BRIEN—It is just an addition of features?

Dr Samson—Yes.

Senator O'BRIEN—Progressive software updates?

Dr Samson—Yes. You would now be aware of the way the system operates. The key feature of the NAMS is getting access to relevant data sets. Some of them exist and the issue will be to negotiate access to them in an appropriate form. Some may not exist, and part of the process may be commissioning work to create the new data sets to help with the system. The model that will be used is the same as the one that was used in the development of the first stage, which is through steering groups and user groups interfacing with people who will be the end users of the system to develop it based on end user needs.

Senator O'BRIEN—In terms of the intensive industries, are you suggesting that is some way off?

Dr Samson—It is a phased approach. My understanding is that what was agreed at the ministerial council was to apply the system to irrigators. Once we have done that, stage 3, if you like, for consideration is likely to be the intensive industries. If you try to do too much in parallel the danger is that you succeed in none of it. I think we have demonstrated quite successfully that to do it in a staged approach and focus on one set of issues at a time has worked.

Senator O'BRIEN—It does not sound like there will be a lot of irrigating happening any time soon. I do not know whether that is a good thing for collecting data or not.

Dr Ritman—Certainly, setting up the systems to get the data, whether it is reporting very low levels or not, will test the system.

Senator O'BRIEN—In terms of the role of NAMS and the current assessment of drought and eligibility for EC declarations, I have noted when looking at the NAMS website at data for the Latrobe region of northern Tasmania that there is considerable variation on how current the data is. Rainfall data is up to the end of September, some satellite derived pasture information is to the end of August and some information on stocking rates is up to July. That may be because that is the best information you can get. How does that variability in the contemporaneous nature of the data affect the ability to make assessments if it is to be used for EC assessments?

Dr Samson—The situation as you described it is exactly right. The different datasets are owned by different entities, different jurisdictions, and have different time frames in terms of their collection and therefore their currency. Undoubtedly, it does impose some limitations on the use of that data. I think the degree to which it impacts on any use of the information really is task specific. It really does depend where you are looking and what you are looking for. One of the aims over time would be, as much as it is in our collective control, to try and bring the timing of some of those datasets closer together. Where we believe there is a strategic imperative to try and increase the frequency of data collection, one of the options that may be open to us in the future is actually to make some investment in ensuring that data is collected more frequently than it currently is. It is inherent in the way the system is built that we use data collected from several sources and that exactly that situation you describe exists. We are aware of it. I still think, notwithstanding those limitations, the system is proving to be very

useful on a whole range of fronts. Obviously there is room for improvement and that is something we will be striving to do.

Senator O'BRIEN—I just draw to your attention a couple of things that are also notable—cattle numbers, for example. I could not get data on that specifically for the Latrobe region and was provided data for the whole Mersey-Lyall region, about a third of the state. I was not able to focus in as closely as some other sets enable you to. In the case of annual vegetation greenness time series, no data was available for the Latrobe region at all. Is it envisaged that there will be a time when that material will be available, or will you always be limited by the availability of data in relation to some of these things?

Dr Samson—I think your latter point is the realistic one, that there will always be some limitations imposed on the system. For example, I think it is fair to say that in the NAMS we use some of the ABS census data. As we know, the census only occurs every five years.

Senator O'BRIEN—Five years, yes.

Dr Samson—Yes. I am not sure there is a lot we can really do about that. In terms of some of the other data, though, and some of the examples you have given, we are certainly happy to look into those specifics and get back to you with the basis of those datasets and the frequency of the data collection. With some of those smaller, more local datasets there may be the opportunity to improve the situation. As I say, it is conceivable that down the track, if all jurisdictions agree and we identify some data where we believe it would be a good investment to enhance the quality, the quantity or the timeliness of it, then it would be possible to do that.

Senator O'BRIEN—Thank you for that. What is the state of the Water 2010 project?

Dr Ritman—We supplied the answer to a question on notice after the last Senate estimates. We have established a work plan and a contract working collaboratively with CSIRO to help refine some models with regard to water yield. This project is called the forest water yield project. We are expecting results in the middle of next year. We continue to enhance components of the Water 2010 website. It is a prototype website. Results from Water 2010 have already been incorporated in the *Australian water resources 2005* report, which has come out of the National Water Commission. We did the water balances across drainage basins in Australia, so it has contributed directly to that initiative. There is a water balance tool in Water 2010. The other side is the reliability datasets. We continue to build on the source data that supplies that.

Senator O'BRIEN—So the website is up and running and you are building on it.

Dr Ritman—It is a prototype website that we have not publicly released as we have with the NAMS. We have released it through the steering committee to a lot of the jurisdictions that are involved in the steering committee and able to provide feedback on the website.

Senator O'BRIEN—When would you expect it would be publicly available?

Dr Ritman—The Water 2010 website itself is a prototype. We are not envisaging launching that. Components of it will become parts of other websites. We are hoping, for example, that developments under Water 2010 are taken up by the National Water Commission. We are currently having discussions with them about taking some of the tool components from Water 2010 and incorporating those in their website. The Water 2010

project was set up to help with the implementation of the National Water Initiative in the first place.

Senator O'BRIEN—Where does the second phase come in, taking information about a catchment and running scenarios within that catchment?

Dr Ritman—We will be doing a test case with the forest water yield project—the question on notice concerned the Upper Murray catchment—to look at variations in land use. For example, with forest age and type, what influence that has on water yields in that catchment. We are expecting the results of that, as I said, in the middle of next year.

Senator O'BRIEN—So that is the second phase.

Dr Ritman—That was mentioned at the last Senate estimates as the second phase. As a developing website, it initially started with the water balances, which were static results, and we are now moving into more dynamic data.

Senator O'BRIEN—Is that the third phase of the project?

Dr Ritman—We have another project that is going to feed into the Water 2010 and enable further scenarios, and that is the Australian Water Availability Project. It is a collaboration between CSIRO, the Bureau of Meteorology and BRS which will deliver weekly near-real-time data on soil moisture nationally on a five-kilometre grid by the middle of next year—July next year. It uses real data and models to supply that information, and that will underpin what are static results now in the Water 2010 project with real data.

Dr Samson—It is part of that body of work that the secretary referred to earlier that the bureau is doing on a whole raft of things that we hope will be useful in both identifying some of the impacts of climate change and coming up with real tools that farmers can use in a very practical sense to manage the increasing variability that we see in the climate.

Senator O'BRIEN—The publication *Marine matters: an atlas of Australian marine fishing and coastal communities* was launched in September. Is that one of your projects?

Dr Bygrave—Yes. It was launched in September by Senator Abetz and it is actually two products, a hard copy publication as well as a website. The website is an interactive tool whereby users can query various maps, create their own maps and search regions around the coast of Australia for the various fish that are caught, the value of those catches and the various coastal communities that are dependent on fisheries to some extent. You can query over 50 commercial species through that interactive tool.

Senator O'BRIEN—Is that a one-off publication?

Dr Bygrave—It is, but we are very conscious that it will need to be updated over time, and we have a process under way where we are seeking feedback from various users of that product so we can ensure that it is meeting users' needs.

Senator O'BRIEN—Who would you expect to use the product?

Dr Bygrave—Researchers, people in the industry and people who are thinking about entering the industry.

Senator O'BRIEN—There are more people going out of the industry than entering it.

Dr Bygrave—That is true. It is a very useful tool for government as well in identifying the key areas of fishing around Australia and, in particular, the value of fishing for the various communities. For the first time, it brings together data at a national level and it also brings the socioeconomic data together with the biophysical data.

Senator O'BRIEN—What did this project cost?

Dr Bygrave—I think it was in the order of \$500,000 to \$600,000, and it was funded through the Fisheries Research and Development Corporation and the Department of Environment and Heritage.

Senator O'BRIEN—Fifty-fifty?

Dr Bygrave—I cannot recall. I can take that on notice, if you wish.

Senator O'BRIEN—Yes, if you would, please. While I am asking about it, what is the cost to date of the Water 2010 project?

Dr Ritman—Water 2010 has received \$1 million from BRS appropriation and DAFF funding in the 2004-05 and 2005-06 years, and the National Water Commission has committed \$50,000 in 2005-06.

Senator O'BRIEN—So \$1 million?

Dr Ritman—\$1.05 million.

Senator O'BRIEN—How much has been spent on the NAMS project to date?

Dr Ritman—We spent \$1.2 million on it in 2005-06, and it is currently in a maintenance phase of \$1.2 million per annum for the next two years. That money goes towards purchase of the data that feeds in, running the system and doing updates on the things that you have just said.

Senator O'BRIEN—Is that what it is likely to cost to continue to run this program indefinitely?

Dr Ritman—We only have funding which is split fifty-fifty with the states.

Senator O'BRIEN—But if we wanted to, is that what it costs to run?

Dr Ritman—That is the current estimate, yes. We would have to see how that rolls out over two years. You were talking about refining data to get more of a geographic context. One of the beauties of the NAMS system is its ability to cookie-cut different geographic regions that you dial up. However, the data underneath is not necessarily consistent with those boundaries. If we move to more consistent boundaries, that will cost more money. But if you automate more of the drawing of the information from state agencies and other data suppliers that could conceivably bring down some other costs. We just have to see how it plays out over the next two years.

Senator O'BRIEN—What work, if any, is BRS undertaking in relation to climate change?

Dr Ritman—Climate change is here, and we see that manifested in agriculture with climatic variability. Last year was the hottest year on record. We have got consistent drying across south-west and south-east Australia. This variability is what the bureau has concentrated its climate work on, in particular taking an approach of adaptation to climate

change. Back in 2003, the bureau set up the Climate Impact Sciences Program. That was done for two main reasons. One was to undertake drought exceptional circumstance assessments. The other one was to start work on climate change formally within a program. From that climate change work, we saw a science for decision makers publication called *Climate change: adaptations in agriculture* come out in 2003. We ran a workshop in 2004 with industry and published a report called *Farming profitably in climate change: a risk management approach* out of that.

We have also along the way developed a number of tools to assist farmers in the near term so that they can be helped with adaptation to climate change, and that includes the MLA rainfall to pastures growth outlook tool, which assists sheep farmers in being able to manage around what the rest of the season will be based on a signal early in the season. We have produced the NAMS. The NAMS has been extremely successful. It has had 1.1 million page downloads since April. It has been used in numerous EC applications. We have produced the rainfall reliability wizard, which is a different way of looking at Bureau of Meteorology data. We have had those two reports that I have mentioned. On 15 September, we demonstrated to this committee some of those tools. Our continuing work program is centred around climatic reliability and looking at some of the social dimensions of climate change as it plays out in agriculture.

CHAIR—How much time have you spent looking at the total climate change impact on Australia? You have appreciated its downside. What about the upside part of it for Australia?

Dr Ritman—Certainly, one of the philosophies about adaptation to climate change is that you take a business risk approach and take advantage of whatever situation you are faced with.

CHAIR—I am really talking about upside with regard to the rainfall in the north. This is the farm discussion we are about to have.

Senator O'BRIEN—This is the 'farm the Kimberley' approach.

CHAIR—Everything has been focused on how you manage the declining rainfall in the south. What about how we manage the perhaps increasing rainfall in the north and what we do with it?

Dr Samson—We have not looked at that specifically. As Dr Ritman said, the approach is very much a risk management approach, which both involves managing the downside but also taking advantage of some of the upside.

CHAIR—When are we going to start looking at the upside and taking advantage of it? We are fortunate in Australia. We are going to have serious deficiencies, but we are one of the few places in the bloody world that is also going to have serious increases in our ability to—

Dr Samson—I take your point. Probably the best answer that we can give you at the moment is that our focus is on trying to better understand what the change will be.

CHAIR—Yes, I understand that. If you believe the science, the game is going to get a lot tougher. We are going to have a 30 per cent decline in runoff in the southern Murray-Darling Basin, et cetera. In the same breath they say: 'Oh, yes, but it is going to rain like buggery in some parts of the north, but the increase is still an unknown.' If I was 21, I would be thinking:

'What the hell am I doing here? I wonder what I can do up there? I must not get up there ahead of my time, though, because I do not want everyone else to learn from my mistakes; I want to learn from someone else's mistakes and get a quid.' So why is there not a project within the department to start to assess the advantages in the part of the continent that is going to be affected positively rather than negatively by climate change?

Senator O'BRIEN—We could do the Humpty Doo rice trial.

CHAIR—No, I have an answer for all that. Don't worry about that, son; I've got an answer for all of that.

Ms Hewitt—I certainly take your point. The only project that I am aware of that is actively under way is not in the department proper but work being done through Land and Water Australia with some partners, the Northern Rivers Group.

CHAIR—One of the things that was emphasised to us in one of our many briefings that we have had—and we are very appreciative of the excellent briefing that we got down at the department from your people—was that we have to get all of this information onto the one database. It is all over the place at the moment. Maybe it could be a recommendation from this committee that we start to do that.

Ms Hewitt—We did take a decision at the primary industry standing committee last week, across jurisdictions—all of us—to have some work commissioned to pull together at least a comprehensive database of all the R&D that is agriculture and climate change related nationally. That has been agreed, but I think you are talking about something much bigger than that.

CHAIR—If you see it in geographic terms, you hear a lot about the MIA and Colleambly. These are miniscule. Colleambly was just a couple of stations—bugger-all country. There are millions of acres of pretty poor country in the north, but there are also millions of acres of really good country, and we have not sorted it out. It is time we did. I am sorry to be so repetitive, but we are one of the few continents in the world that can actually get some advantage within our own sovereignty of the disadvantage of climate change. So what about it, boys?

Dr Samson—We take your point. You have also made the good point that it is important that we get all of this information together in the one place. As you would appreciate better than most people, it is not just a matter of water availability. There is a whole series of other factors that we have to look at.

CHAIR—It is very complex. There are all the lessons that are to be learnt from the mistakes of the south.

Ms Hewitt—That is very much what the Northern Rivers project is about.

CHAIR—Not that wild rivers thing?

Ms Hewitt—Yes.

CHAIR—Some of those people, I think, are inclined to plait their armpits there—a bit too restrictive in their thinking.

Senator O'BRIEN—You know some strange people, that is quite clear.

CHAIR—But I do not preen my dreadlocks, either.

Senator O'BRIEN—It would be a revelation.

Ms Hewitt—We will reflect further on your suggestions.

CHAIR—We have just got to talk this up. We have got to get the next generation of farmers that are this size now busting to get there by the time they are this size.

Senator SIEWERT—What, so we increase the extinction base beyond those already world record ones?

CHAIR—Don't be a sook. We can do it without doing any of that.

Senator SIEWERT—How?

CHAIR—That is why we want to apply some science and knowledge and a database. Calm down.

Senator SIEWERT—I am not excited.

CHAIR—Calm down. There are 600 million people in northern China going to run out of tucker and water shortly. We have got to feed the poor buggers.

Senator NASH—Does BRS have a view on the value of the soils up north? We would hate to get up there—follow you—and find that it is all sand.

CHAIR—You are dead right. That is a valid question. That has got to be sorted out.

Dr Ritman—There is ACLEP, the Australian Collaborative Land Evaluation Program, which has a database of soils called ASRIS, which comes from Australian Soil Resource Information System. CSIRO houses this database. It is soil information from around the country from state jurisdictions. One of its first undertakings was to make sure that the soil classifications were standard so that you could actually have a database that was seamless across the country. That is up and running. BRS has been involved in advising on that database and soils for a long time now—at least 10 years. We can access what sort of soil information is in Northern Australia.

CHAIR—Ayes, but limited to their knowledge. Southern Plantations, for instance, has soil-typed Wadeye—Port Keats—for plantation timber specifically, but I do not think there is a lot of specific soil-typing done, is there?

Dr Ritman—That is very expensive generally.

CHAIR—My word it is. For instance, Kununurra, the Ord scheme, is 70,000 hectares out of God knows how many millions of hectares. What we are talking about is that it is not necessary to have a lot of country to make it all work.

Senator SIEWERT—They have had a significant time to make the Ord work and it is still not. It is a great big white elephant.

CHAIR—That was really the downfall; the locals could not come to an arrangement. If you had the privilege of being on this committee when we went to Kununurra you would have discovered that the local Indigenous people wanted to cooperate with the local farmers, but the Kimberley Land Council would not let them. It is only just now, in a process that the Commonwealth has been excluded from, that they are developing stage II.

Senator SIEWERT—It is not why they ended up having to quarantine certain areas, because they poured so much chemical on it to grow cotton.

CHAIR—What we discovered up there is like the 2-ester thinking. It was outrageous; they were returning their tail water into the river, for God's sake. But that does not excuse good science and good knowledge.

Senator ADAMS—What about the boats?

Senator SIEWERT—That is why they poured so many chemicals on the cotton.

CHAIR—We are having a running debate here. My apologies, Senator O'Brien.

Senator SIEWERT—Can I follow up on your question about soil types?

CHAIR—Yes.

Senator SIEWERT—Are you collecting the information? I know there is extensive rangeland monitoring in Western Australia, and I know they do it in other states. Is that the sort of information that you are collecting in that work?

Dr Ritman—We have a number of fronts in Northern Australia in this context. One is access to soil information in a collaborative arrangement, so that is through the ASRIS database. We are heavily involved in rangelands information and we have a number of reports on rangelands, uses of rangelands—current use—and some modelling tools around scenarios in terms of the amount of grazing that would occur in those areas. The other area is on land use. We run the Australian Collaborative Land Use Mapping Program, ACLUMP.

Senator SIEWERT—You might need to provide a little table.

Dr Ritman—We have a model that we apply in just about every area of the soils, the rangelands and land use, where you establish collaboration with the people who are actually managing the land—so the state and industry. You set standards, you have a common goal, and you do not have necessarily funding up-front to populate a database with all the information, but you have the mechanism to be able to do that should money come from different areas. That builds up, as we have over the last quite a while, the land use information nationally—catchment-scale land use information. We collect information and are involved in information collection at different scales. You have tactical and operational scales. Tactical scales or national scales are not always just very detailed information generalised. They have to be collected separately. It depends upon the purpose to which we put that data.

CHAIR—There is no question that there is a lot of good country there. As you drive from here to my joint at Juneee you pass through what I call a lot of 'S' country—bandicoot country, we call it. But there is a lot of beautiful country mixed in with it, and it is no different up there, only there is the multiplication of 10 up there. You will be right. I will take you for a drive.

Senator SIEWERT—Where? In the north-west?

CHAIR—Yes.

Senator SIEWERT—I was going to say, we will take you.

CHAIR—I would not debate whether you have been as many times as where I have been in your territory—

Senator NASH—You are a lot older, Bill.

CHAIR—Yes, I know.

Senator NASH—You have had plenty more time to get around.

CHAIR—Yes. Where are we going?

Senator SIEWERT—I apologise if this question has been asked, but I have been trying to get a word in edgeways on environment. Are you doing any modelling on climate change—and I did ask ABARE this one—overlaying the climate change modelling with land use capability? Or is anybody that you know of?

Dr Ritman—The question I answered before is what the bureau is doing about climate change, and the thrust of my answer was around the bureau working on adaptation to climate change, which is more near term. We have looked at the modelling out to 2030, 2070, and the error bars around that are so large that we find that very difficult to apply in an operational sense. We are not going to be able to help farmers very much with the error bars of one to six degrees temperature increase. It is more meaningful from a business sense to look at risk management and adaptation to what we see now with climate change.

Senator SIEWERT—How are you then working out where you should be applying that adaptation?

Dr Ritman—Our tools, like the MLA rainfall to pasture growth outlook tool, are enabling farmers at the start of the season, from a signal in the rainfall, to look at what the likely projection of rainfall for the rest of the season is so they can make decisions on stocking rates. So that helps them adapt to a change.

CHAIR—You have still got to take a risk.

Senator SIEWERT—Yes, but I suppose we are talking at two different scales here. I am talking about the longer term. I am not trying to play down the role of seasonal adaptation. I am talking about longer term adaptation, in terms of enabling farmers to make some longer term planning decisions about where to go with investments, where to guide research and development, for example, in new crops, where to go in terms of investment in machinery—those sorts of things. I am talking about that bigger, longer term adaptation for particular regions. We had a conversation with ABARE earlier; we all agree that our farmers are really good at adaptations for longer term change, but I strongly suspect that climate change is actually going to occur more rapidly than the climate change farmers have been able to cope with in the past.

Dr Samson—I suspect you are right. Just to build on what Dr Ritman said, the bureau is focused at the moment on trying to better understand the actual changes in the variability. Whilst there is undoubtedly a long-term trend that over time, as a general statement, things are going to get hotter, what we believe is the niche of the bureau, and perhaps the department, in assisting farmers to deal with this is the change in the degree of variability you see within that longer term trend.

Senator SIEWERT—Yes.

Dr Samson—Because, as you say, when you know something is going to occur in a 20-, 30- or 40-year time frame, farmers are very good, and have demonstrated they are good, at dealing with that. What we believe we are starting to see—and it is work very much that we are starting to do now—is that the degree of variability itself will change and it will change again differently depending on where in Australia you are. It is not going to be uniform across the continent. Part of the work that Kim and his people are doing is to try and model some of that, and we believe when we have done that it will enable us and some of our colleagues in the policy areas of the department to perhaps identify areas of the country that are perhaps more prone and more exposed to this than others. It is a work in progress and we have still got a fair way to go.

Senator SIEWERT—What is the time frame on that?

Dr Ritman—We have a number of scientists in exploration mode. It is always really difficult when you are looking at such large data records to predict how long and when you might get something out of it. But we certainly have some very encouraging results now that we are putting through scientific review processes, because before we take this further in terms of our policy advice we want to make sure that what we are saying is consistent with proper statistical analysis and that we have discussed it with the Bureau of Meteorology and other colleagues.

Dr Samson—I think, to try and answer your question, that we are talking in numbers of months rather than years.

Senator SIEWERT—Okay.

Ms Hewitt—Could I come back to where we were earlier in the day? I am sorry that we did not bring that to a clearer conclusion. But it is when the work on the physical sciences side reaches a certain point of stability, if you like, or clarity that I think it will be very important for the two bureaus to bring their perspectives together. We are doing that more and more in the work of the bureaus, of the department, so that you get some economic dimensions and economic analytical perspectives integrated with the biological and physical. The work has got to continue to a certain point before it is useful to join the two processes. Around the NAMS and a number of the other natural resources projects in BRS we have added colleagues from ABARE and vice versa where it is useful to bring the thoughts together. That is a bit different from the big global economic and climate modelling work you were talking about, which I think is beyond, frankly, our portfolio budget capability.

Senator SIEWERT—Thank you.

Proceedings suspended from 8.59 pm to 9.13 pm

Department of Agriculture, Fisheries and Forestry

CHAIR—We are having so much fun that I cannot follow where we are up to: it is Rural Policy and Innovation.

Senator O'BRIEN—Can the committee have some details as to which areas are currently eligible for exceptional circumstances assistance and the dates when assistance will cease, both for interest rate subsidies and income support?

Mr Koval—I have a table listing all the areas, the producers and the expiry dates.

Senator O'BRIEN—It would be good if we could get a copy of that. Are there any applications still being assessed?

Mr Koval—We have no applications on our desk at the moment. We understand some are under development in Victoria and Queensland at the present time. South Australia is considering development of at least one application, and Western Australia is considering the development of an application as well.

Senator O'BRIEN—Are there any that have just fallen or are about to fall out of eligibility?

Mr Koval—No. The announcements of the last couple of weeks have extended all existing areas bar two, which are Hinchinbrook-Thuringowa and Mackay-Whitsunday. They finish early next year. NRAC is in the process of assessing those two areas at the moment.

Senator O'BRIEN—What proportion of farmers in EC declared areas actually access EC assistance on average?

Mr Koval—Have or are?

Senator O'BRIEN—Have.

Mr Koval—It depends on the regions. On a national scale approximately 35 per cent of farmers have received an income support benefit at some stage since 2001-02. Just over 17 per cent of farmers have received at least one interest rate subsidy—17.3 per cent as of 6 October.

Senator O'BRIEN—Is that part of the 35 per cent?

Mr Koval—Some of those producers may have received both, but we have no way of telling.

Senator O'BRIEN—Is that information available for each EC declared area?

Mr Koval—I have a list of the applications broken down by financial year for both ECIRS and ECRP for business or income support by area, if that is of interest.

Senator O'BRIEN—Yes, that would be of interest. In answer to a question on notice on 10 October, the Deputy Prime Minister stated:

Since 2001, the government has spent \$1.2 billion in assisting 53,000 families through the drought.

The agriculture minister used the same figures in answer to a question on 12 October. Is that actual expenditure or funds committed?

Mr Koval—The \$1.2 billion is actual expenditure.

Senator O'BRIEN—How does that break down by year and by program?

Mr Koval—Would you like me to read them out or provide a table on notice at a later date?

Senator O'BRIEN—I would be interested to hear them. If we can have the table, that would make it easier.

Mr Koval—Certainly. In 2002-03, in what we called interest rate relief, the 9 December package announced by the Prime Minister—we spent \$3.266 million; in 2003-04, \$6.65 million; in 2004-05, \$2.277 million; in 2005-06 and 2006-07, no expenditure because that program ceased in 2005-06. In terms of interim income support or prima facie income support, in 2002-03 we spent \$51.98 million; \$41.46 million in 2003-04; in 2004-05, we spent \$1.87 million; in 2005-06, \$0.63 million; and, in this financial year to the end of September, \$0.13 million, which gives a total of about \$96 million. In EC interest rate subsidies, in 2002-03 we spent \$42.63 million; in 2003-04, \$97.9 million; in 2004-05, \$105.14 million; in 2005-06, \$239.99 million; and in this financial year to the end of September, \$77.37 million. In Exceptional Circumstances Relief Payment, in 2002-03 we spent \$45.86 million; in 2003-04, \$153.39 million; in 2004-05, \$117.07 million; in 2005-06, \$156 million; and in this financial year to the end of September, \$34.7 million.

These are the main elements of exceptional circumstances assistance. In addition, there is also estimated expenditure on health care cards and Youth Allowance. We cannot get actual expenditure on those, but we do have estimates, if that is of interest. For health care cards: in 2002-03, \$5.29 million; 2003-04, \$17.69 million; 2004-05, \$13.58 million; 2005-06, \$13.05 million; and we estimate for the first quarter of this year \$3.48 million. In Youth Allowance: 2002-03, \$5.99 million; 2003-04, \$17.06 million; 2004-05, \$12.73 million; 2005-06, \$13.94 million; and this financial year to the end of September, \$6.52 million.

Senator O'BRIEN—So they are all the components, are they?

Mr Koval—They are the components that actually go out to farmers, yes.

Senator O'BRIEN—Similarly, the agriculture minister and the Prime Minister announced on 16 October an EC rollover in 18 EC declared areas. In his press release the minister said that these farmers 'will receive an additional \$350 million in drought support'. The Minister for Agriculture, Fisheries and Forestry made the same comment. Do you know what the assumptions are behind this figure of \$350 million?

Mr Koval—If you take the announcements on 16 and 24 October, the government announced an extension of all existing EC declared areas, bar a couple at the time. We did some preliminary estimates and we will finalise those for the portfolio additional estimates statements. We looked at the average number of people who received an interest rate subsidy in the 12 months prior to this and actual numbers of ECRP customers, and we profiled that forward. In a sense what it gives us for 2006-07, if you like, is an increase of \$96.9 million, which is in the PBS, to \$320 million for interest rate subsidies; and for ECRP an increase from \$34.7 to \$224 million, which is a difference of about \$412 million for this financial year. From next year we have \$234 million for ECIRS and \$201 million for ECRP, which is about \$435 million.

Senator O'BRIEN—How does that add up to \$350 million?

Mr Koval—By putting the two together. Certainly, it can be broken down into the 18 areas and the other areas. What it does is extend income support and interest rate subsidy for those areas for 2006-07 and 2007-08. The figures are the two numbers combined for what we will have in total for this financial year for ECIRS and ECRP, which are the two main elements.

Senator O'BRIEN—Similarly, on 24 October the agriculture minister referred to a rollover of a further 44 drought declared regions, and additional drought assistance of \$560 million. Is it the same rationale?

Mr Koval—It is the same rationale as the last two numbers. In addition, on 24 October a couple of additional measures were announced. There was \$4 million for the CWA, \$7 million for rural financial counselling, \$2.1 million for emotional and personal counselling run through FaCSIA, \$6.8 million for the Department of Human Services to repeat the campaign that we ran last year about 'do not self-assess', and about \$40 million for professional business advice and financial planning grants. On top of that there was the extension to EC assistance.

Senator O'BRIEN—How much of that is conditional on other support? Are any of those payments conditional on other payments individually or other governments?

Mr Koval—No. The states pay 10 per cent of the interest rate subsidies. The minister announced over \$60-odd million worth of other programs that are all 100 per cent funded by the Commonwealth.

Senator O'BRIEN—Even counselling?

Mr Koval—Rural financial counselling—that is correct.

Mr Thompson—The states do contribute to rural financial counselling at the base level. This additional drought funding is a Commonwealth contribution to enhance the service.

Senator O'BRIEN—You can give us those figures with the assumptions for the breakdown of expected take-up, can you?

Mr Koval—We can certainly do that. On an area-by-area basis or just the total?

Senator O'BRIEN—Area by area.

Mr Koval—Certainly.

Senator O'BRIEN—In terms of particular measures announced in the same press release—professional business and financial planning grants of up to \$5,000 to eligible farmers in regions that have been EC declared for more than three years, removal of the requirement that farmers applying for EC interest and subsidies must have operated without support for two of the past five years, increasing the interest subsidy from \$300,000 to \$500,000 and increasing the deposit cap for FMDs to \$400,000 and the off-farm income test to \$65,000—for each of these items could you provide an estimate of the cost for this financial year and for a full year?

Mr Koval—Professional business and financial advice grants for this financial year and for next year, did you say?

Senator O'BRIEN—Yes.

Mr Koval—We estimate that we are going to spend a sum in the order of \$18 million this year and about \$22 million next year. In terms of the cost of removing the 'must have operated without support for two of the past five years', we have factored that into the assumptions for interest rate subsidies already. We have not separated out that cost. It is the

same for the increase in the cap from the \$300,000 to \$500,000. We have factored that into the interest rate subsidy cost. Treasury is costing the farm management deposit changes.

Senator O'BRIEN—How many farmers are you expecting will now apply for EC interest subsidies because you are removing the requirement that they have operated without support for two out of the past five years?

Mr Koval—In those areas that have been EC declared for more than three years, I think from memory it is about 9,000 farmers. We would assume that the same producers will come forward. In terms of the increase from \$300,000 to \$500,000, we estimate that 2.2 per cent or 2.1 per cent of the total number of farmers receiving an interest rate subsidy will hit that cap in the next few months.

Senator O'BRIEN—Did you say 2.1 per cent of farmers?

Mr Koval—Of farmers who have received an interest rate subsidy, which equates to between 300 and 350 farmers.

CHAIR—Receive what?

Senator O'BRIEN—An interest subsidy up from \$300,000 to \$500,000.

CHAIR—Would you like to describe to the committee how you protect the Commonwealth from subsidising interest to farmers for capital acquisition?

Mr Koval—For example, property purchases?

CHAIR—They are innovative and inventive.

Mr Koval—I am aware of that.

CHAIR—I do not want to be too specific here.

Mr Koval—Is there an actual example that you have in mind?

CHAIR—This is all very necessary to stabilise the capital market so that the banks do not freak out and, in turn, when the banks do not freak out the small businesses do not freak out because the farmers keep buying their fuel. I can think of some scenarios where people have made capital purchases in anticipation of EC drought subsidy, and I wonder how you prevent that from happening.

Mr Koval—Each application from a farmer is assessed on a case by case basis. They have to provide profit and loss statements for the last three financial years. When the rural adjustment authorities in each state go through their application, they need to demonstrate why they are in need of government assistance. If there have been capital purchases, they do show up—the nature of the capital purchase, the timing of the purchase, and the intended use of that capital purchase. It is on a case by case basis. Certainly, back in June 2005 the government changed that. Prior to then, if you had purchased a property during the drought, it was considered that you were not in need of government assistance, that you and the financial institutions had made a judgement decision or a business decision that you were not in need of an interest rate subsidy or government assistance. Because we had a number of false starts, if you like, there was the odd case where some producers had purchased a property in 2004-05 and so the decision was made that perhaps we should allow some of those cases to come forward. The year they apply, after they purchase a property, the value of the property

purchase is taken off their debt in terms of the calculation of any interest subsidy that should be provided.

CHAIR—Let us say I borrow a couple million dollars and I have a really good accountant.

Senator FERRIS—How can that happen?

CHAIR—Senator Ferris says that it will not happen. Can it happen?

Mr Koval—I suppose you can never say ‘can’t’.

CHAIR—But you can have safeguards?

Mr Koval—We are reasonably confident that the process they go through is rigorous, and we should pick up as many, if not all of them, as we possibly can.

Senator O’BRIEN—How will the business and planning grants be paid? Is this a new program or is it an addition to an existing program?

Mr Koval—In a sense, it is a new program. At the moment it is available to farmers in areas that have been EC declared for longer than three years. We have modelled it on FarmHelp. It will be administered through Centrelink. It will be paid on a voucher system or an acquittal basis where a farmer will go off and seek that professional business and financial planning advice and will make the payment to the adviser.

Mr Thompson—Under the current FarmHelp system, which provides assistance to farmers in extreme financial difficulties, there is similar professional advice and a training grant available, and we have modelled the delivery on that. Rather than just apply it to people who qualify for FarmHelp, we will apply it to people who have been receiving drought assistance for some time who may like to get some independent advice on their business.

Senator O’BRIEN—I understand why in the current drought you removed the requirement that farmers applying for EC interest subsidies must have operated without support for two of the past five years. However, in some ways it seems to go against the notion of what is exceptional. Is this measure seen as a new permanent part of EC arrangements, or is there a plan to review it or remove it in the future?

Mr Koval—The requirement to have operated for two years without government support?

Senator O’BRIEN—Yes.

Mr Koval—At the moment we see it as applying to this drought and we will continually review it. One would hope that in respect of future droughts—we see assistance as normally provided for only two years—we will not have one that goes on for this length of time. Certainly, under most government programs, if not all, we constantly review the guidelines and see how they have been applied and make any adjustments that may be necessary.

Senator O’BRIEN—Has the government made that clear or are you guessing what their intention is?

Mr Koval—To review the two out of five years?

Senator O’BRIEN—Yes. They have removed the two out of five now. Has the government specified that that is only for a year and it will be reviewed, or what is the government’s position?

Mr Thompson—The position in the formal EC policy remains that ECs is an event that goes for two years. The current event has clearly gone beyond two years, and these provisions have been made in relation to the current event. The government has not made an announcement about whether these would continue into the future, but they are continuing for—

Senator O'Brien—You are absolutely certain that this is a one-off and that, if we get rain next winter, it will start again—back to two out of five?

Mr Koval—I could not be certain of that. What I am saying is that this decision applies to the event that we are currently experiencing and the exceptional circumstances process that is in place for the next 18 months.

Mr Thompson—We are redrafting the guidelines for all of those areas that the government has announced an extension of to put that in for those areas through to the end of this current period of assistance, which is either March or June depending where they are in 2008, when we review those areas as part of our normal process. As part of that process we will have to provide advice and a view on whether or not that should remain or should be removed.

Senator O'Brien—In the release of 24 October, the \$9 million for rural financial counselling and for family and emotional counselling was mentioned. Is this for the current financial year or over a number of years?

Mr Thompson—That additional funding for rural financial counselling is until June 2008.

Senator O'Brien—Can you give a breakdown of assistance for financial counselling and family and emotional counselling?

Mr Thompson—There is \$7 million for rural financial counselling, which will be administered by this department. There is \$2 million for personal and emotional counselling, which will be administered by the Department of Families, Community Services and Indigenous Affairs, which has responsibility for that area.

Senator O'Brien—When you say that the \$7 million will be administered by this department, does that mean it will ultimately go to the existing state and regionally based rural financial counselling providers?

Mr Thompson—Yes. The correspondence has been sent to each of those bodies to assess the need region by region.

Senator O'Brien—Who, is it intended, will be doing the family and emotional counselling?

Mr Thompson—That will be a decision for the department of families and community services. They currently provide emotional and personal counselling through a range of mechanisms, some using independent service providers in the regions and some of them may be FACSIA employees.

Senator Nash—Is there provision for travelling counsellors? There might be some providers already providing a service in an area, but are they going to travel into areas where there is no current provider?

Mr Thompson—I could not comment on how FACSIA are providing their service but, for the rural financial counsellors, we are also providing additional administrative support to allow them to support their counsellors who are available to travel to areas where there are no counsellors, or to travel to areas where people cannot travel to see counsellors perhaps for initial visits and those sorts of things. Some states have deliberately tried to have a flexible counselling service so that they can make people available on a needs basis.

Senator O'BRIEN—With this additional money for additional family and emotional counselling, is it specifically directed at certain areas? Is it limited to EC-declared areas or is it generally across Australia?

Mr Thompson—It is targeted at exceptional circumstances areas but where there is a need there is no hard fence to say that people who are in need affected by drought cannot access these counsellors. It is the same with the rural financial counsellors, they are a permeable service that services people who are in financial distress and that will target the areas of greatest need, which are exceptional circumstances declared areas, but the service is available more broadly as well.

Senator O'BRIEN—Are you able to tell me how many rural financial counsellors there were in each region prior to the new arrangements for this service coming into force?

Mr Thompson—I can. It is a long list of numbers to go through.

Senator O'BRIEN—Are you able to say as well what the expected growth in numbers will be, or is this going to provide additional funding to existing counsellors?

Mr Thompson—It is a slightly variable number as counsellors come and go, but we expect there to be additional counsellors on top of the current number of about 10 to 15. Again, the cost of providing counsellors varies from region to region, depending on cost of administrative support travel that they may need to acquire and their degree of cost in maintaining infrastructure in different communities.

Senator O'BRIEN—Is it expected that there will be growth in the number of counsellors in particular areas or is that a bit random?

Mr Thompson—We have done some preliminary analysis of where we think the greatest demand is, based on the impact of drought, the number of clients that current counsellors are seeing and the area serviced. The services in those areas have been approached to seek their views on how many counsellors they believe they need and what sorts of resources they need and we will come to a conclusion from there as to how many. Certainly we will be targeting those areas which are most impacted by drought over a period of time, where there are a large number of farmers in financial difficulty and where we have a history of a lot of people approaching financial counsellors for assistance.

Senator O'BRIEN—It is a work in progress?

Mr Thompson—It is a work in progress.

Senator O'BRIEN—Have you any expectations at the moment? Do you know where assistance is being sought?

Mr Thompson—We would expect central and southern New South Wales to require extra counsellors, and the drier areas of Victoria, western New South Wales, South Australia and parts of Western Australia. If you look at any of these maps that have been produced today about where drought is, it will essentially be those areas where there is a larger number of smaller farmers in difficulty.

Senator O'Brien—Can you take the committee through the process used by the department to assess the budgets submitted by individual financial counselling services?

Mr Thompson—I am not sure what you mean by 'through the process'. We advertise for individual service providers to submit for grants to provide financial counselling services. They put in submissions based around our notional indication of what we think a salary package for counsellors would cost. They then put in submissions which take into account demand, the number of counsellors, the number of support staff that they would need, the cost of fuel, travel, administrative infrastructure, office space and those sorts of things. The budgets were considered by an advisory committee at each state level. The advisory committee comprised someone from the Australian government, someone from the state government and two people from the community—one with experience in counselling, social or community type activities and one who had a background in agricultural industries. They then looked through those budgets. They looked through the capacity of the services and they came to some conclusions and provided advice to respective ministers about which services could be supported at what level of funding. There is no secret that the bids, put in for assistance from a number of services, were well in excess of funds available and well in excess of the previous costs of providing the service. Despite the Australian government's contribution increasing significantly over the last 12 months, the amount of money available was not at the same level as people requested, but it was significantly more money than had been provided in the past. The amount of money that was able to be provided was less than the expectations that some of those groups had.

Senator O'Brien—One of the key features of the new model was to be the appointment of a national rural financial counselling facilitator. Has that position been advertised yet, and when do you expect that it will be filled?

Mr Thompson—The position was advertised. I do not have the exact date of when it was advertised, but it was some time ago. We went through a process of interviewing a range of candidates and considering a range of candidates. At the same time we also looked at the overall budget available to the service and the evolution of this new model of delivery at a state, regional and community level. We then came to the conclusion that filling the position at this time was not the best use of the resources available. So, whilst it was advertised and we went through a process, we will not be filling the position of a national rural counselling facilitator, but the money is being applied to what is called a training and outreach model, which we are commencing to implement now. We will be talking to each of the service providers about what sort of training they need for their service provider and for their counsellors to assist them to implement their function. We will also be using the resources of the department to go out and speak to the rural financial counsellors and service providers about issues that they have. We will then work as a department to try to address those issues.

One of the other functions the national facilitator was to have was to help the counsellors and the service providers work together and link in with government. We have already had a workshop of all the providers of rural financial counsellors in Melbourne. We got them all together and ran through a whole lot of issues about management, governance, budget and some of those training needs. Next month we will be holding a similar workshop with counsellors to provide them with information about government programs, how their job evolves in the new arrangement and providing links with them into government and into other related service providers. In a sense, at the present time, instead of having a national facilitator of rural financial counselling, we are using a range of mechanisms to achieve those functions.

Senator O'BRIEN—In June last year Senator Colbeck, the then Parliamentary Secretary to the Minister for Agriculture, Fisheries and Forestry, announced that the government was about to appoint 10 drought relief counsellors for 2005-06 through Centrelink and that they would be located in the areas of high demand and need. Was that a one-year only measure, or were these drought relief counsellors reappointed for the current financial year?

Mr Thompson—That particular initiative was a one-year initiative. Those 10 staff were appointed and functioned as drought relief counsellors through Centrelink. They were placed in a range of offices across Australia. That program has not continued, but Centrelink has put in place what I think they call a Rural Outreach Program and they now have some of those same people plus other resources working from Centrelink out in the community to extend what services and resources Centrelink has available for the community. Centrelink has evolved that function.

Senator O'BRIEN—Is it no longer a function of this department?

Mr Thompson—It is no longer a function of this department.

ACTING CHAIR (Senator Ferris)—Are you looking at any initiatives that may assist some of the businesses that are suffering the effects of the drought in some of the small towns in drought affected areas?

Mr Thompson—The issues of small businesses and businesses that are dependent upon agriculture have been raised with a number of Australian government ministers, and I understand they were raised with the Prime Minister on his visits last week. The government is looking at those requests.

ACTING CHAIR—Are you able to give us any indication of the sorts of things that are being examined?

Mr Thompson—I could not give you an indication of the sorts of things being examined, because it is at such a preliminary stage. But the sorts of things that have been suggested by people in the community are things like support for harvesting contractors or spray operators, interest rates, financial assistance for other businesses in the community or something more general to support rural communities that are impacted by drought. A range of those issues have been brought to the attention of the government.

ACTING CHAIR—One of the issues that has been raised with me is the difficulty facing young people who may find themselves having their apprenticeships cancelled by local small

businesses, or even young people who have been working for contractors—housing, fencing, shearing or whatever. Are you looking at anything that may assist those people?

Mr Thompson—We have been made aware of those issues, but it is not something that this department would directly get involved in when it relates to small business employment or apprenticeship type schemes. There have been meetings between Commonwealth departments where these sorts of issues are put on the table and, as a range of departments, we work out who is doing what and what might be able to be done.

ACTING CHAIR—Do you have any figures that would indicate the number of people who could be affected by that? Does your department keep figures on rural apprentices?

Mr Thompson—No, our department does not keep those figures.

ACTING CHAIR—Would it be possible for you to have a look and see whether they could be supplied to us so that we can see the breadth of the numbers of people who are at risk? Clearly when the drought ends a number of these young people may no longer be in these places. One of the difficulties is that when you lose that infrastructure it is often difficult to get it back.

Mr Thompson—I appreciate that. We would have to approach other government departments to obtain that information, but some information would no doubt be available about the number of apprentices in rural areas, perhaps by sector or something like that.

ACTING CHAIR—One of the issues that has been raised with me is the potential to extend the skills package that was announced recently to enable young people under 25 to have access to the \$3,000 grant so that they could upskill themselves to be ready for when the drought ends. Perhaps that might be something that the IDC might look at as well.

Mr Thompson—If it has been raised with any of the Commonwealth ministers, those will be the sorts of things being looked at. I should say for those states where FarmBis operates, if some of those people under 25 are part of the management team of a farm business, FarmBis are training and assistance is available for a range of courses which may be able to assist people. It provides a subsidy for people to participate in training. A number of states have been targeting that at young people involved in farm management.

ACTING CHAIR—One of the rural financial counsellors that operates in South Australia has sent me a number of points that I would just like to raise with you. He says:

An example of the interest rate subsidy not doing what I would have thought it was designed to do came to my attention today. A client faxed through their letter received from Rural Assistance Authority dated 24 October which explained why their application has been refused. The business of two brothers and their wives in their late 40s are in an EC declared area and satisfy the off-farm assets test. However this failure to qualify does not seem to hit the press. The letter said the following: ‘The Authority was not satisfied that the enterprise is in financial difficulty due to extreme drought conditions. From the information contained in the application and associated material it was noted that the farm enterprise has a recent history of operating profits—\$275,000 in 2003; \$113,000 in 2004; \$52,000 in 2005. The farm business has strong equity in the ability to meet all commitments, operating expenditure and meet living conditions and expenses of the family members. The farm business also has access to shares and some off-farm assets. The farm business had the capacity to borrow additional funds to purchase an investment property in 2003 and additional farming land in 2004 with the full knowledge of the

prevailing drought conditions. Therefore, the farm enterprise is not considered to be at financial risk as a result of extreme drought and the application for assistance is therefore declined.'

The financial counsellor says:

What amuses me is that farmers have to have sustained operating losses to qualify for assistance and yet also they have to be deemed to be viable. This is a very big ask.

He goes on say:

Is the government trying to keep businesses with a future in agriculture or those that do not have a long-term future? It appears that the policy confuses social issues with economic issues and applies social solutions to economic problems. The end result is that the subsidies become capitalised into land values and the adjustment process is hindered from continuing as it should.

Would you like to respond to those points?

Mr Koval—It is hard to comment on a specific case without getting some more information on the clients, but the general principle of the EC interest rate subsidies is that the farm business must be in financial difficulty due to the event in question; in this case it is drought. If the farm business can continue to make profits, after meeting all expenses, then we would have to have a look and see if that was a trading profit or a taxable income. There may be different definitions around that. If they can continue to make a profit and continue to invest off farm, it does become difficult to demonstrate that they actually are in financial difficulty.

ACTING CHAIR—Where do you draw the line with viability and profitability? It seems to me to be a balance between determining that some of these applicants are viable and therefore worth helping, or profitable and therefore not qualifying. I would have thought that the profit that these people made in 2005, which was \$52,000, would simply be a demonstration of viability rather than profitability.

Mr Thompson—One of the points that Mr Koval made is that it is very hard to comment on the specifics of a case when you do not have the details. As he said, profit can sometimes be a trading profit or a taxable profit.

ACTING CHAIR—I understand that.

Mr Thompson—There could well be a whole lot of living expenses or alternative investments made so that the people involved are actually not particularly in financial difficulty. We are not in a position to make that sort of judgment. But you are correct in that it is a judgment that the state rural authorities, on our behalf, have to make as to that line between being viable, being unviable and therefore perhaps not worthy of assistance and being too profitable. We rely upon them to exercise that judgment, in accordance with the guidelines that we provide. Instances such as the one that you raised come up from time to time and we examine them and provide our opinion on that sort of thing. We get them together from time to time and discuss the sort of principles that one should be using to determine viability so that the judgment is consistent across years and across jurisdictions as much as possible. There is also the possibility in each of those jurisdictions for applicants for assistance to appeal on the decision and have it re-examined on the basis of new information or an interpretation of the information that perhaps was not available at the time.

ACTING CHAIR—Can you just explain to me how viability is determined?

Mr Koval—Viability is not a black and white thing. There is no set formula for it.

ACTING CHAIR—There is no set figure that if you would make a profit of X amount, that makes you viable? Is there a cut-off point?

Mr Koval—No. There is no hard number such as that. If your profit levels are greater than X, you are too profitable. It comes down to: can the business sustain on-farm operating costs, the ability to invest in new capital, to provide living expenses, and to meet financial commitments over a period of time, as well as current and in the future? Viability is based on a case-by-case basis. There is no black and white. I cannot sit here and put my hand on my heart and say a viable farm looks like A, B and C in terms of hard numbers, but the viability assessment is a rigorous one. It takes a fair bit of time. The states go into a lot of detail. They look at the past trading history and current trading arrangements or conditions or status of the business, and then look at the projections of what the farm is saying are likely to come up over the next 18 months or two years.

ACTING CHAIR—Are the criteria the same in every state?

Mr Koval—The guidelines are the same in every state. The only difference is the description of the area and those types of things, but the actual guidelines themselves are consistent across the states. As Mr Thompson said, we bring the states in, and we do it on a regular basis, to sit down and talk through some of these issues with them to try to get that consistency between states. We work very hard to try to get that as best we can. There are some differences between industries, but nevertheless we do attempt to try to get as much consistency across the nation as we possibly can.

ACTING CHAIR—Are you satisfied with the interpretation that each of the states is applying within those guidelines?

Mr Koval—In just about all cases that come forward to me to have a look at—I get a number through ministerial requests where they write in to ministers—the guidelines have been interpreted consistently. There has been the odd case here and there where circumstances have changed since they made their initial application and six, nine or 12 months have past since they have written to us. Then they are told to reapply and be reassessed, but in general I would have to say in all the cases that I have looked at they have been applied pretty much consistently across the country.

ACTING CHAIR—Could you give me any indication of the number of appeals that might be lodged and the rate of success of those appeals?

Mr Koval—I do not have the number of appeals.

ACTING CHAIR—You might need to take that on notice.

Mr Koval—I do know roughly across the country in terms of interest rate subsidies, the rejection rate is around 20 per cent over the last four and a bit years.

ACTING CHAIR—This is in EC declared areas?

Mr Koval—It is EC declared areas. It is approximately 20 per cent. It is reasonably consistent between states. There is some variation between them. The most common reason

for producers being rejected initially has been that they have been deemed to be not in need of assistance.

ACTING CHAIR—As determined by some of the criteria that are listed that I read out to you?

Mr Koval—That is correct.

ACTING CHAIR—I would appreciate it if you were able to tell me what rate of appeal there is and what percentage of those appeals are successful. I realise that you may need to take it on notice.

Mr Koval—I will also need to contact the states to get the latest information.

ACTING CHAIR—That would be useful.

Mr Koval—I am happy to provide it on notice.

ACTING CHAIR—Thank you. Senator O'Brien, would you like to go back now?

Senator O'BRIEN—The annual report talks about the department contracting the South Australian Centre for Economic Studies to review farm help. They are expecting the results in August 2006. Have the results been received? Were there any changes recommended for farm help? What happens now? When will we expect an announcement?

Mr Thompson—That evaluation of farm help has essentially been completed. The report is currently being finalised and is with the minister and the government. The announcement of any recommendations coming from that will be considered as part of the future of the AAA program. It will be a matter for government decision making in the budget context.

Senator O'BRIEN—Can we expect an announcement in the budget?

Mr Thompson—I could not be certain. It is an evaluation of a program, and continuation of programs are announced in the budget. I could not commit the government to whether or not it is going to make that announcement.

Senator O'BRIEN—What about the review of Industry Partnerships Program by URS?

Mr Thompson—That report is almost completed as well and feeds into the same process as farm help.

Senator O'BRIEN—I do not have any more questions for this section.

ACTING CHAIR—Natural Resource Management is next and then Fisheries and Forestry. Do you have any questions for Natural Resource Management?

Senator O'BRIEN—I have some.

ACTING CHAIR—I know that there are some questions for Fisheries and Forestry and I see that it is 10 o'clock. Do you have questions as well?

Senator O'BRIEN—No. Senator Sterle is asking all of our questions on Fisheries and Forestry.

Ms Hewitt—I just wanted to say that this will be Don's last appearance.

Senator O'BRIEN—Wait; we have got more questions!

Ms Hewitt—Don has announced that he will be retiring from the department at the end of January next year. He will be greatly missed as a colleague. I know that he has spent many hours before you here at the committee.

ACTING CHAIR—On behalf of the committee, can I thank you for your assistance over the years. This is one more familiar face disappearing from the estimates table. I have only just got used to Mr Wonder having disappeared from the table, but I do see him from time to time on aircraft and he looks a lot happier. I can predict the same outcome for you perhaps.

Mr Banfield—Thank you very much for your patience over the years. I will be watching with interest the proceedings of the committee, but from a safe distance.

ACTING CHAIR—On behalf of all of my colleagues, thank you for your patience and your assistance.

[10.04 pm]

ACTING CHAIR—Perhaps we can do natural resource management until 10.30 and then go on to Fisheries.

Senator O'BRIEN—I am hopeful to be concluded before then, if we have quick questions and succinct answers.

ACTING CHAIR—Let us proceed. Senator O'Brien.

Senator O'BRIEN—I turn to the Living Murray Initiative. Last year's PBS forecast expenditure for the Living Murray Initiative was \$25 million. The revised number in this year's PBS was one-tenth of that. That is a pretty big shortfall. The funding that was announced in this budget—the \$500 million—I assume will be funding paid to the Murray-Darling Basin Commission. Is that right?

Mr Aldred—Yes. The \$500 million that is included on page 25 of the PBS relates to a \$500 million grant that was paid at the end of June 2006 to the Murray-Darling Basin Commission.

Senator O'BRIEN—According to Budget Paper No. 2, funds will be expended over five years as project milestones are completed.

Mr Aldred—That is correct.

Senator O'BRIEN—Have they got the money up front?

Mr Aldred—They have.

Senator O'BRIEN—You were expecting four projects to come forward under this program, but at the point of last estimates only one had come forward, and that was from Victoria. The projects you were expecting were a project to recover water from the Murray-Goulburn; a project to recover water from the decommissioning of a structure called Lake Mokoan; a project to recover water from an innovative market based approaches; and a project to recover water from improved efficiencies in irrigation and wetland structures. Do we now have any investment plans for each of these projects?

Mr Aldred—The only investment plan we have received was for the Goulburn-Murray water recovery proposal. The Australian government has made a commitment of \$37.2

million, in January 2006, to that project. There has been some liaison on investment plans with jurisdictions on a couple of the other projects, but we have yet to receive final investment proposals from the states.

Senator O'BRIEN—How much is available this financial year?

Mr Aldred—In this financial year our appropriation for the Living Murray Initiative for 2006-07 is \$55,226,000.

Senator O'BRIEN—Last time you told us that there was a whole lot of rephrasing going on. Can you give us the budget for not only 2006-07 but also the out years?

Mr Aldred—Yes, I can do that. It might take me a moment to find it.

Mr Quinlivan—While Tom is doing that, I might just clarify a point in your previous question. The \$500 million is not actually for the Living Murray program. It was a payment to the Murray-Darling Basin Commission. They are two separate programs.

Senator O'BRIEN—That is right, and there are milestones to be determined.

Mr Quinlivan—Yes.

Senator O'BRIEN—Do we have those now?

Mr Quinlivan—The commission is working those up in its budget for the five years, so we will have those shortly.

Mr Aldred—The figures I have are \$55,226,000 for 2006-07, \$53,575,000 for 2007-08, \$48,715,000 for 2008-09 and \$40 million in 2009-10. That is the original \$200 million that was allocated to the Living Murray Initiative.

Senator O'BRIEN—Getting back to the \$500 million into the Murray-Darling Basin: the budget papers told us that the funding would go to accelerating their capital works program, funding additional measures under the Living Murray environment works and measures program and allowing the Murray-Darling Basin Commission to participate in the Living Murray agreement to deliver 500 gegalitres for environmental water flows. How big is the MDBC capital works program annually?

Mr Aldred—I might have to take that one on notice. I have not got the specific split here. The annual budget for 2006-07 for the commission this year is a total of \$156,424,000. The capital works is part of that.

Senator O'BRIEN—I am interested in what the capital works program is and how it will be enhanced out of the additional \$500 million.

Mr Quinlivan—I am not exactly sure how much of this is capital, but when the program was designed we were envisaging that about \$45 million per year over the five years would add to the ongoing operations of the commission, including capital. It would lift the yearly budget from about \$90 million to about \$135 million, most of which is capital.

Senator O'BRIEN—What about the environmental water flow component—how much is expected to be put aside out of the \$500 million for that?

Mr Aldred—In this financial year the figure is about \$32 million that will go towards the environmental works and measures program. Essentially, we have a draw down against that

\$500 million of \$58,219,000 from the Australian government's cash injection, and about half of that will go towards bolstering the environmental works and measures program.

Senator O'BRIEN—Is the environmental works and measures program another terminology for putting water back into the Murray, or is it something else?

Mr Aldred—No, the works and measures program is essentially a range of activities related to what you do with the water once you have got it. It includes the construction of things like fishways, some modelling, some of the operational aspects of using environmental water, and the construction of regulators and so on. Some of those activities are capital in nature.

Senator O'BRIEN—Given this Living Murray Initiative commenced in mid-2002, being formally signed off by all members of the council in June 2004, what actual progress has been made in restoring environmental flows to the river system to date?

Mr Aldred—There have been a range of environmental flows that have been implemented in the river. A particular example would be last spring when, from recollection, about 510 gegalitres was put into the Barmah-Millewa forest to facilitate breeding of waterbirds, to water-stressed red gums and so on. There have been a range of activities that have been undertaken. Some of the examples that I gave you just a moment ago in the environmental works and measures program are similarly planned for this year.

Senator O'BRIEN—Can you give us full details of those on notice?

Mr Aldred—Yes, I can.

Senator O'BRIEN—And details of the water flow additions, how they will be achieved and what the timetable is proposed to achieve that?

Mr Aldred—I can do that.

Senator O'BRIEN—Given there is obvious interest in the other initiative, I think we will go to Fisheries now and I will put the rest of my questions on notice.

ACTING CHAIR—Thank you very much; that assists a great deal. We will go to fisheries now.

[10.15 pm]

Australian Fisheries Management Authority

Senator IAN MACDONALD—I will ask either the minister or the secretary: I understand AFMA is now a commission.

Senator Abetz—It will be a commission as of 1 July 2008. There is quite a long lead-in time, which will basically allow the current AFMA structure to remain in place whilst buyback and other things are occurring and the ministerial direction being—

Senator IAN MACDONALD—What will their name be?

Senator Abetz—The same.

Senator IAN MACDONALD—Australian Fisheries Management Commission?

Senator Abetz—Authority—I think we are still going to call it the same name.

Mr Quinlivan—Correct.

Senator IAN MACDONALD—What will be different between the old AFMA and the new AFMA?

Senator Abetz—There are some legal reporting requirements et cetera, but the main difference in practical terms will be that the dealing with the illegal fishing issue will be back in the department and they will be reporting to me.

Senator IAN MACDONALD—That could have been done without changing it from an authority to a commission.

Senator Abetz—Yes.

Senator IAN MACDONALD—That is very sensible, of course.

Senator Abetz—The board/commission structure will mean that there will not be a government representative on the commission any more.

Senator IAN MACDONALD—That is also very sensible, but that did not need a change to a commission.

Senator Abetz—And you cannot be an active CEO of a fishing organisation or be considered to be—somebody might help me with this—heavily involved in the fishing industry. You can have some interests, but—

Senator IAN MACDONALD—Again, that did not require a change from an authority to a commission, because the appointments are all—

Senator Abetz—No, I agree.

Senator IAN MACDONALD—What is the reason for the change from an authority to a commission, apart from this ridiculous adherence to Uhrig because someone paid Mr Uhrig to make some recommendations and we have to justify—

Senator Abetz—They are your words, not mine.

Senator IAN MACDONALD—Yes.

Senator Abetz—Can I say that the compromise, for want of a better term, that has been reached in relation to the commission—for example, the agreement that the chairman of the commission can be a separate person to the CEO of the commission—is also something that I think was desirable. To a large extent, I think it will be business as usual, but the reporting and the requirements will be different.

Senator IAN MACDONALD—Those elements you have mentioned are all very appropriate in my view, for what it is worth, but it all could have been done, as I understand it, without changing from an authority to a commission. I am trying to grasp why they bothered, apart from justifying Mr Uhrig's fee and the recommendation of whichever minister recommended to you that we have the Uhrig commission. I understand that the staff of the authority will now be public servants. There is no trick question; I am curious as to—

Senator Abetz—It was government policy to implement Uhrig.

Senator IAN MACDONALD—That is not right, because they have not implemented it across the board.

Senator Abetz—That is right. Then it was an issue as to how it would fit in relation to a variety of different government undertakings and of, for want of a better term, reaching a compromise as to fitting the commission model but being able to separate the chair from the CEO and those sorts of things that the original, or the suggested, model would not have seen.

Senator IAN MACDONALD—This is not a trick question, but I am just curious about and trying to find out the technical difference between an authority and a commission. I understand one difference is that the staff are now public servants rather than whatever they were before. But, apart from that, is there a—

Mr Quinlivan—There will be a number of changes in the way resources and so on are managed as well as the decision-making arrangements within the new organisation. The CEO's role will be significantly enhanced in the current model within the statutory authority set up under the Fisheries Management Act. At present the board is responsible for decisions of resource allocation and so on and may choose to delegate those sorts of decisions to the managing director. Under the new model the CEO will be responsible for resource allocation and the employment of employees of what will still be AFMA. The commission will make the decisions on fisheries management matters; the CEO will report to the minister on illegal foreign fishing directly and will have no accountability to the new commission on illegal foreign fishing. The CEO's role will be significantly different at law although, picking up the point you made earlier, I think it will reflect the best aspects of the CEO's current role in practice.

Senator IAN MACDONALD—I am conscious that the fishing industry pay a substantial part of the cost of managing the fisheries by way of levies and fees. The quid pro quo for that is that they get a say by having involvement in the management committee. Up until this arrangement was made, they had a say by perhaps having some of their number on the board, although there was always some hesitation about that—wrongly, I think. Will the fishing industry still have the same input into the decisions of the commission or the authority, whatever it is called, through the management advisory committees that they have at the present time?

Mr Quinlivan—Yes, the government announced in announcing the changes that the consultative arrangements and the advising arrangements through the MACs and the RAGs and so on will be continued. It will be a continuing responsibility of the commission and the CEO to refine those over time, but at present the current model seems to be working. Our expectation is that it will be retained in pretty much its current form.

Senator BERNARDI—I have two questions. They were principally for Mr Hurry in regard to the meeting about bluefin tuna conservation in Japan. Would you be able to take us through the process that the Australian delegation went through in order to achieve what I call an outstanding outcome for the tuna fishers?

Senator Abetz—Good on you for saying that. Before Mr Hurry answers, I was just going to say I think the tuna fishing industry and, indeed, Australia owe a debt of gratitude to Glenn Hurry and his team for a fantastic job in Japan.

Senator IAN MACDONALD—And in Australia too.

Senator Abetz—In Australia as well, but especially in Japan.

Mr Hurry—Thank you. I am not often lost for words, but thank you for the question. I guess we started a process after the meeting last year where we did our homework particularly well on the Japanese overcatch, or what we thought at that time was the Japanese overcatch, in fisheries. We employed a company called Kroll International to do a proper survey of the Japanese market for tuna and to establish some fairly conservative figures for overcatch. On the basis of that, we had a fairly strong brief from the government and strong support from the minister in taking a fairly hard approach with the Japanese.

Through a series of negotiations in Japan over five or six days, we were able to maintain the Australian quota at where it was, at 5,265 tonnes, and, I think for one of the first time ever, get the Japanese to actually take a cut to a quota in an international fishery. We got just over a 50 per cent reduction in their quota and a set of management arrangements in place which we need to develop a bit further but which we think will allow us to get a good picture of the reduction in the Japanese catch and also monitor the amount of fish that they sell through the trading houses and on the market in Japan. I think we have some good monitoring and control outcomes. We have a good result for the Australian tuna industry. It was a fairly interesting week, but it was one that I think built on some good work that we had done as a team with industry over the previous 12 months.

Senator BERNARDI—Is it fair to say that the final outcome was not likely to be reached early in the negotiations? Were there some difficulties negotiating with the Japanese? I heard that our delegation actually walked out at one point.

Mr Hurry—Yes, we did. We put up with about 5½ days of a fairly slow process and at the end of the Thursday afternoon we walked. We basically suggested to the Japanese that putting a paper on the table that still, after 5½ days, showed them having more fish than us in a final allocation probably was not appropriate and that if they wanted to have a sensible discussion about this we wanted a different sort of outcome. Pretty much by the next morning we were on target for what we wanted. Yes, it was a pretty robust discussion, but fisheries meetings, when it comes down to deciding who gets what cut of an international quota, are often fairly robust. So, yes, it was an interesting couple of days.

Senator BERNARDI—Just finally, as a South Australian senator I say, ‘Congratulations’. It has made a very big difference to the South Australian tuna fishing industry, particularly because their quota has been maintained. I think it is over 50 per cent of the global catch which is, if I am right, 5,200 or so tonnes, and that is terrific. I have some very happy constituents, so well done.

Mr Hurry—Thank you. One of the real advantages was that we got them three years of quota, which will make a difference and it should allow them to stabilise and build the industry on the basis of some certainty—

Senator BERNARDI—Do you think, under the current quota system, the fish stocks are sustainable going forward for the next decade or so?

Mr Hurry—Based on the science we have at the moment, we do. One of the reasons we wanted a three-year fixed period was to allow us to re-do the science that we have been working off over the last 15 or 20 years, to be sure that what we move forward on is right. With the amount of Japanese overcatching, it is difficult to recreate the science in a way

where you are certain without doing some more work. At this stage, yes, we are reasonably comfortable that we are sustainable at current catch levels.

Senator BERNARDI—I do not want to create an international incident, but were the Australians supported by other signatories to this agreement in trying to achieve this sort of outcome?

Mr Hurry—Not all the way through it. I mean, we ran a race a bit on our own on this one. We put all the money into doing the market survey in Japan and the Japanese paid their two academics, but the cost of the Kroll exercise fell to the Australian government and the cost of a lot of the survey work we did on the farming sector in Port Lincoln fell to our government as well. We have undertaken to do some more survey work on the way we monitor the fish coming in and out of our farms to be able to assure the international community that we have an industry based on solid monitoring as well, so all those costs have fallen to us. No, largely we were on our own in this.

Senator BERNARDI—It was a good result; thank you.

Senator STERLE—I do not know who my questions are directed to, but I am sure someone will jump up and answer them. I want to talk about the harvest strategy policy. I note that you, Minister, issued a press release on 10 October 2006 announcing that the consultation period of the harvest strategy policy has been extended. Can you provide some details of these consultations?

Senator Abetz—Who does that for us?

Mr Sisson—The situation with the harvest strategy policy is that currently a draft of that is being finalised. At the same time, in parallel, a more detailed set of implementation guidelines is being developed. What the minister announced was that it would be useful for industry and other stakeholders to see both the guidelines and the policy together. That consultation period should commence later in the year, possibly next month, with a view to finalising the policy under guidelines in March next year.

Senator STERLE—Can you tell us then who is being consulted?

Mr Sisson—It will be a general consultation. It will be put out broadly to all the relevant stakeholders, to all Commonwealth fishing bodies, industry associations and other interested parties such as conservation and non-government organisations.

Senator STERLE—What are they actually consulting about?

Mr Sisson—The nature of the harvest strategy policy itself, the settings contained in that policy and what it covers. When the minister announced the ministerial direction under section 91 of the Fisheries Administration Act last December, it included a series of initial and default settings for a harvest strategy that was to remain in place until a review of these settings had been undertaken and a world's best practice harvest strategy policy was developed.

Senator STERLE—Do they have a draft document, for example?

Mr Sisson—A draft document was put out for limited consultation in June of this year prior to being provided to the minister.

Senator STERLE—Would it be possible to provide a copy of the draft policy to the committee?

Mr Sisson—At the moment it is very much a work in progress, so it is full of edits. I imagine it would be—

Senator STERLE—That is all right, but would it be possible to provide a draft copy?

Mr Sisson—Yes, I imagine it would.

Senator Abetz—We will take that on notice.

Senator STERLE—If you could, thank you. When did you say the consultation will be completed?

Mr Sisson—The documents themselves should be finalised around March next year. That is what the minister announced.

Senator STERLE—I recall that the expert review of the Commonwealth harvest strategy policy was due to report on 30 June 2006 and was to be reviewed by international fisheries experts. Was that report produced on time?

Mr Sisson—It was, yes.

Senator STERLE—How did international experts view the report?

Mr Sisson—We involved an international expert in the preparation of the review. The review itself led to the draft policy document. The international experts who were then consulted as peer reviewers viewed the draft policy favourably. The sorts of comments they had on the draft policy went beyond the nature of policy, they went into considerable detail. It was at that stage that we decided that a lot of the questions that they raised should be taken up in implementation guidelines.

Senator STERLE—Do you still anticipate that harvest strategies will be in place for all Commonwealth fisheries by 1 June 2008?

Mr Sisson—By 1 January 2008, indeed.

Senator STERLE—I would just like to make a comment on the Commonwealth fisheries buyout. Minister, you announced the opening of the second round of tenders for the voluntary fishing concession buyback?

Senator Abetz—Yes.

Senator STERLE—Can you give us a breakdown by fishery of how the \$90 million provided in the first-round funding was spent?

Senator Abetz—We can give you a basic breakdown of the figures in the various fisheries. It was on the back of the press release when I announced the second round at the time, so I—

Mr Hurry—I have a copy of the table here, if that helps. It would probably be easier than me trying to read through them all.

Senator Abetz—Yes. There are a whole lot of fisheries.

Senator STERLE—How many concessions were bought out in each Commonwealth fishery?

Senator Abetz—That is on that table as well.

Senator STERLE—A number of concessions existed in each Commonwealth fishery before the buyback. Would they be there as well?

Mr Hurry—We have got the total number of concessions in each fishery on the table and the quantity of concessions surrendered are there in each of the four target fisheries and also in the non-target fisheries.

Senator STERLE—That is in that document?

Mr Hurry—It is in the one that is just there, yes.

Senator STERLE—Is information on the number of boats that were taken out of each fishery on there?

Mr Hurry—No, but I can give you that. Of the actual boats that were surrendered, there were only four vessels that have taken advantage of the buyback scheme. That is not to say that a lot of those vessels whose owners have surrendered their licence will continue to fish. I mean, they may sell their vessel or they may use it for recreational purposes or whatever. But there will be more vessels than that that actually exit the fisheries.

Senator STERLE—They were all in the same fishery, were they?

Mr Hurry—I would need to check. Those four are the ones that took advantage of the \$25,000 offer to scrap their boat.

Senator STERLE—Can you provide us with the details of what fisheries they came out of?

Mr Hurry—Yes, we can do that.

Senator STERLE—By how much was effort reduced in each fishery?

Mr Hurry—It is on the chart. You can work back through it.

Senator STERLE—Can you tell us how this translates to reduction in catch landed?

Mr Hurry—No. We were targeting the effort in the fishery, not the catch landed. We were trying to reduce the overall effort in the fishery itself.

Senator STERLE—Did you not want to know what the catch landed was to achieve that? Wouldn't you need to know that?

Mr Hurry—No, not really. We needed to know how many people had how many licences and how many statutory fishing rights in each fishery. We then tried to pull the level of fishing effort down. The actual catch levels of the fishery are set by AFMA, which determines what the appropriate level of catch by species in each fishery is.

Senator Abetz—There has been a bit of confusion with this. I hope I do not add to it. AFMA set the total allowable catch in each fishery. That then gets divided up amongst those who are the active fishermen within that particular sector. What we have done with the buyback is remove some of the effort above the water, hopefully as a result making those that remain more economic.

Senator STERLE—Would we assume that each fisherman catches the same catch? Is that what we are basing the average on?

Senator Abetz—No.

Mr Hurry—No. Each fisherman held a certain amount of statutory fishing rights or quota in each fishery. They were able to trade that quota or buy and sell it, but in any given year they could catch up to the quota or statutory fishing right holding that they had. If a quota for a fishery was, say, 2,000 tons and you had 50 fishermen fishing in it, then they would have variable levels of catch but up to a total of 2,000 tons. If you reduced that number of fishermen fishing in there, which is what we tried to do, back to 20 fishermen, then the theory of the buyback is that those 20 who remain in the fishery will be more profitable because they can still catch the same level of fish.

Senator STERLE—I do understand that. I am not sure if everyone got to the quota each year or if the industry got to the quota each year. Did they?

Mr Hurry—Yes.

Senator STERLE—The reason we ask that is that you have to have something to measure against. I fully understand the simple mathematics would be that, if you take out X number of licences, fishermen or boats, you would expect, if everything was going perfectly, that the quota would be shared amongst more people, making it more viable.

Senator Abetz—Basically, the economies of scale become more favourable. We are hoping it will become more favourable for those who remain in the industry.

Senator STERLE—I will move on now, because I am mindful of the time. It will be interesting to see where we are in 12 months time. Could you tell us how many jobs have been taken out of each fishery, both at sea and onshore? Do you have those figures?

Mr Hurry—No, not at this stage. There is a socioeconomic study under way by, I think, ABARE and the Bureau of Rural Resources, which is due to report in November, which will give us some idea of the impact of the first part of the package and also some idea of the ports that were most impacted on by the reduction of fishing effort.

Senator STERLE—I assume that in allocating tenders you were working toward some sort of benchmark for each fishery in terms of the reduction in effort or catch or some other target, and that is what we will wait for in 12 months time.

Mr Hurry—For the four targeted fisheries that we had, that is the case.

Senator STERLE—Were those benchmarks met?

Mr Hurry—In two of the four fisheries, yes, they were. We were largely around where we wanted to be in the south-east fishery. We were a little bit over in the east coast tuna fishery. We got 37 per cent of what we were after in the Northern Prawn Fishery, but only a small amount of the Bass Strait scallop fishery. We are now running a second round of this tender, which was always an option that we reserved because we were looking for value for money in this process; that was our overriding goal. We have now gone out for a second round of the tender, and the two target fisheries in the second round are the Northern Prawn Fishery and

the Bass Strait scallop fishery, to try and attract the right level of bids in those fisheries to meet our targets.

Senator STERLE—Were any concessions bought back from fishers who were not actively fishing?

Mr Hurry—That is possible, because we bought a raft of different concessions from people that were out there, and the idea was to reduce the overall pool, to stop them becoming active in the fisheries. Some may have been active and some may have been inactive.

Senator STERLE—So they may have had a quota, a little quota or no quota at all?

Mr Hurry—Yes, that is right.

Senator STERLE—We are not sure of that?

Mr Hurry—They would have had an entitlement to fish and would have had statutory fishing rights in the fishery. Some of them may have held their quota or sold their quota, but they were selling their rights to fish in the fishery.

Senator STERLE—Would you be able to provide the details to the committee?

Mr Hurry—I am not sure whether we could determine which ones were active or inactive. I am happy to take it on notice, but I am not sure that we can provide you with that information.

Senator STERLE—That is fine. Do you anticipate that the buyouts will have any impact on the price of fish for the consumer?

Mr Hurry—I think there is a broader issue worldwide about the shortage of fish in the world market and declining catches around the world that will probably increase the price of fish globally, and also a sense that fish is very good for you health-wise, leading to a greater demand for fish. However, the reduction in the TACs, the total allowable catches, in each fishery that AFMA has instituted to try and rebuild some of the fish stocks will have a greater impact on the price of fish than the actual buyback.

Senator STERLE—I note that the minister said in his press release of 19 October that the second round will focus on the Northern Prawn Fishery and the Bass Strait Central Zone Scallop Fishery, because relatively few of those concessions were purchased in the first round. Minister, would you be able to tell us why that is so?

Senator Abetz—We have an independent evaluation panel determining what ‘value for money’ represents, and clearly that evaluation panel was not satisfied with the value-for-money aspect of the tenders that were put in.

Senator STERLE—Can you tell us how many fishers have applied for the \$1,500 Business Advice Assistance grants?

Senator Abetz—I think we do have that figure somewhere.

Mr Hurry—Three hundred and forty-nine have applied and, as at this date, 334 have been paid. Eleven applications were invalid because they exceeded the \$1,500 cap or the operator was not eligible for the tender process. Four applications are pending—we are seeking further advice from the applicants.

Senator STERLE—How many skippers have so far received the \$5,000 lump-sum payment?

Mr Hurry—None at this stage. The first round of tender for payment to skippers and crew was opened on 15 September and closes on 15 December. At this stage we have received 15 applications. We will run a second round of that tender as well, starting on 22 December and running until 23 March.

Senator Abetz—Correct me if I am wrong, Glenn, but those that were successful in the first round have to hand in their licences by 15 November, is it, or the concessions?

Mr Hurry—Yes.

Senator Abetz—Therefore, it is quite possible that there are some skippers and crew members out there who do not know that their boss has actually availed themselves of the buyback, because they can technically keep fishing until 15 November. After 15 November, we should have a better understanding of how many skippers and crew will avail themselves of the \$5,000 and \$3,000 packages.

Senator STERLE—While we are on the number of crew, would you tell us how many crew have received the \$3,000 lump sum payment?

Mr Hurry—We have had no applications yet. Sorry, the figure of 15 that I gave you a minute ago covers both skippers and crew. I do not have a breakdown of the 15. In that first round of tender there are only 15, which is a mix of skipper and crews, that have applied.

Senator Abetz—How many have actually been paid out?

Mr Hurry—The first round of the tender closes on 15 December.

Senator Abetz—Sorry—of the fishermen, has anybody actually handed back their concession?

Mr Hurry—There were 198 accepted tenders. Of those, we have had 117 surrendered to date, and we have paid 24 of those as at today—a total of \$8.7 million. Part of the problem with these is actually getting the information correct on them and getting the correct information in from fishers. We had that problem with the tender process and we are having similar problems with just getting the documentation right so that we can undertake the surrender. But, once we get that done, the payments will be flowing quite well. We expect to have these ones finished in December.

Senator STERLE—I would like to move on to illegal fishing. But, you do not have many questions, do you Senator Adams, so it would just be gentlemanly of me to give you five minutes.

Senator ADAMS—Having spent a lot of time up north and having a number of friends who are in the fishing industry, I have been following illegal fishing fairly closely. I noticed over the weekend that there were a number of newspapers including the *West Australian* that noted that there had been a significant decline in sightings but an increase in the apprehension of illegal foreign fishing vessels in the Australian fishing zone. This has happened since the announcement of this year's budget, so my questions are going to be around the amount of money that was put out in the budget, which was quite considerable.

Senator Abetz—One of the things I do not think the stories covered as well was that, whilst the statistics are encouraging, we have had, I think, an eight per cent increase in the Coastwatch flights. So we have in fact had more flights showing fewer sightings. You would think if we had more surveillance flights we might, in fact, be picking up even more sightings, but even with the enhanced number of Coastwatch flights we are detecting fewer. That is a very encouraging statistic.

Senator ADAMS—I was just wondering if you have the figures of sightings and apprehensions, comparing the post-budget period this year to last year from June to September?

Senator Abetz—From June to September it varies in various zones.

Senator ADAMS—Can we look at WA, the Northern Territory and Queensland, perhaps?

Senator Abetz—Yes. In Western Australia in 2005 there were 1,043 sightings and 11 apprehensions; in 2006, 713 sightings and 58 apprehensions. It is also important to note that most boats there are the smaller two- to four-man bodhis and not the bigger 10-man shark boats. In the Northern Territory in 2005, there were 644 sightings, 21 apprehensions; in 2006, 326 sightings and 18 apprehensions; Gulf of Carpentaria in 2005, 485 sightings, 13 apprehensions; in 2006, 316 sightings and 41 apprehensions. Earlier this evening I checked my emails and we have 320 apprehensions for the calendar year, including a steel boat that I notice is number 320, so they are really good figures.

Senator ADAMS—That is good. As there has been quite a lot of press, I was going to ask you about the change in the composition of the boats over the last few years. Could you tell me about the apprehension of the ice boats, the shark boats and the bodhis and where they have come from? Could someone tell me a little bit more about that?

Senator Abetz—We are seeing fewer and fewer ice boats. They are, of course, at the more expensive end. When you ping them, that costs the people who fund them substantially.

Mr McLoughlin—In 2005, 53 ice boats were apprehended as part of those total sightings, and there have only been 31 so far this year up to close to the end of October.

Senator ADAMS—That is a major difference.

Mr McLoughlin—Yes.

Senator ADAMS—In your opinion, what is the reason for the increase in the apprehensions, and what do you think the future holds now that obviously someone has made a difference?

Mr McLoughlin—We have five years of increases in sightings and apprehensions and then this one year, for just less than the last 12 months, the trends are going in the right direction for the first time in five years or so. I am hesitant to award all of that trend change to the efforts since May, but I guess that has to be part of it. We have had some weather conditions up there; it has been windy in the eastern half of northern Australia. It has been unusually windy for the last three or four months. Fuel prices we hear may or may not have caused an impact on Indonesia, because diesel prices there are impacting on their fishermen as they are on ours. We cannot ascribe all of the changes that we have seen just to those factors of fuel and weather. We think there has been an impact on the numbers of boats that

have been apprehended. I think it must be having an impact on a few of the larger operators. Also the intelligence that we pick up from discussions and interviews with the skippers and crews of these boats is that they are aware that they take a significant risk of apprehension coming into Australian waters.

Senator Abetz—There was a story in the News Limited papers. The name escapes me, but one of the Mr Bigs who I think had 59 illegal fishing boats operating in Australian waters now has only 29. He made the basic comment that all you have to do is relieve yourself over the side and the Australian forces will be there to apprehend you and that he was thinking of giving up the business, which is exactly what we want him and all his colleagues and other like-minded individuals to do. For somebody with a fleet of 60 to have lost half of them, the apprehensions must be making—

CHAIR—Senator—

Senator Abetz—No, apprehensions. We do things by the rule of law, sometimes very frustratingly so. But, as a result, I think we have a lot of credibility in the international community.

Senator STERLE—What size boats were the 59? Were they all the same? Was it a fleet of bodhis, ice boats, or—

Senator Abetz—I think shark boats, but I am not sure.

Mr McLoughlin—Type 3s and the occasional ice boat, as far as I know from that story. I would have to say that from a very operational level—there was a CER of a very operational agency—the money that has been made available since the May budget in terms of the coordination between agencies—between ourselves, Customs, Defence, DIMA and AQIS, in particular, and colleagues at DAFF running the efforts that they are making in Jakarta, for example with on-the-ground visits to the main fishing ports in Indonesia—is paying dividends too. A substantial effort has swung more into gear here in the last 12 months or so, so that there are more apprehensions, and it is more efficient to get people off the boats and into the Darwin detention centre. Cases are going to the courts, with support from the DPP, much quicker, so the whole thing has sped up. There is a substantial machine there working in the north.

Senator ADAMS—Thank you very much.

Senator STERLE—I must apologise; I want to ask a few questions on illegal fishing, but I was deep in research and might have missed a few that Senator Adams might have already asked. How many sightings have there been so far this year of suspected or possible illegal foreign fishers in our northern waters?

Mr McLoughlin—To 17 October, there were 6,044 sightings in northern Australian waters by Coastwatch.

Senator Abetz—That is with a caveat that has been applied to these numbers in the past, that a lot of these sightings would be the same boat seen on a number of different flights. We still do not have the methodology to determine by how much that figure should be reduced. Having said that, the number coming across is still unacceptable. Nevertheless, I think the signs are encouraging.

Senator STERLE—Do we have a figure for southern waters, particularly around Heard and Macquarie Islands?

Senator Abetz—Nil. So that work down there and the successful prosecution in recent times of the crew of the *Taruman* was a very—

Senator STERLE—I think I did hear a number but I will ask again. How many have actually been apprehended in our northern waters?

Senator Abetz—In the Heard McDonald area that you specifically asked about there have been no sightings, but we had seen a few poachers in the broader southern oceans—but almost nil.

Senator STERLE—Do we have a figure for the southern oceans?

Mr Hurry—We can get one. I have a feeling that, on the last patrol we did down there, we saw four or five of them that were vessels that are flagged to non-member countries of CCAMLR. So they are not illegal but they are unregulated in as much as they are fishing there under the wrong flags in the commission areas. But AFMA would have some of those figures, no doubt.

Senator STERLE—They would not happen often, would it?

Senator Abetz—But they are not in our zone.

Mr McLoughlin—As best as we can we do track vessels in the CCAMLR zone in Southern Ocean waters. We track them because if they go into the AFZ we will apprehend them. Unless they have done something wrong, we cannot jump onto these boats on the high seas, because that is piracy by any other name. But we do track them as best we can.

Senator STERLE—I am mindful of the time. I think I have about three minutes left, so I would like to move to something else which is of just as major importance. The minister will direct me as to whom I should direct the question to, but I want to talk about the AFMA additional fisheries offices for 2006. As to that, Minister, you put out a statement on 5 April where you announced the opening of the AFMA Darwin office:

Working out of the office will be 23 dedicated Australian fisheries officers, plus support staff.

The Darwin office will also oversee the investigation and prosecution of appended fishers in the ports of Darwin, Broome, Thursday Island, Perth and Gove ...

It also says that AFMA's Southern Ocean operations are to be managed out of Darwin. On 12 May 2006 you announced AFMA were to advertise for 20 new fisheries officers. The media statement said:

The officers could find themselves patrolling the waters of northern Australian or the sub-Antarctic waters of Australia's remote Heard and McDonald Island Fisheries.

On 3 July 2006, Minister, you also announced that recruitment had begun for an additional 20 AFMA fishery officers to join the new AFMA base in Darwin. My question is: are the 20 additional fisheries officers mentioned in your media statement of 3 July 2006 the same 20 mentioned in your statement of 12 May 2006?

Senator Abetz—The statement of 12 May was straight after the budget on 9 May, announcing money had been made available. That money became available—correct me if I

am wrong here, Mr McLoughlin—as of 1 July, and as a result we were able to advertise and pursue that.

Senator STERLE—So that is the same 20 officers?

Senator Abetz—Yes. It is nice to know somebody reads my press releases! I was under the illusion that nobody did, but my media officer, although he is not here, will be very pleased.

Senator STERLE—After the dorothy dixers in question time, I look forward to your media releases.

Mr McLoughlin—Just to let you know at what stage that process is, the recruitment processes are completed and at this stage we will have 40 field officers based out of Darwin with three officers available, two on Thursday Island and a third one to be available there as necessary. The total staff in the Darwin office will be 53 by about Christmas, and those officers include 40 field officers and 13 support staff, including investigators and administrative staff.

Senator STERLE—Are the 20 additional fishery officers for the Darwin AFMA office mentioned in your media statement, Minister, of 3 July in addition to the 23 Darwin based fisheries officers?

Senator Abetz—Yes.

Senator STERLE—That gives us 43, but we are only going to have 40.

Mr McLoughlin—There are three other senior managers who may not go to sea but who are senior compliance officers who would be managing operations from the Darwin office.

Senator STERLE—Are they part of the 13 support staff?

Mr McLoughlin—Yes.

Senator STERLE—How many of these new positions have been, or will be, filled with officers on the ground and undertaking operational duties?

Mr McLoughlin—Forty.

Senator STERLE—That is the whole figure for that.

Mr McLoughlin—Yes.

Senator STERLE—How many additional positions will be based in WA ports and, in particular, Broome?

Mr McLoughlin—None from AFMA.

Senator Abetz—I think if you went to Customs they are going to have quite a few in Broome. I think in the coordination we are trying to mix and match a bit.

Senator STERLE—Has the number of Commonwealth fisheries officers in Broome been increased this year?

Senator Abetz—No, but—

Mr McLoughlin—The officers who used to do Commonwealth compliance work out of Broome were state officers that we contracted to do Commonwealth work. With the change to running that service ourselves, the foreign compliance operations are now run out of the

Darwin office, and the contracts that we had in Western Australia for the provision of state officers has been terminated and that same funding has been redirected into our own offices operating out of Darwin. They work right across the north. We just deploy the officers to where they are needed as necessary.

Senator Abetz—For Broome specifically, I think Senator Ellison has announced increased Customs—is that right? I am not sure.

Senator STERLE—Why are AFMA's Southern Ocean operations managed from Darwin?

Mr McLoughlin—It is simply because the vast majority of work that we do in foreign compliance areas is in the north. We have two, and sometimes three, officers deployed in Southern Ocean operations. Because of the cross-training involved, all the officers get the equivalent training about evidence collection, brief of evidence preparation and the like. For operational reasons and to draw from a larger pool of 40 staff rather than just a few who would be rotated in and out of Canberra or Perth or somewhere, we run all foreign operations out of Darwin and just deploy people to Fremantle to join the *Oceanic Viking* as necessary.

CHAIR—Given the time, whatever is convenient to you, Senator Sterle, you can put on notice and whatever you want to bring back in the budget session, we will be happy to hear then.

Senator Abetz—Before you close tonight, could I just note that once again that there have been no questions on forestry by the Greens.

CHAIR—I have a few if it is not too late! Thank you very much everybody for your cooperation, patience and diligence.

Committee adjourned at 11.05 pm