



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT
LEGISLATION COMMITTEE

Consideration of Budget Estimates

TUESDAY, 29 MAY 2001

CANBERRA

BY AUTHORITY OF THE SENATE

SENATE
RURAL AND REGIONAL AFFAIRS AND TRANSPORT LEGISLATION
COMMITTEE
Tuesday, 29 May 2001

Members: Senator Crane (*Chair*), Senator Forshaw (*Deputy Chair*), Senators Ferris, McGauran, Mackay and Woodley

Senators in attendance: Senators Calvert, Ferris, Forshaw, McGauran, O'Brien and Woodley

Committee met at 9.08 a.m.

AGRICULTURE, FISHERIES AND FORESTRY PORTFOLIO

Consideration resumed from 28 May 2001.

In Attendance

Senator Alston, Minister for Communications, Information Technology and the Arts

Agriculture, Fisheries and Forestry Portfolio

Executive

Mr Michael Taylor, Secretary

Mr Bernie Wonder, Deputy Secretary

Industry Development

Rural Support & Adjustment; Horticulture & Wine; Women in Rural Industry/ Industry Leadership

Mr Don Banfield, Executive Manager, Industry Development

Mr Mike Wilson, General Manager, Rural Support and Adjustment

Mr Mike Macnamara, General Manager, Horticulture and Wine Fisheries and Forestry

Mr Daryl Quinlivan, Executive Manager

Mr Glenn Hurry, General Manager, Fisheries and Aquaculture

Mr Rob Rawson, General Manager, Forest Industries

Mr David Calvert, Manager, FISAP

Mr Frank Meere, Managing Director, AFMA

Agricultural Industries

Mr Tim Roseby, Executive Manager, Agricultural Industries

Dr Cliff Samson, General Manager, Field Crops

Mr Paul Sutton, General Manager, Wool & Dairy

Mr Greg Read, General Manager, Meat & Livestock

Mr Glen Taylor, CEO, Wheat Export Authority

Management Services and Corporate Governance

Dr Brian Fisher, Chief Operating Officer

Mr Bill Pahl, General Manager, Corporate Governance

Mr David Banham, Chief Information Officer
Ms Vanessa Berry, Chief Finance Officer
Ms Annette Blyton, Contracts, Innovation & Services
Ms Annwyn Godwin, General Manager, People Strategies
Ms Julie Hicks, General Manager, Portfolio Co-ordination & Communications
Mr Steve Maxwell, Levies Management Unit

AQIS

Quarantine and Export Operations
Ms Meryl Stanton, Executive Director, AQIS
Dr Ann McDonald, FMD Coordinator
Mr Steve Bailey, National Manager, Program Services Branch
Ms Jenni Gordon, National Manager, Animal and Plant Program
Mr Bill Daniels, Executive Manager, Quarantine and Export Operations
Mr John Cahill, National Manager, Border Management
Mr Tim Carlton, National Manager, Business Strategy
Dr Andy Carroll, National Manager, Cargo Management Group
Meat Inspection
Dr San Ng, A/g General Manager, Meat & Food Services Policy/ Inspection & Export Operations
Dr Slava Zeman, Meat & Food Services Policy/ Inspection & Export Operations

Market Access and Biosecurity

Trade Policy
Dr Simon Hearn, Executive Manager
Dr Dennis Gebbie, General Manager, Trade Policy
Mr Richard Sisson, Manager
Biosecurity Australia
Ms Mary Harwood, Executive Manager, Biosecurity Australia
Mr David Banks, General Manager, Animal Biosecurity
Mr Brian Stynes, General Manager, Plant Biosecurity
Mr Bill Magee, Manager
Mr Tom Parnell, Manager
Mr Peter Beers

Food

Ms Bev Clarke, Executive Manager, Food Business Group
Mr David Mortimer, General Manager, Processed Food Industry Policy, Food Business Group
Ms Margaret McKinnon, General Manager, Supply Chain, Food Business Group

Product Integrity, Animal & Plant Health

Dr Bob Biddle, Deputy CVO, Office of the Chief Veterinary Officer
Dr Mike Nunn, Manager, Animal Health Sciences,
Mr Dean Merrilees, General Manager, Animal and Plant Health Policy
Dr Bill Scanlan, Animal and Plant Health Policy
Dr Eva-Maria Bernoth, Manager, Aquatic Animal Health Unit
Mr Bill Roberts, Executive Manager, Office of the Chief Plant Protection Officer

Mr Steve McCutcheon, General Manager, Agriculture Production Safety
Mr Johnathon Webber, Residues and Standards Branch
Mr Graeme Hamilton, Director, Australian Plague Locust Commission
Mr Ian Moorcroft, Agriculture Production Safety
Dr Alison Turner, Executive Director, National Registration Authority
Mr Peter Raphael, Executive Manager, Registration, National Registration Authority
Dr David Loschke, Chemical Review Section, National Registration Authority

Natural Resource Management

Mr Ian Thompson, Executive Manager, Natural Resource Management
Mr Charles Willcocks, General Manager, NHT and Landcare
Mr Mike Lee, Executive Co-ordinator, Natural Resource Management
Mr Tom Aldred, General Manager, NRM Assessment & Regional Action
Mr Bill Handke, General Manager, NRM Taskforce
Mr Ross Dalton, General Manager, Water and Regional
Mr Simon Murnane, National Action Plan Implementation Team

Innovation & Operating Environment

Mr Paul Morris, Executive Manager
Mr Andrew Pearson, A/g - General Manager Science & Economic Policy
Mr David Ingham, Manager, Economic Environment & Tax Reform
Mr Dougal Morrison, Manager, Innovation Program
Ms Alison Cousins, Manager, Rural Industries Operating Environment
Mr Gavan Cattanach, Manager, Governance of Portfolio Agencies

ABARE

Dr Brian Fisher, Executive Director, ABARE
Mr Vivek Tulpule, Research Director, International Trade & Industries, ABARE
Mr Roger Rose, Chief Research Economist, ABARE

BRS

Professor Craig Pearson, Chief of BRS Agriculture, Food & Social Sciences Division
Mr Ron Smith, BRS Corporate Business Manager
Mr Ben Loudon, BRS Planning, Evaluation & Communications Manager

CHAIR—I declare open this public meeting of the Senate Rural and Regional Affairs and Transport Legislation Committee. The committee will continue its consideration of the 2001-02 budget estimates for the Department of Agriculture, Fisheries and Forestry. As I stated yesterday, answers to questions on notice and additional information should be received by the committee no later than Friday, 13 July 2001

[9.09 a.m.]

Australian Quarantine and Inspection Service

CHAIR—Good morning, Minister and Mr Wonder. We will now proceed to AQIS, quarantine and export operations.

Senator FORSHAW—I have a couple of general questions at the outset before we get to some specific issues. According to the budget papers and the minister, in his statement *Safeguarding our rural resource*, an additional \$596 million has been provided for quarantine in this budget, and then goes on to list the breakup of that amount. The three big-ticket items are \$281.4 million between 2001-02 to 2004-05 to boost quarantine enforcement by AQIS,

\$238.8 million to Customs and then another \$68.8 million to alter infrastructure at international airports. Could Mr Wonder or Ms Stanton give us some more detail about how AQIS envisages, firstly, the \$281.4 million being spent and in what areas? Secondly, that amount is over three years, so could you give us a year-by-year breakup.

Ms Stanton—I will give some details and, if you need further detail, I am sure Mr Cahill will be able to help you. Basically, the breakup of the \$281 million, which, as you say, is over three years—that also includes a small amount of funding of about \$5 million for the current year—is most easily explained by the way in which that is going to be funded. First of all, there will be budget funding which will cover matters such as international mail and public awareness—they are the two main items in it. The international mail area will receive some \$8.6 million next year building to approximately \$14 million over the ensuing three years. So it is four-year funding.

Senator FORSHAW—Just let me clarify that: is that the \$68.8 million broken up? I want to understand the figures you are giving me as against the figures in the booklet.

Ms Stanton—The total budget funding, which will cover primarily international mail and some other things like public awareness, will be \$12 million next year and then \$17.7 million or \$17.8 million in the ensuing years.

Senator FORSHAW—Each year?

Ms Stanton—Each year, that is right. Airports will be funded through the passenger movement charge being appropriated through. That will be an extra \$31.8 million to AQIS next year and then \$37.5 million for each of the following three years. Then the final group of funding—

Senator FORSHAW—Just before you go any further, and just so I have this clear, does the \$12 million plus \$17.8 in each of those outyears make up the \$68.8 million?

Mr Cahill—If I may, the \$68.8 million referred to is for infrastructure costs. It is a different amount from the amount Ms Stanton is referring to.

Senator FORSHAW—But it also says ongoing surveillance costs for Australia Post.

Mr Cahill—Yes, it does. The infrastructure costs of \$68.8 million essentially has three components to it. It has a component for airport infrastructure costs, principally at Sydney and Melbourne. These are provisional amounts because we do not have final costings yet. The government has decided to fund those infrastructure changes directly. So in broad terms that is about \$20 million of the \$68.8 million that you are referring to.

In round terms, there is a further \$50 million for Australia Post, which includes major infrastructure changes for international mail centres as well as staffing costs for Australia Post. Under the Australia Post legislation, Australia Post staff are required to open and close mail that is of quarantine interest. So additional dedicated resources will need to be made available to enable us to increase the border intervention.

Senator FORSHAW—You have explained the \$68.8 million figure. It might be helpful if you can give us a table in writing—take it on notice.

Ms Stanton—We would be pleased to do that.

Senator FORSHAW—But I would still like to get these details down now. Back to Ms Stanton talking about the other figures you were giving me, where do they come out of—the \$281 million?

Ms Stanton—The \$281 million is the total funding to AFFA, and primarily to AQIS. It comprises the amounts I have already mentioned to you, plus a cost recovered amount which will equate to \$17.2 million next year and \$18 million in the ensuing three years. That cost recovery comes from the government decision to fully cost recover the extra costs relating to containerised cargo and air cargo. Cargo costs will be fully recovered. So, in all, the total AFFA funding from those three categories that I have just mentioned to you—budget funding, passenger movement charge and cost recovery—will total \$61.9 million next year and \$73.4 million for each of the ensuing three years.

Senator O'BRIEN—On page 77 of the PBS, it says:

This funding will be used to implement a heightened quarantine inspection regime to cover 100 per cent of all goods and mail entering Australia and approximately 80 per cent of all passenger baggage entering Australia via airports ...

Then there is an exception. Should we take that laterally—there will be a full quarantine inspection of every piece of mail and every container, in whatever form the vessel or package is, coming into Australia?

Ms Stanton—Yes, the inspection will not necessarily involve opening the item, of course. The inspection may be done through X-ray or through the use of detector dogs. In terms of that type of inspection, yes, it will take some time to ramp up to those levels. We are not at those levels at the moment.

Senator O'BRIEN—Can you identify the amount of additional funds needed to achieve that level of surveillance?

Ms Stanton—I will hand that one initially across to Mr Cahill and, if necessary, to Dr Carroll.

Mr Cahill—Are you talking across the board or specifically in mail centres?

Senator O'BRIEN—Perhaps it would be useful if you could break it down to the centres and explain how the additional costs arise.

Mr Cahill—If you look at the total amount of the \$281.4 million over the four years, roughly half of that will go into airport operations. That is where the majority of resources are being injected. They are essentially significant increases in the number of X-ray machines, significant increases in the number of detector dogs and significant increases in the number of staff that are employed to undertake those inspection activities.

Senator O'BRIEN—How many extra staff?

Mr Cahill—The final number is still being determined. It is over 900 in aggregate. That is across all border entry points—again, principally at airports but substantial increases at other border entry points as well. It will be over 900, but the final number really depends upon the mix of full-time and part-time staff.

Senator O'BRIEN—Is that 900 full-time equivalent?

Mr Cahill—Full-time equivalent, yes. Clearly, we are looking to maximise the opportunities for using part-time staff for peak times, particularly at the airports where there are windows where we obviously need to concentrate our resources.

Senator O'BRIEN—I guess that is one of the problems because of departure times from Asia and Europe that you do get those flooding periods coming through the customs barrier?

Mr Cahill—That is correct. Again, the difficulty is principally at Sydney.

Senator O'BRIEN—Senator Forshaw just suggested we could do something about the curfew and that would resolve the problem.

Senator FORSHAW—Don't do anything about the curfew at all.

Senator O'BRIEN—Or we could probably reroute and fly over Cronulla or something like that.

Senator FORSHAW—They do that anyway.

Senator O'BRIEN—What about additional staff in mail centres, will AQIS engage staff or will that work be performed for AQIS by Australia Post?

Mr Cahill—It will be all of the people operating at the international mail centres, so there will be additional staff for AQIS, additional staff for Customs and additional staff for Australia Post. To give you an order of magnitude, the additional staff that we would expect to employ at the mail centres is around 130 staff.

Senator O'BRIEN—At the international mail centres?

Mr Cahill—At the international mail centres, yes.

Senator FORSHAW—In terms of the airport operations, particularly at Sydney, what was the experience during the Olympics? I presume a lot more people were coming in through the terminal then. You probably would not expect the same numbers in the future, even though there is presumably going to be growth in traffic in the coming years.

Mr Cahill—In terms of the number of additional passengers that AQIS would see at the international airports, the order of magnitude is similar to the Olympics experience in fact. The Olympics experience for AQIS was very good. We were very confident of the quarantine integrity that we were able to maintain.

Senator FORSHAW—Were there many situations that occurred with passengers or cargo bringing in materials, food, fruit or whatever that posed a potential risk?

Mr Cahill—There was nothing out of the ordinary that we would not experience over a period of time. The difference was in the scale of the operation. It was true that, for a lot of the visitors coming to Australia for the Olympics, this would have been their first exposure to the kinds of quarantine controls that exist. They were not familiar with those kinds of controls.

Senator WOODLEY—What about horses, was there any problem with getting horses in and out?

Mr Cahill—I will defer to one of my colleagues for specific questions, but the arrangements that were put in place for the horses were very rigorous. There were no difficulties that we encountered.

Senator FORSHAW—We were just speculating that an airport at Badgerys Creek would not be far from the equestrian centre.

Mr Cahill—The quarantine centre actually. We had a quarantine centre out in western Sydney.

Senator O'BRIEN—So half of the additional money will go to the airports in those areas that you described. Can you give us a breakdown of what other areas the additional money will go to? You have spoken about additional staff at the mail centre. Can you give us an idea of what the operations of the mail centre will cost?

Mr Cahill—The next largest item would be in relation to sea cargo, the containerised cargo. We would expect to put on about 115 additional staff.

Senator O'BRIEN—FTEs again?

Mr Cahill—Yes, I am talking FTEs. Air cargo would probably be next at—

Senator O'BRIEN—How much are you spending in the sea cargo area?

Mr Cahill—Sea cargo is about \$9.2 million per annum, and that is fully cost recovered. Air cargo starting a bit lower next year but building to \$6.9 million per annum, again, fully cost recovered.

Senator O'BRIEN—How many additional staff?

Mr Cahill—In air cargo about 72 or 73 FTEs. The next largest is probably in the sea ports operations building to close enough to \$1.5 million additional per annum, again fully cost recovered. The additional staff at sea ports is about 28 FTEs. In that ranking I have not included the detector dog teams, an additional 65 estimated. I do not know whether you count a dog as an FTE but certainly there is at least one handler for each dog.

Senator O'BRIEN—It is hard to tell whether they are full time or part time, is it not?

Mr Cahill—We are certainly looking to change the mix of that but the dollar costs of the additional dogs are built across the numbers that we have already outlined for you in airports and mail centres.

Senator FORSHAW—Where is the greatest potential threat or opportunity for incursions or disease to come in? Is it through airports or is it through shipping and ports? What is running through my mind is that obviously there is a lot more movement and traffic coming through airports, but then again they tend they come in airplanes that usually go from one destination to the next, one point to another; whereas in shipping you have cargo that is going in and out of a whole range of different ports on a particular journey, and bigger cargo in some cases. Which one do you think poses the greatest threat?

Ms Stanton—In the end, all means of entry have a risk, particularly if a person is trying to get something into the country which they should not. In many ways you are correct: airports may pose less risk in the sense that someone hops on a plane in one place, and hops off in another; they have their luggage, and that is fine. However, we find a lot of high risk material at airports being brought in by passengers. Cargo often presents a different sort of risk. For example, contamination on the outside of cargo containers might present a different type of risk in relation to pests or disease than the food that comes in with an airline passenger. However, the potential is there with regard to all means of entry into Australia.

Senator FORSHAW—I appreciate that. I think we might be straying a little from the estimates specific area, but there was a situation last year with the cargo ship that went from port to port. One could envisage the possibility of a greater risk in situations like that because of the sheer scale of the incursion that might occur.

Ms Stanton—Of course, the fact is that you do not know. There is no way of knowing that. In that particular instance there was dirty machinery which was not allowed to be unloaded in that condition. There was nothing unusual about that, other than that it happened quite soon after the foot-and-mouth disease outbreak, so people were concerned. In fact, it had left its port of origin well before the outbreak. There was nothing unusual about it. The fact is, we do not let dirty machinery off and that is why it was not allowed to unload.

Senator FORSHAW—I am not criticising anybody, but it is clear from the figures that you have given us that a much greater proportion of the funds and the manpower is going into the airports.

Ms Stanton—There is no doubt that airports are more labour intensive in terms of clearing a large aeroplane or several large aeroplanes at once, as we just said. That is more labour intensive.

Mr Cahill—The resource levels also relate to the base you are building from and the present levels of intervention. They relate to your present capacity.

Senator O'BRIEN—Are you looking forward to three 777s pulling into Sydney in a morning, with 1,500 passengers coming through in about 30 minutes?

Mr Cahill—Perhaps it would be a bit longer than that with the quarantine controls.

Senator FORSHAW—But it is helpful to have the dedicated wharfies, the members of the maritime union, employed because they can assist in this area, as they did last year.

Ms Stanton—We work very closely with them and, yes, they do assist.

Senator FORSHAW—I appreciate that. You could say that again, a bit louder if you like, and the minister might actually hear it.

Senator O'BRIEN—Don't hold your breath! How does this tailor with the additional money, the \$46.7 million, under the heading of 'Continuation of Nairn funding for quarantine activities'? I see that some of that relates to additional funding with a label, 'Border processing'. This is on page 76 of the PBS.

Ms Stanton—That was the ramp-up in funding that occurred several years ago now, and that funding has continued. That funding got us to the level of activity we had earlier this year. That is to be maintained and the additional funding that we have just spoken about goes on top of that. So that funding allows us to maintain the previous levels.

Senator O'BRIEN—Just looking at the amounts, for this coming financial year it is \$5.3 million, then it goes up in each of the outyears to \$13.8 million.

Ms Stanton—That is because there was already \$8.5 million in the budget last year. So the overall amount is constant at \$13.8 million.

Senator O'BRIEN—When you say 'last year', do you mean this current financial year or last year?

Ms Stanton—Yes, there was already \$8.5 million given so that there was some continuity. That will now be supplemented—

Senator O'BRIEN—That means you get \$13.8 million over two years—

Ms Stanton—Exactly.

Senator O'BRIEN—and then \$13.8 million over each of the next three years?

Ms Stanton—That is right.

Senator O'BRIEN—How does that break down in terms of the various activities? It states that it is to enable the import risk analysis program, border processing, animal and plant health activities, the quarantine awareness campaign and QEAC to continue in their current capacity.

Ms Stanton—I would have to take that on notice, unless Mr Carlton has the details.

Mr Carlton—I have here a breakdown of the \$13.8 million. An amount of \$5.3 million of that comes to AQIS, where \$3.3 million of it goes to the airports for border control, and another \$2 million is spread across the quarantine awareness campaign in support of the QEAC—the Quarantine and Exports Advisory Council.

Senator O'BRIEN—So \$5.3 million is for AQIS. Is that to fund the import risk analysis program?

Mr Carlton—No, that is separate. Import risk analysis is in the market access and biosecurity area, and they received an amount of \$6 million.

Senator O'BRIEN—Is that over four years?

Mr Carlton—That is \$6 million per year.

Senator O'BRIEN—I am looking at these amounts on page 76 of the PBS which are ostensibly to enable the import risk analysis program, the border processing program, animal and plant health activities, the quarantine awareness campaign and QEAC to continue in their current capacity. I was looking to see how that would break down in sharing that money out across those functions.

Mr Carlton—If you take the import risk analysis program, there is basically the \$6 million; if you take the next—

Senator O'BRIEN—Is that per annum?

Mr Carlton—Per annum, yes. The next one in that explanation is the border processing, and the figure for that is \$3.3 million; the figure for the animal and plant health activities is \$2.3 million; the quarantine awareness campaign was the part of AQIS that I spoke about before, and the figure is about \$1.8 million; and the figure for the Quarantine Exports and Advisory Council is about \$200,000. That makes up the full \$13.8 million.

Senator O'BRIEN—And that is all additional funding on top of other existing funding?

Mr Carlton—It was additional funding that was first approved in 1997-98, so it built on the base prior to the Australian quarantine review. It has been in our base for four years, and this decision puts it back in our base for a further four years.

Senator O'BRIEN—Clearly, the money has been there for four years; it is going to be there for another four years. Is that what you are saying?

Mr Carlton—It is a continuation of base funding.

Senator WOODLEY—I want to ask more questions on the \$596 million.

Senator O'BRIEN—Certainly.

Senator WOODLEY—I wanted to ask questions from the other end of the \$596 million. I must say that I support strongly the increase in funding, but I wanted to ask questions about the revenue side of that. I understand that some or all—and that is the first question—of the \$596 million will be raised by an increase in the departure tax. Will all of the \$596 million be raised in that way, or will it be less than the \$596 million? What are the projections?

Ms Stanton—It is certainly less than \$596 million. The \$596 million goes also to the funding of Customs and the infrastructure funding we were talking about before of approximately \$68 million. The passenger movement charge will largely pay for the infrastructure costs and the costs at airports. I do not have a figure for the \$596 million, although one of my colleagues may do. In terms of the AQIS part of that, the AFFA part of

that, there is the \$68.8 million that relates to infrastructure, and that is funded by the passenger movement charge. For AQIS, our airport funding is \$31.8 million next year and then \$37.5 million for each of the ensuing three years. So, in very round figures, there will be \$160 million or \$170 million funded through the passenger movement charge.

Senator WOODLEY—This series of questions comes from a colleague who is concerned about the effect on tourism. Was any study done or were any figures obtained about whether or not this would have an effect on tourism into Australia?

Ms Stanton—In the process of building this case, there were a number of agencies involved and the possible impact on tourism was dealt with by at least one or two of those agencies.

Senator WOODLEY—Do you know what their conclusions were?

Ms Stanton—No, I do not.

Senator WOODLEY—The rationale is a little bit on its head, because it is people coming in who are likely to bring in any of the diseases, but it is actually a departure tax, not an entry tax. You can see there is a slight inversion of the rationale, although I could argue for a departure tax, because there is no entry tax. But there is a question being raised, certainly by people in the tourism industry, along those lines. I imagine that those questions will continue to be asked. Was the rationale for charging a departure tax as it was stated in the media, which is the only place I have got any—

Ms Stanton—I am not sure what rationale was given in the media, I am sorry. But I think—

Senator WOODLEY—It was mainly that it was to make sure that foot-and-mouth disease did not come to Australia.

Ms Stanton—There is no doubt about that, but in terms of what you were saying about it being a departure tax as opposed to an incoming passenger tax, I guess the argument would be that the vast majority of people who have come into Australia as tourists leave again, and the vast majority of Australians who leave as tourists come back again. So all of them cross Australia's borders coming in, and that is where the risk is.

Senator WOODLEY—I must say, just in passing, that this committee was in New Zealand recently. When we came back, I got my shoes sprayed because we had been on farms, so full marks to you for that one.

Senator FORSHAW—Did you get them cleaned as well?

Senator WOODLEY—I am aware that it is difficult for AQIS to answer the questions but I presume that, politically, they will continue to be asked. I guess one can only wait to see if there is any effect on tourism of an increase in the departure tax.

Ms Stanton—Senator, I also want to clarify a point. My colleagues inform me that I have accidentally misled you in relation to the passenger movement charge. The infrastructure costs that we talked about are not being funded by the passenger movement charge; operational costs are—my apologies.

Senator WOODLEY—That is okay. Thank you very much.

Senator O'BRIEN—I noted, when coming out of New Zealand, that the passenger movement charge is \$NZ22.

Senator WOODLEY—Yes.

Senator O'BRIEN—They seem to have a significant quarantine presence, at least visibly. Could we compare their activities to AQIS's activities in terms of quarantine inspection and surveillance?

Ms Stanton—There are a couple of comparisons we would make, and again I might refer to Mr Cahill to give the detail. The first thing we have to understand about New Zealand is that there are fewer points of international entry into New Zealand in terms of airports, for instance. Similarly, they have only one international mail centre. For those reasons, they have had a higher percentage of intervention in recent years than we have. In terms of us ramping up our efforts to as close as we can to 100 per cent, there is no doubt that one of the countries we looked at in that was New Zealand. Mr Cahill may want to add to that.

Mr Cahill—We work very closely with our New Zealand counterpart in harmonising the entry processing arrangements. The kinds of operations that we envisage at our international airports are the kinds of experiences that you would get going through Auckland airport, for example, now. As Ms Stanton said, there is only one international mail centre arrangement in New Zealand, but the kind of set-up that they have there will be very similar to the kind of arrangement that we expect to have in Australia. So the scale is different. The degree of difficulty is higher for us, but we know from the New Zealand experience in their border control arrangements that what we are proposing is certainly achievable.

Senator O'BRIEN—What about the number of passenger movements? How does that compare?

Mr Cahill—I think the total passenger movements probably are comparable to Brisbane or Melbourne, so that is the sort of scale.

Senator O'BRIEN—Yes, but when you say they have a lesser task, they have a lesser income base as well.

Mr Cahill—Certainly they have fewer resources to employ as well, so the number of entry points clearly make the task a little bit easier. The way in which the arrangements are set up is very similar.

Senator O'BRIEN—Foot-and-mouth disease has obviously been highlighted in the ramping up of AQIS's role, and one of the areas which has been the subject of some controversy is the horse industry. There was a period where we were not permitting the movement of horses from foot-and-mouth affected countries, particularly Europe, Ireland and England. That has changed. Looking on the web I see that the AFFA web site sets out the new arrangements which have been established by Biosecurity but obviously involve AQIS.

Ms Stanton—That is right.

Senator O'BRIEN—I wanted to clarify some things. Firstly, all of these services are at the importer's expense, as I understand it. An AQIS veterinarian has to have inspected, approved and audited the pre-export quarantine facility and supervised the disinfection of horses, equipment and transport.

Ms Stanton—That is correct.

Senator O'BRIEN—Presumably for each movement, for each animal, the AQIS vet has to inspect the pre-export quarantine facility that the horse will be quarantined in, be present when it arrives and ensure that on arrival there is a disinfection of the horse externally.

Ms Stanton—That is correct.

Senator O'BRIEN—And of the equipment that comes with the horse.

Ms Stanton—That is right.

Senator O'BRIEN—And the transport in which the horse travelled.

Ms Stanton—That is right.

Senator O'BRIEN—Will AQIS quarantine vets in other countries, or will they be sending vets overseas to perform this task?

Ms Stanton—We are likely to be sending some vets overseas. It is important to note that we do already have some vets overseas, for instance in the context of the foot-and-mouth disease outbreak in the UK, who can be deployed a little closer to their current home. So we would be using them. As to the details of the operations, Dr McDonald is here and she can answer questions in relation to those.

Dr McDonald—Yes, you are quite correct. We will also be using our veterinary councillor in Brussels and we will take the opportunity to talk to some of the government veterinary officials over there. The importers will bear some of the costs and some will be borne by the FMD money that the government has given us.

Senator O'BRIEN—When you say the importers will bear some of the costs, can you identify which costs the importers will bear and which costs will be borne out of AQIS funding?

Dr McDonald—At the moment anybody from England, Scotland or Wales will have to move their horses to another country and they will have to bear those costs.

Senator O'BRIEN—What about the inspection of the pre-export quarantine facility?

Dr McDonald—That is likely to be completely covered by FMD money that the government has given us for this financial year.

Senator O'BRIEN—That is not what the 17 May AFFA press release says on the website.

Dr McDonald—No, it does not. Since that press release was announced we have held discussions, particularly with the breeding side of the horse industry. These pre-export quarantine facilities are likely to number something like 14 to 15 and we will be reviewing the conditions as we go.

Senator O'BRIEN—Where will they be?

Dr McDonald—They will be mostly in Ireland, and some probably in France as well. We are not clear on that. There is a meeting to be held later on this week, when they will identify specifically where these pre-export quarantine facilities will be. Because we are also reviewing the conditions as we go along, we will need to talk to government veterinary officials. We will be going to the UK as part of that review and talking to officials there. So obviously it is not appropriate for importers to bear those sorts of expenses.

Senator O'BRIEN—Going to Brussels?

Dr McDonald—No, we will be going to—

Senator O'BRIEN—I am interested to know why there has been a change to the funding of the pre-export quarantine arrangements, which were announced to have been at the importers' expense.

Dr McDonald—That question is fair enough. When we initially put those conditions together we were having extensive consultations with the horse industry. Their original advice was that there would be one or two pre-export quarantine facilities and those would most likely be in Ireland, so it seemed a simple matter of going over there. That is actually consistent with what we have done with other accompanied horse flights or where we have had to go and check out pre-export quarantine facilities, where we have developed new protocols in the past. It is consistent with similar arrangements to those we had for the horses coming in for the Olympics, which you alluded to earlier. At the time we did discuss with them that we would go and look at these one or two pre-export quarantine facilities but it would be at their expense. They were happy to accept that. I need to make it quite clear that at no time have they said that cost is an issue. As our discussions have continued and they have looked at the number of pre-export quarantine facilities that they will need, AQIS and Biosecurity Australia decided that, as we review the conditions that we implemented on 17 May, we will need to look further into the FMD situation.

We will need to talk to government veterinary officials and we will have to go personally and look at the situation in England, Scotland and Wales. We will have to look at the Newmarket facility, which is where the racehorses generally come from. It is certainly not reasonable for importers to pay for that entire expense. We made that decision only late last week. The horse people with whom we will be meeting this week are not aware of that decision at this time. I guess it will be good news for them.

Senator O'BRIEN—I note that an amount of pressure has been brought to bear on AQIS in terms of its decision. For example, the Australian Veterinary Association says:

Australia has been importing horses from countries where FMD is endemic for many years with absolutely no problems whatever, yet AQIS suddenly chose to introduce this 'temporary' ban and has given no sign it will be lifted ...

That is what they said on 15 May. They went on to state:

Ironically, AQIS is separately allowing the importation of other animals which are susceptible to FMD—alpacas from Peru where FMD is endemic.

Ms Stanton—There is a suspension at the moment in relation to alpacas as well. In terms of AQIS having made a decision about the horses, the decision was made by the director of quarantine, who is the secretary of the department. He would make no apology for having taken a conservative approach. There is no doubt that horses can operate as a mechanical carrier of foot-and-mouth disease—they do not suffer from it themselves—and indeed those imports or transports that have taken place at various times from countries where FMD is endemic have been done with extreme care and extreme caution. The situation where you have an outbreak—epidemic, as opposed to endemic—means that you need extra caution in place, and that was a decision of the director of quarantine.

Senator O'BRIEN—The protocol is pre-export quarantine in an approved—I will not say 'sterile'—facility that has been cleared as free from any presence of the virus?

Ms Stanton—That is right.

Senator O'BRIEN—What is the pre-quarantine period?

Dr McDonald—It is three weeks for permanent imports, which is what breeding horses are, and it is two weeks for temporary imports, which is the protocol that racing horses come in under. That is pre-export quarantine. They all do an additional two weeks post-arrival quarantine.

Senator O'BRIEN—In Australia?

Dr McDonald—In Australia.

Senator O'BRIEN—Will they come into the same facility that the Olympics horses came into?

Dr McDonald—No, the Olympics were a little different. Horsley Park, which is where the equestrian events were held, was gazetted as a quarantine site, and that is where the quarantine occurred. These horses will go to a government quarantine station or one of the private equestrian quarantine facilities in Victoria.

Senator O'BRIEN—What is the difference between our position and that adopted by New Zealand in relation to equine imports during the foot-and-mouth disease epidemic?

Dr McDonald—Both New Zealand and the US have applied additional disinfection procedures to horses coming in. In other words, it is very similar to what we are doing in that respect, because those horses will have to be disinfected during pre-export quarantine and after arrival in Australia. Canada is still not accepting horses directly from England, Scotland and Wales, just as we are not at the moment. They are reviewing that decision, just as we are. Our position is generally consistent with what is happening in other countries.

Senator O'BRIEN—But New Zealand have not had a ban, have they?

Dr McDonald—No, not as such, as I understand it. They have been under a great deal of pressure, though, and they have been reviewing the situation on a daily basis.

Senator O'BRIEN—By whom have they been pressured?

Dr McDonald—Their public. We have contacts with people over there.

Senator O'BRIEN—So they have possibly got members of the farming community concerned that the protection was not sufficient?

Dr McDonald—Yes.

Senator O'BRIEN—What is the position of the Australian farming community in relation to AQIS allowing the imports under the conditions that are now being put in place?

Ms Stanton—The Director of Quarantine has made sure, in looking at all the conditions that relate to the wide ranging temporary suspensions that we had in place relating to foot-and-mouth disease, that consultation occurred before any changes to those. The National Farmers Federation has certainly been involved in those consultations, as have the New South Wales Farmers Association and some of the other farming groups as well.

Senator O'BRIEN—There seems to be a variety of positions taken. The President of the Australian Horse Industry Council, Mr O'Callaghan, said in a recent press release:

The conditions imposed by AQIS—
the ones we have just been discussing—

are an insult to science and Australia's trading partners. They are totally unsuitable for competition horses and prohibitively expensive for smaller horse owners. Additional costs and disruption to training programs will foil the annual assault by English horses on the Melbourne Cup.

Australian Veterinary Association President, Dr Ian Denney, said recently:

The ban is—and always was—totally absurd.

He continues:

The manner in which these ludicrous conditions have been forced upon the horse industry is a disgrace. It is unfortunate that Australia's quarantine policies are to be dictated by irrational fear and politics and not sound scientific principles. The whole situation has been very poorly managed by the Director of Quarantine, Mr Michael Taylor.

There are strong vested interests in this argument. The Horse Industry Council appear in that press release to heavily represent the racing industry and connected breeding industry. I am interested to see the comments of the President of the Australian Veterinary Association, who is apparently even critical of the relaxed entry conditions. I am interested in AQIS's comment.

Ms Stanton—In essence, it is not AQIS's position to comment. In the end, the Director of Quarantine makes a decision, having consulted, and with the advice of, other parts of the agency, including Biosecurity Australia. The decision is made, and AQIS implements it. We are an operational organisation.

Senator O'BRIEN—His comments suggest that the position we have taken is based on irrational fear and politics and not sound scientific principles.

Ms Stanton—I am sure the Director of Quarantine would disagree with that.

Senator O'BRIEN—Dr McDonald, I would appreciate your comment on that.

Dr McDonald—The only thing I could add to what Meryl has said is that horses can act as mechanical carriers of the FMD virus, so there is science there. The issue that has caused the concern has been the diverse views of the parties involved—the Horse Industry Council and the National Farmers Federation at the other end. When you have got opposing views like that, you are always going to have disgruntled parties, and I guess that is what we are seeing in the press.

The critical thing is that the conditions announced by the Director of Quarantine have permitted the trade to resume: the breeding horses will be coming in; we are in the process of talking with representatives this week to make the arrangements for the inspection of PEQs, and so forth; and we are working with our Biosecurity colleagues to look at those conditions as we receive further information on what is going on overseas. We will be advising the Director of Quarantine accordingly, and the conditions will be amended as things go along. We are aware of the horse racing industry's concerns, and they will be a focus for review.

Senator O'BRIEN—What costs will an importer of, for example, a thoroughbred stallion face from AQIS? Do you have any idea?

Dr McDonald—There are approximately 40 stallions that come in for the breeding season. If my memory serves me correctly, approximately 26 of those are based in Ireland; six or eight are in England, Scotland and Wales; the remainder are in the EU itself. You are probably talking about six or eight stallions having to be relocated to Ireland or they could go across to France or wherever, so it will be those relocation costs.

Senator O'BRIEN—Do we know roughly what the cost will be?

Dr McDonald—No, I do not know; I am sorry.

Senator O'BRIEN—No work has been done on that?

Dr McDonald—No. As I said earlier, the relocation costs have never been an issue with these people, nor has the fact that we did originally say, 'You guys will have to bear the cost.' That has never been an issue that has been raised with AQIS.

Senator O'BRIEN—Just the ban itself?

Dr McDonald—Yes, the suspension.

Senator O'BRIEN—The temporary ban.

Senator FORSHAW—I think you said earlier that New Zealand has a less onerous situation than we do with respect to importing horses.

Dr McDonald—No, they do have the similar disinfection procedures. The horses that we will be importing will have to go through disinfection procedures. They will have to be washed down with an approved disinfectant.

Senator FORSHAW—We have particular quarantine requirements for horses coming to Australia from, say, Ireland for the Melbourne Cup, which is one that has been talked about. What about horses that may go to New Zealand from Ireland or wherever and then in turn come to Australia or New Zealand horses that come to Australia for the spring carnival? If horses have come in from Europe, does that present any problems?

Dr McDonald—No, it does not. The requirements for horses to come from New Zealand across to Australia is that they either include a two-week residency in New Zealand, so that would be similar to the pre-export quarantine period that we are requiring in another country. So they could come directly from England, Scotland or Wales, have their disinfection, go to New Zealand, do their two weeks there and then come across to Australia. This would be consistent with the conditions that we released on 17 May.

Senator O'BRIEN—That would be an expensive way of transporting them, wouldn't it?

Dr McDonald—Sometimes they have reasons for sending them there. They might want to put them at stud there for a while before bringing them over.

Senator O'BRIEN—Not if they are running in the Melbourne Cup.

Dr McDonald—No, not if they are running in the Melbourne Cup.

Senator FORSHAW—I was thinking of horses from Europe and if they came into contact with other horses in New Zealand who in turn came to Australia.

Ms Stanton—The important thing to remember is that New Zealand is FMD free. The length of time that they would stay in New Zealand would be such as to minimise the risk. They would still have the two-week quarantine period once they arrived in Australia.

Senator FORSHAW—As a general policy position, do we look to having consistent policy approaches with New Zealand on these? We do in the food area, for instance, or we are continually doing that through ANSTO. Isn't this similar?

Ms Stanton—We certainly talk very often with our New Zealand colleagues, as indeed Mr Cahill was saying earlier, on quarantine matters. Quite often we do go exactly the same way. Sometimes we end up with slightly different arrangements for whatever reason. This is one example of that, but we do keep in close contact with our New Zealand counterparts.

Senator WOODLEY—I have some questions about the white spot virus on prawns.

Ms Stanton—On white spot, there are three areas of the department that could be involved in this, depending on what your question is. We were expecting that there may be questions, so the necessary people are all in the room. If we need to bring people from other programs to the table, we will do so.

Senator WOODLEY—I have to say that I am labouring under a bit of a handicap, too, because I still have not got answers to questions on notice that I put in three months ago, and

that makes it difficult. Some of my questions could have followed on from those answers. But never mind; we will see how we go. Is there any estimate of the cost of testing with respect to a number of incursions which have occurred to see whether or not they were actual incursions or what had happened with white spot virus? I know that is a very general question but I was just interested in the cost of any incursions which have occurred.

Ms Stanton—It is certainly not information that I have.

Senator WOODLEY—I would imagine it is something you would need to take on notice.

Mr Wonder—Dr Biddle will answer your question, Senator.

Dr Biddle—The survey work in this area is ongoing. The net cost of the survey and other investigations will depend on what is found during the course of the ongoing testing survey program. We do not have a cost at this stage. Certain moneys were set aside on the basis that that would cover the estimated cost of the Australia-wide survey. However, there have been other investigations which sit alongside recent occurrences, and there is not a ready tabulated total at this stage. We could take it on notice and give you a progress report.

Senator WOODLEY—That would be very helpful. I would not expect a detailed answer today to that sort of question. I am aware that testing has been done in Darwin harbour, somewhere in Victoria—I do not have the exact location for that one—and there was a possibility of some prawns from Thailand being repackaged in the Manly area in Sydney. Were there any other places where testing was done for possible incursion?

Dr Biddle—Specific investigations were conducted in Darwin, as you alluded to, in two aquaculture facilities which had a history of feeding imported prawns, contrary to appropriate guidelines. Those investigations were done. With respect to the survey that I referred to earlier, there are actually two surveys. One was conducted about a year ago and involved prawn farms in coastal areas, mainly in Queensland and the Northern Territory, and that was completed. The current survey involves about 100 sites which fit certain risk profiles and which is ongoing.

There have been announcements about some further investigations with respect to certain findings arising from those surveys. One of those areas of ongoing investigation involves the Gippsland-Mallacoota areas, where pools of samples were taken for testing, and the other involves Sydney Harbour. That work is continuing in the context of the survey. Additionally, state governments on their own initiative have conducted random tests on consignments of imported prawns and on some occasions have isolated or found evidence of the presence of white spot syndrome virus. Actions were then taken by the state governments concerned to secure those prawns and to prevent their use where they could act as a vehicle for transmission to farmed populations or wild populations—measures such as re-export, cooking or perhaps even destruction in some cases.

Senator WOODLEY—As I understand it, you have confirmed that the repackaging of prawns for human consumption is illegal. Have there been any prosecutions? What kinds of measures are being used to stop that practice? I do not know whether ‘widespread’ is the right word, but certainly there have been quite a number of instances of that occurring. Are the laws sufficient to enable prosecutions, or is that not something AQIS is interested in? Can you give me some feel for what is happening with people who are found to be repackaging?

Dr Biddle—I am not quite sure about the repackaging reference. I am aware of certain risk factors that attach to further processing of prawns if the effluent disposal is not properly controlled. The primary area of control is under state and territory legislation for this general

area about the processing and the fate of imported prawns. Green imported prawns may not be used for bait purposes, and the enforcement of that provision rests with state and territories fisheries departments or their equivalent. It is at that level where prosecutions would occur. I do not have details here of such prosecutions.

Senator WOODLEY—The Australian Prawn Farmers Association seems to feel that the greatest risk is the repackaging of prawns for human consumption and then the resale of those prawns as bait, but I guess that is a question for state authorities.

Dr Biddle—Certainly the risk of diversion of prawns for bait use for recreational fishing is an identified factor. That is why certain quarantine controls have been put in place, including the minimum size of green prawns for importation. Those measures are enforced at the barrier on importation into Australia. The subsequent distribution and handling of this product is, as I have said, subject to state and territory oversight.

Senator WOODLEY—This question may be better addressed to Biosecurity. If you want to pass it on, we can do so. Memorandum No. 2001/06 proposed import conditions for uncooked green prawns. It says:

... testing of whole and unpeeled, headless green prawns from countries or zones unable to demonstrate freedom from WSSV. This will require the prawns to enter a quarantine cold store facility in Australia where samples will be tested. Shipments that are positive will either be destroyed or re-exported.

The problem, apparently, is that this protocol applies to two species out of 16. The concern of the prawn farmers here is that the other 14 species should also have the same kind of protocol imposed on them. Is there any rationale as to why that particular protocol applies only to two of the species?

Mr Banks—Before I start, Senator, I must apologise for the fact that you have not had answers to your questions on notice. I am surprised at that because I have them here in front of me, and we prepared them some time ago. So there has been a hiccup, which I will investigate. My apologies.

Senator WOODLEY—Thanks very much. I am almost absolutely sure we have not received them, but I am assured that you have done them so that is very encouraging.

Mr Banks—I do not have a date here but I do recall it was some time ago. There is a hiccup in the system, which we will investigate.

Senator WOODLEY—Thank you.

Mr Banks—Regarding the new testing conditions, I would like to make a comment on one of your earlier questions; it puts it in perspective. We have been importing green prawns from South-East Asia for several decades. Up until 1996, it was perfectly acceptable, rightly or wrongly, to bring in green prawns as bait. We imported tonnes of green prawns for bait—for recreational fishing for men and women. That occurred throughout the early and mid-90s at the height of the white spot outbreak in South-East Asia.

It is fair to say that recreational fishers have dangled millions of infected prawns in our waterways over the years to date without any known incidents of white spot infection. To say that that is a terribly high risk is perhaps not consistent. Nonetheless, the risk analysis panel that conducted the risk analysis on prawns believed that there was a low risk which should be addressed, and so the new conditions that have been put in place are to address that there is some accepted risk from using imported prawns as bait.

The reason that two types of prawns are being tested is because we import a wide range of green prawns. The testing is targeted at those that would be reasonably used as bait—they are whole prawns or prawns that have had their heads removed, but essentially are otherwise whole or unpeeled. I am not quite sure where you get the other 14 types from, but there are many others.

Senator WOODLEY—From the association.

Mr Banks—For example, we import prawn meat that has been marinated in chilli sauce and also battered prawns—things that would not normally be used for bait. The new testing requirements and size limits are aimed at those prawns that could be used for bait.

Senator WOODLEY—I am sure you would be aware of the December 2000 research findings published by Dr Don Lightner. His findings demonstrate that uncooked frozen prawn meat and the tail are capable of transmitting white spot virus. Following on from what you have said, where there are white spot infected uncooked prawn products, the question is: are they still being imported or are they the ones that are targeted for the protocol?

Mr Banks—Prawns that could be used for bait are going to be targeted for specific treatment. There are a number of other general requirements though on the importation of green prawns. We are fully aware of Dr Lightner's work. In fact, he reviewed our risk analysis and so we are fully aware of his findings, and they were taken account of in the IRA.

Senator WOODLEY—I think that is probably as far as I can go but I will be very grateful to get those answers; that will help. I do not want to go through all of those questions if the answers are coming.

CHAIR—Senator Woodley, we are attempting to find out where those questions are at the moment.

Senator WOODLEY—Thank you, Chair.

Senator FORSHAW—Going back to the question of New Zealand for a moment, as we were discussing a little while ago, there was a report on the AAP wire service on 1 April—which we presume was not an April Fool's joke—which refers to an article by a Dr Ann Bull—so I did actually look twice at this—who has a master's degree in applied epidemiology and is with ANZFA. The article referred to Dr Bull's research findings. It said:

New Zealand has the highest contamination rate out the six largest exporters to Australia of "risky" foods, a study has shown.

Analysis of five years of testing on ready-to-eat foods at risk of bacterial contamination including fish, soft cheese and spices, shows that increasing numbers are being rejected because of bugs such as listeria and salmonella.

That, in itself, is interesting. The other five countries were Asian countries. The article states that Dr Bull said:

"Surprisingly, New Zealand has the highest overall failure rate out of the six largest exporters of risk foods to Australia."

I am particularly interested in your comments about that. The story also refers to the fact that ANZFA had urged AQIS to keep better records in its imported food-testing program. Could you comment on that? Are you aware of the article?

Ms Stanton—Yes, we are.

Senator FORSHAW—What are your comments and reaction to that?

Dr Carroll—The main bacteria that was referred to was listeria and the reason for the high failure rates for New Zealand is fairly well linked to the nature of the food that is being sent over. New Zealand sends a lot of food into Australia, particularly things like smoked salmon, soft cheeses and food that is more likely to be contaminated than a canned food product or some of the food products that come from further afield. We were surprised when we read the reference to AQIS data collection, and we raised it with our colleagues in ANZFA for clarification. The response we received was that Ann Bull was surprised at the way the article had been reported. We are supplying ANZFA with the information they asked us to supply. We clarified that with them again to see whether they wanted different information, more information or whatever. ANZFA's official position was that we were giving them what they asked for. Individual researchers might like a greater depth of data in some cases, but we have not been asked to provide that data. If we found listeria, the food was failed. Somebody might have liked to know the actual counts found for a particular research project. However, we were not collecting that data because we had not been asked to collect it, and we still have not been asked to collect it.

Senator FORSHAW—In relation to the data you do collect, does AQIS record the presence of bacteria instead of measuring and plotting different levels from year to year to get a trend to discover whether a disease is spreading or protracting?

Dr Carroll—We record the failure in respect of the presence of the bacteria rather than the absolute numbers of the bacteria because that will vary depending on a number of factors. The nature of the program is that food passes or fails, and that is an organism they will fail for.

Senator FORSHAW—The article further states:

ANZFA has urged the Australian Quarantine Inspection Service to keep better records in its imported food testing program.

Currently AQIS simply recorded the presence of bacteria rather than plotting different levels from year to year but this did not facilitate understanding about the spread of disease.

Is that a correct reflection of what the work showed? Was that the position that was put to you by ANZFA?

Dr Carroll—No, that is not consistent with ANZFA's official view. As I said, we were surprised when we read the article. We went back to them and asked them what additional data they had requested and whether they would like additional data. They came back to us and said Ann Bull was also a bit surprised at the way it was reported.

Senator FORSHAW—You said that a moment ago. Were your comments to ANZFA, and their response back to you, made in writing? Can you provide that to the committee?

Dr Carroll—I will find out. I think we were pretty anxious and we rang them up and received a verbal response, but I will chase that up for you.

CHAIR—I think at that point, Senator—

Senator FORSHAW—Could I just finish on this—it is my last question?

CHAIR—Sure.

Senator FORSHAW—I would assume that, if that report was an incorrect reflection, somewhere it should have been put down in writing. You would have wanted that from ANZFA and they would have probably wanted to do it, so I would appreciate if you could check that out and provide it. Thank you. That finishes my questions on that section. We have not finished on AQIS.

CHAIR—It is 10.30 so we will take our morning tea break.

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

CHAIR—I think Senator Forshaw has some more questions.

Senator FORSHAW—On quarantine and export services and the Meat Safety Quality Assurance Program, I understand that AQIS had set a deadline of 31 December 1998 to have that program in place in all meat processing establishments? Is that correct?

Mr Bailey—That is correct. There was an agreement reached through the Export Meat Industry Advisory Committee that we should work towards implementation by that date.

Senator FORSHAW—Thanks for confirming that because, as I understand that, by that date only 50 per cent of the export works were using the system. Is that correct?

Mr Bailey—I am not certain of the percentage but there was less than full coverage by that date.

Senator FORSHAW—Furthermore, I recall that, whilst industry and AQIS had agreed that meeting the deadline was mandatory, a lack of supporting legislation meant that implementing the program could not be enforced. AQIS was looking at other options, such as registration, to enforce the requirement? Is that correct?

Mr Bailey—To my knowledge there was never an intention to mandate or legislate to make it a requirement. There was a move initially to encourage as many plants as possible to have a MSQA program in place by the due date.

Senator FORSHAW—I have gone through that background to get to this question: can you tell us where the process is now? What has happened with the measures that you took to try to increase the proportion of processing works that implement the program?

Mr Bailey—I would have to take that on notice. I do not believe I have the numbers, but I can check through the record. The issue of the uptake of MSQA has been discussed at each EMIAC meeting since December 1998, and we have tried to work with our industry colleagues to encourage the uptake of an MSQA program. My recollection is that it was up around 65 per cent or 70 per cent the last time I heard the report.

Senator FORSHAW—When was that?

Mr Bailey—It was at the EMIAC meeting before last, which would have been in December of last year. Perhaps I can have a few minutes to check.

Senator FORSHAW—Yes. There are some other issues relating to the meat industry that we can move to now, so maybe, Mr Bailey, you can check your papers while we are doing that and advise us later.

Regarding pig meat protocols, can you give us the background again of the review of the protocols for the transport of imported pig meat: when it commenced, how it progressed, who did the work and what the outcome was.

Ms Stanton—I will ask Jenni Gordon to deal with those issues.

Ms Gordon—I will have to take that question on notice if you want some detailed background to the development of the protocol itself.

Mr Wonder—Do you want information on the protocol, or the lead-up to it?

Senator FORSHAW—We are coming to that. I just want to get the background on the record to lead us to this point. You are going to take that on notice, if you can, but what role did industry play in this process?

Ms Gordon—We will have to take that question on notice, I am afraid.

Senator FORSHAW—Is there anyone here who can tell us about this issue now?

Ms Stanton—We seem to be having trouble with the background to the issue. We are certainly prepared to answer questions in relation to where things are up to now.

Senator FORSHAW—At the last estimates, you told us that you worked with the importing sector of the industry on this issue. That is at page 148.

Ms Gordon—I think you are referring to discussions that were held with the Pork Council of Australia in reviewing the current protocol for the importation of imported pig meat.

Senator FORSHAW—Yes. I also asked what other sectors of industry were consulted, or was it just the Pork Council?

Dr Carroll—Looking at the transport arrangements, there were discussions with the Pork Council and also with the processors. There were two phases, if I recall correctly: looking at the transport arrangements under the existing protocol, and Biosecurity Australia were taking the information that came from that, looking at a reassessment of the protocol itself. My understanding is that the reassessment of the protocol is still taking place in Biosecurity Australia.

There has been a tightening up of the conditions for the transport of pig meat, mainly in relation to recording exactly which transport companies are carrying the pig meat, et cetera. Advice has been provided to transport companies on contacting AQIS, and assistance has been made available so they can do that at short notice if there is a difficulty.

The review that was done by AQIS was more along the lines of, within the existing protocol that had been set, what other things could we do under that protocol to tighten up on the transport? In that, I believe there were discussions with the Pork Council and also with the processors. I am not sure if there were any with the transport companies; I think it was mainly with the processors.

Senator FORSHAW—Could I take you to an industry comment by the Pork Council of Australia in April this year, which reads:

PCA this week requested that AQIS immediately review the current import protocols for the transport of imported pig meat with a view to managing quarantine risks associated with imported pork offshore.

PCA contends that the previous review by AQIS of the current transport arrangements as a result of the accident involving the transportation of imported frozen pork last year was deficient.

So there is concern within the industry about this. What do you have to say about the issues raised by the Pork Council?

Ms Gordon—The Pork Council is concerned that the current conditions for the import of pig meat do not take into account the fact that the PRRS virus can be transmitted through pigs—pigs eating infected pig meat. However, as I understand it, those 1992 conditions were already based on a premise that that could occur. Until the conclusion of the new generic import risk assessment is concluded, there is no reason to suspend the trade. The risks that exist will be taken into account in that IRA and the conditions will then be reassessed.

Senator FORSHAW—Where is that IRA up to?

Mr Banks—The import risk analysis is midstream at the moment. We would anticipate that it will be completed by the end of this calendar year.

Senator FORSHAW—What you are saying, Ms Gordon, is that in AQIS's view it is okay to continue with the current arrangements. Are you saying that the concerns of, for instance, the Pork Council are not warranted?

Ms Gordon—No. What we are saying is that the concerns that the Pork Council has raised with us are concerns that are already expressed in the current protocol. In terms of containing the risks that arose as a result of the transport accident recently, we have put in place revised conditions to better contain the transport risks themselves. In terms of changing the content of the protocol, we will await the outcome of advice from Biosecurity Australia on generic import risk assessment.

Senator FORSHAW—Again, according to this article, their particular concern is heightened by 'the widespread infestation of feral pigs throughout Australia' and 'the continued transportation of untreated pig meat through rural areas'. They say that it poses a real risk to the Australian pork industry. What is your comment about their statement?

Ms Stanton—Our view is that that was the reason we tightened the transport part of the protocol: to minimise those risks. In terms of the more general risks that are not transport related, the best advice we have at the moment is the existing protocol. We will await the IRA results to see whether or not there needs to be any further tightening up.

Senator FORSHAW—They requested AQIS to immediately review the current import protocols, but you are saying that you will await the finalisation of the IRA.

Ms Stanton—Having tightened up the transport part of the protocol.

Senator FORSHAW—Let us move to that. There was a comment from Dr Carroll on 20 February, at the last estimates hearing, about the tightening up of the arrangements for the transport companies and monitoring their performance. Could someone explain just what that means and what has happened? How has the monitoring been done?

Ms Gordon—Currently, the arrangements are that an importer must nominate the transport company that they intend to use to move the imported pig meat from the wharf, between the cold stores and processors and between the processors. The name of that company must appear on the quarantine entry, with contact details of the relevant regional AQIS office to also appear on the entry for the benefit of the transport company. If there are any difficulties at all, AQIS can be immediately notified.

The transport company is also required to move the product directly to the premises nominated on the quarantine entry. AQIS must be contacted immediately if the container is unable to be delivered to that nominated premise—for example, if the delivery cannot occur during normal business hours in terms of the nominated premise. If there were to be any accident or spillage, as occurred recently, it is the responsibility of the transport company to notify AQIS immediately. Given that the accident that occurred was a most unusual situation—and I am advised that there have not been any other incidents of that sort that anyone could identify—these sorts of conditions we think will adequately contain the risks.

Senator FORSHAW—Are they new requirements that have arisen out of this review?

Ms Gordon—Yes. Those requirements have been put in place as a result of the review of the circumstances that occurred at the time of the accident.

Senator FORSHAW—When did these new requirements commence?

Ms Gordon—As I understand it, the review was finalised on 1 February 2001, so the requirements would have been in place since approximately that time.

Senator FORSHAW—You have said that there is a set of arrangements that require notification in certain circumstances. I think it is in all circumstances, isn't it, with respect to the name of the company. There are also certain circumstances where there is a delay or an accident, which is a reactive approach. What about actual physical inspections? Would there be normal inspections taking place as well by the AQIS officers—visits to the plant, visits to the transport company and checks on the vehicles?

Ms Gordon—These conditions are actually put on the import permit that the importer requires to bring the pig meat in, so they are under an obligation to follow the requirements. Dr Carroll might be able to provide better information about whether we monitor specifically the companies themselves, but there have certainly been no incidents referred to us or reporting to us of any breaches that I am aware of.

Senator FORSHAW—At the last estimates hearing, Dr Carroll stated:

... we did a review of the transport options and we worked with the importing industry on that.

That goes back to my earlier questions. Dr Carroll continued:

The report that came out of it was fairly short and, as I mentioned, we passed that across to Biosecurity.

What did you actually pass to Biosecurity? Can you provide the committee with a copy of what it was?

Dr Carroll—We should be able to provide a copy of that. I think it was a memo on the outcome of the various options which we looked at, the reasons for and against those options and why we settled on the arrangements that we settled on. I think we should be able to find that.

Senator FORSHAW—If you would do that, that would be very good. Have you had any discussions with the Pork Council following their call? It is in an industry update but I am assuming that you were made aware of their views.

Ms Gordon—The Pork Council of Australia did write to us. We responded to them on 3 May, explaining the current approach that we are taking. Of course, they will be advised in due course on the import risk assessment process.

Senator FORSHAW—Would we be able to have a copy of that correspondence from the Pork Council and your reply?

Ms Gordon—Yes.

Senator FORSHAW—Thank you very much.

Senator O'BRIEN—I have some questions about AQIS and transportation of animals. There were media reports at the end of last month about a shipment of 1,000 goats on a Martin Air 747 that was halted because a number of goats were found dead in their pens. Was the preparation of these goats for shipment, their handling at the airport and loading onto the aircraft cleared by AQIS?

Ms Gordon—Yes. My understanding from our senior AQIS veterinary officer at the airport at that time is that there were no goats that were dead at that time. There appears to be a number of facts which still are not clear.

Senator O'BRIEN—I take it, then, that an investigation is under way.

Ms Gordon—What occurred, in relation to that incident, was that our AQIS senior veterinary officer had cleared the goats for export. The RSPCA came to the airport, having been notified that there were circumstances it was felt they should be concerned about. As a result of discussion with the airline company, the shipment of the goats did not take place on that particular day. The importer took the goats back to holding pens and rebuilt the crates in which they were to be exported. The goats were subsequently exported, a week later. But, as far as I am aware, there were no goats that had died prior to export.

Senator O'BRIEN—I take it there were some problems with the pens if they had to be rebuilt.

Ms Gordon—There are requirements about the dimensions of the crates for export. According to our senior veterinary officer, based on stocking densities and the weights of the animals the crates were suitable for export and had met the requirements that he was following. However, the RSPCA had expressed some concerns. The airline company, which is obliged under the IATA regulations to take into account the arrangements for the welfare of animals during travel, decided to err on the side of conservatism and to rebuild the crates to export them. At the time of the re-export the RSPCA was also present, so I understand there were no further concerns.

Senator O'BRIEN—What you have told us is that the RSPCA did have concerns.

Ms Gordon—Yes.

Senator O'BRIEN—The crates were rebuilt, and that rebuilding of the crates, presumably enlarging the space per animal—

Ms Gordon—As I understand it, yes.

Senator O'BRIEN—removed those concerns. Was there no agreed protocol with the RSPCA prior to that export? Is this the first export of goats by air?

Ms Gordon—I cannot comment on any previous export of goats. The RSPCA operate under their own legislation. This was an incident in New South Wales, where they operate under the New South Wales Prevention of Cruelty to Animals Act. Our AQIS vets operate under the Export Control Act and the export of animals orders. The requirements on our vets are that, among other things, the animals are sufficiently fit to undertake the journey and the travel arrangements and preparation for the shipment are adequate for the health and welfare of the animals. There are requirements on the airline companies under the IATA regulations. And, of course, the RSPCA interpret their own legislation. One of the issues that we are looking at is the clarity and consistency of those various pieces of regulation and legislation to ensure that it is possible for all parties who might be concerned about the animals to interpret the requirements consistently.

Senator O'BRIEN—It seems that the decision of the senior vet is entirely subjective. There are no specified criteria to establish, for example, the confinement space that is necessary and the weight to area ratio.

Ms Gordon—That is not entirely so. The senior vet would also be looking at the IATA regulations which define the crate dimensions, specifications and stock in densities and would take that into account in making a judgment whether the exports should go ahead, and of course they are bound to ensure that the travel arrangements are adequate for the health and welfare of the animals. It is a matter of judgment about whether all those requirements have been met, and in this situation our senior veterinary officer had come to a judgment that it was

in the interest of the animals and it was perfectly okay for them to be exported. Other parties came to a different conclusion.

Senator O'BRIEN—Who had overriding power in the circumstances?

Ms Gordon—Because of the different pieces of legislation that operate, it is one of those situations where each party must comply with its own legislation and of course be aware of the legislation that is incumbent on other parties. Our vet had cleared the animals for export and subject to another party under other legislation saying that they still had concerns the export could have taken place. However, the New South Wales Prevention of Cruelty to Animals Act operates in New South Wales, where these animals were being exported, and the RSPCA brought to the attention of the airline company that they had concerns and they felt that their legislation had not been fully complied with. The airline company took that into account in making the decision not to transport the animals. It is a situation where we have different pieces of legislation and obligations on different parties. As I have said, I think we need to review this issue to ensure that there is clarity about the various obligations and that all parties are satisfied that the exports can take place, consistent with the health and welfare of the animals.

Senator O'BRIEN—On the same general subject area, I asked a question on notice, No. 3473, about the shipment of deer from Brisbane on 15 February this year. I was advised that AQIS had issued an export permit and health certificate for the consignment of 115 deer from Brisbane to Bangkok via Sydney and that the deer were vetted. I assume AQIS oversaw the loading of the animals or were present. I was also advised that the permit was issued in accordance with the provisions of the Export Control Act and the export control animals orders. How does AQIS account for the fact that 68 out of the 115 deer died between Brisbane and Sydney?

Ms Gordon—I do not believe we have the facts on exactly what caused the death of the deer. At the time they left Brisbane, in the opinion of the AQIS veterinary officer, all the requirements of the Export Control Act and the export control animals orders had been complied with. There are a variety of situations that could have led to the death of the deer, including problems with the air conditioning in the hold where the deer were being transported.

Ms Stanton—The RSPCA did an investigation of that incident and did not at any time hold the fact that AQIS had cleared the loading of the deer as a particularly relevant fact.

Senator O'BRIEN—According to a magistrate who considered action against Qantas, the deer had been subjected to overcrowding, a slippery floor, short containers—I presume that means the height of the container—and stressful stimuli such as noise. Would those conditions and processes have met the terms of the Export Control Act and the export control orders?

Ms Gordon—The Export Control Act and the export control animals orders do require the AQIS vet to be satisfied that the travel arrangements are adequate for the health and welfare of the animals, and I cannot comment on whether those circumstances existed at the time that our senior vet came to that conclusion but one would have to assume that in his professional judgment the arrangements were adequate and did meet the requirements of the relevant legislation. Certainly, as I understand it, at the time the RSPCA reviewed the circumstances of the transport arrangements, they were satisfied that the AQIS veterinary officer had operated properly within his powers.

Senator O'BRIEN—The AAP wire story of 27 February quotes New South Wales operations manager of the RSPCA, Brett Bell, as saying:

We are looking at heat exposure here. Animals compacted into a small area would generate a tremendous amount of heat from their own body temperature. Those animals that went down would have been trampled. They would have had internal injuries from trampling from other animals. We are talking about a long and painful process even though the flight might have only taken an hour—

Sixty-eight deaths out of a population of 115 suggests either that the animals were unhealthy or that the conditions were unsatisfactory, I would suggest. Should that indicate to us that there were deficiencies in the act and in the orders or that the deficiency was on the part of the AQIS vet and Qantas?

Ms Gordon—In respect to the second part of your question, at the time the RSPCA conducted their investigation into that incident, they did not identify any particular concerns about the role of the Australian Quarantine Inspection Service's supervising vet. Whether in fact the issue—

Senator O'BRIEN—That begs a question as to whether they should have.

Ms Gordon—We can only rely on the fact that the RSPCA, which has particular concerns about these matters and particular legislative responsibilities under the Prevention of Cruelty to Animals Act, did not raise any concerns at that time. In terms of current guidelines, as I have indicated, there is a range of legislation and guidelines that all parties should have regard to, and those parties are seeking to have discussions. Livecorp, the industry organisation, also have standards and we are meeting with them. They are seeking to meet with the RSPCA to clarify the guidelines to ensure that all parties understand the standards and are applying the standards to the export of live animals.

Senator O'BRIEN—I have not asked the RSPCA if they have considered the issue of whether there are deficiencies in the act and the orders or whether they have considered or reflected on the role of AQIS vets in the process. What is the purpose of AQIS vets signing off on the export arrangements, if it is not for animal health and safety?

Ms Gordon—The AQIS vet has a number of responsibilities in terms of the export of live animals. Apart from being assured that the travel arrangements in preparation for the shipment have been adequate for the health and welfare of the animals, the AQIS vet also certifies that the animals comply with the health requirements of the importing countries.

Senator O'BRIEN—That they are healthy to travel?

Ms Gordon—And that they are also sufficiently fit to undertake the journey. Our vets would look at all the circumstances in coming to a conclusion on those matters and, certainly, in terms of the export of the deer, where there was an incident, the RSPCA's investigation did not suggest that the AQIS vet had done anything that he ought not to have done.

Senator O'BRIEN—How often is AQIS called upon to play its role in the export of live animals such as deer?

Ms Gordon—I could not give you the actual numbers, Senator, although I could ask and perhaps provide you with those later. Certainly, in respect of any export of live animals, the AQIS vets would be involved.

Ms Stanton—For every shipment?

Senator O'BRIEN—Yes. I take it from your answer that there are some ongoing evaluations of what took place?

Ms Gordon—We are looking more generally at the conditions and the arrangements for the export of live animals, in discussions involving the industry itself as well as the RSPCA.

Senator O'BRIEN—Which industry?

Ms Gordon—Livecorp, the industry organisation that represents exporters of live animals. There will be a review generally of the standards and the conditions that apply to the export of live animals.

Senator O'BRIEN—When will that take place?

Ms Gordon—It is occurring at the moment.

Senator O'BRIEN—Over what period will it take place?

Ms Gordon—I think we expect to have a report by the end of this year.

Senator O'BRIEN—Is that simply a report within AQIS, or will that go to the minister or to the director of quarantine?

Ms Stanton—It will be part of the evaluations that we have actually started, that are referred to in the PBS at page 79. Those evaluations are largely to do with coregulation, but this particular one on live animal exports will cover the issues also—as Ms Gordon has said—of the consistency and the way we work together with the various industries involved, Livecorp and the RSPCA.

Senator O'BRIEN—Is there any reason why any documented report arising from that review would not be available to this committee?

Ms Stanton—I cannot think of any reason why it would not be available.

Senator O'BRIEN—Perhaps you could consider supplying it to the committee when it is available.

Ms Stanton—Yes.

Senator O'BRIEN—You may or may not be back for a further round later this year. On another matter, I wanted to find out what is happening with regard to the Philippine assessment of an application to export Caribbean pine seed from Queensland. I asked a question on notice, No. 3491, about this matter, and in the answer which was provided—very promptly, as I recall—I was advised that Biosecurity Australia provided technical information to the Philippine authorities in March last year and that the timing of the access to this market was dependent on the completion of a pest risk analysis by the Philippine government. What is happening now?

Mr Stynes—The issue of the Caribbean pine seed was at the request of importers in the Philippines. We responded and gave them a pest list. It is really in their hands now. We have not heard anything further from their end at all. We are waiting for some response. We have not had any indication from anyone in Australia who is keen to export.

Senator O'BRIEN—There is no contact with the Philippine government about the matter?

Mr Stynes—We have not followed up with them, no. We have not had any request from Australia from people keen to export, or any further request from the Philippines to show that they are continuing to want to import. I would imagine that the pressure on the Philippine government to do the pest risk analysis will come from the Philippine end, if they are still keen to import the seed.

Senator O'BRIEN—Thank you. On another matter, on page 78 of the PBS, there is reference to AQIS identifying 26 areas of evaluation using performance-improvement-cycle competitive tendering and contracting methodology. Could you list those 26 areas.

Ms Stanton—I can list the 26 areas, if you will bear with me, or Mr Daniels can list them if he gets to them before I do.

Senator O'BRIEN—The race is on!

Mr Daniels—Would you like me to call out the 26 or simply list them?

Senator O'BRIEN—It would be good if you could table the list. You advised that six commenced this financial year.

Mr Daniels—The post-entry animal quarantine—

Senator O'BRIEN—The ones in the PBS on pages 79-82.

Mr Daniels—Indeed.

Senator O'BRIEN—I take it that it is possible that all six areas might be market tested.

Mr Daniels—In the reviews, market testing would be one of the things which we would look at. The answer will be different for every area, I would expect.

Senator O'BRIEN—So you will look at them and make a decision as to whether you will market test them. Is that what you mean?

Mr Daniels—Yes

Senator O'BRIEN—When will that process occur?

Mr Daniels—The timing of each of the reviews varies. I think the first of them is due for completion about the end of June. Others will run closer to the end of the year. But, as these reviews are completed, we would move to tackle some of the remaining 20 areas which we have nominated for review over the three-year period.

Senator O'BRIEN—So is it detained goods, then vessel clearance, then waste management?

Mr Daniels—We would make a decision about which area to review, taking into account the resources and other pressures which we are trying to deal with, particularly in relation to the additional resources we have connected to the budget outcomes and the FMD related decisions.

Senator O'BRIEN—According to the PBS, those six listed will be concluded somewhere around October at the latest.

Mr Daniels—They would be completed between the end of June and October, November, perhaps December. The additional complexities of the reviews varies. Ms Stanton mentioned earlier the review of live animal exports which I think is scheduled for completion in October, that may slip a month or so. But, certainly by the end of the year, all those reviews would be completed.

Senator O'BRIEN—Have you established particular criteria for determining whether an activity area will be market tested for outsourcing?

Mr Daniels—The criteria for the reviews follows a generic framework but, within the particular subject area, it would depend on the circumstances, where that function is coming from, the extent to which we have quality assurance arrangements in place, the extent to

which we do these things fully in-house, and the whole range of issues that would be relevant to whether it makes business sense to do these things in-house or in some other way.

Senator O'BRIEN—I suppose the business sense, the economics, is one issue, and I guess there are public policy issues as well.

Mr Daniels—Indeed.

Senator O'BRIEN—Who makes the judgments on the public policy issues? Is that going to be determined in-house or by a director of quarantine or is it going to be determined at a ministerial level?

Mr Daniels—The reviews are in-house AQIS, but all of them have steering committees which include, wherever possible, industry representatives and representatives from other agencies where relevant. If we came to a conclusion on a particular area to move dramatically away from what we currently do, we would certainly consult the director of quarantine.

Senator O'BRIEN—When you say 'move dramatically', I take it that means move closer to outsourcing?

Mr Daniels—If we moved from a situation in a program area, for example, where we currently conduct all activities in-house, and if the view was that we should move to a situation where we conducted the bulk of the activities under some sort of quarantine third party arrangement, that would be a very serious matter for us. We would not take those decisions lightly. Initially, the consideration of those sorts of matters would be taken with the advice of the steering committee but within AQIS.

Senator O'BRIEN—With respect to one of the areas we heard about earlier today, vessel clearance, it was going to be the subject of additional staffing.

Mr Daniels—Yes, Senator.

Senator O'BRIEN—Whilst that is happening, you are reviewing whether you will keep it in-house, potentially.

Mr Daniels—The additional staffing which was discussed earlier in the hearings is actually additional resources. I do not think we would feel necessarily confined to in-house staffing of some of the activities if the view was that they may be better and more effectively managed in some other way.

Senator O'BRIEN—We were given figures for full-time equivalent staff growth.

Mr Daniels—Yes.

Senator O'BRIEN—That is, I take it, subject to these decisions on these particular areas. The other 20 would, I imagine, include areas such as the international mail centre?

Mr Daniels—International mail is one of the program-specific areas we have listed for review—

Senator O'BRIEN—What about the airports?

Mr Daniels—but not yet timed. Aircraft clearance is another program area.

Senator O'BRIEN—Container terminal clearance?

Mr Daniels—Passenger clearance, commercial cargo, vessel cleanliness—so there are a range of individual program reviews as well as cross-program reviews.

Senator O'BRIEN—Is there a specific project team for each of these evaluations?

Mr Daniels—Yes, there is a project team.

Senator O'BRIEN—Does it vary across areas or is there a common team?

Mr Daniels—Yes. It is subject specific.

Senator O'BRIEN—Are there people who are common to each area for a particular resource need?

Mr Daniels—Not necessarily. I am sure if I went through the list of the current six there would be some people who would be common to some of them, but that is not the way we are approaching the exercise.

Senator O'BRIEN—What sort of resources will AQIS be putting into this review process?

Mr Daniels—The resources are being handled within AQIS's current resource base.

Senator O'BRIEN—Obviously, it comes out of other tasks potentially, so how many—

Mr Daniels—We see it as part of the overall effective management of our programs.

Senator O'BRIEN—So it is part of the function of the management team?

Mr Daniels—Yes.

Senator O'BRIEN—What sort of staffing would be required to complete this set of six this year?

Mr Daniels—There would be no additional staffing required.

Senator O'BRIEN—No, they would be taken from other areas, obviously. Or are you saying that if you were not doing these reviews there would be less staff?

Mr Daniels—If we were not doing these reviews we would be doing other elements of program management and continuous improvement to the way we conduct our business.

Senator O'BRIEN—I thought that would be your answer, and that is why I am asking how many people will be engaged in this review process.

Mr Daniels—The current resources that we have available for programs are being deployed in the reviews

Senator O'BRIEN—How many people is that?

Mr Daniels—I do not think there is a simple answer to that. I would be happy to give you a list of the people who are on the various steering committees, which is where a lot of the work, but not the full amount of the work, is done. We could even make an assessment of the sort of resources that would be involved review by review, but it would vary quite significantly.

Ms Stanton—It is important to understand that these are not full time.

Senator O'BRIEN—I did not think they would be.

Ms Stanton—This is a management task in that sense.

Senator O'BRIEN—There are not too many management tasks that are full time; you would go from function to function, I would have thought. This would be a set of functions for a set of people.

Ms Stanton—That is right.

Mr Daniels—One of the reasons that we have yet to complete a review is that we acknowledge that there is a resource demand placed on the organisation by conducting these reviews. So in terms of the timing of them we have tended to give ourselves a little longer than might otherwise be the case if you did have a lot of additional resources available to put into it. For most of these reviews, we have given ourselves six to nine months, which means that they can be done sensibly in association with the normal day-to-day running of the organisation.

Senator O'BRIEN—Have any of the 26 areas been subject to a review in the last five years?

Mr Daniels—I think many of the areas would have been subject to reviews of one form or another, but not under this disciplined approach.

Senator O'BRIEN—How should I take that—there was a lack of discipline in previous approaches or are you suggesting this is more rigorous?

Mr Daniels—Take, for example, a review of detector dogs, which we are yet to commence. Over the last five years we would have internally reviewed the way we run our detector dog program. With respect to the review of detector dogs, whenever it occurs—some time between now and the next 2½ years—we would apply a disciplined framework under the PIC CTC review program, so that we are asking consistent questions across the whole raft of areas which we have nominated.

Senator O'BRIEN—Can the committee be supplied with the material which would equip people to ask those consistent questions?

Mr Daniels—Certainly, Senator.

Senator O'BRIEN—Could you take on notice the question of what proportion of the AQIS management team's time will be taken on these review matters?

Mr Daniels—Yes, we will try and do that as soon as we can.

Senator O'BRIEN—On the question of meat inspection, what is the forecast cost of the meat inspection program for the coming financial year, and what was the actual cost last year and the expected cost for the current financial year?

Ms Stanton—Mr Bailey will be able to help you there.

Mr Bailey—For the coming financial year, we are estimating the cost at \$52.58 million, which is based on current year throughputs. For this financial year, we are expecting an end-of-year outcome of \$53.86 million; and the end-of-year outcome for last year—I would have to check—I think was in the order of \$52.4 million. But the figure has basically now stabilised at around about that \$52 million mark.

Senator O'BRIEN—Has there been a bit of a bump of \$1 million and a bit for this year?

Mr Bailey—There have been increased throughputs this year occasioning higher resource utilisation. We have also incurred in the current year a three per cent salary increase for staff.

Senator O'BRIEN—But you do not think that will not be reflected in next year's costs?

Mr Bailey—Yes—next year, as well, in that 53, we are confronted with another three per cent increase.

Senator O'BRIEN—I thought you said 52.58.

Mr Bailey—Yes, 52.58. That includes, for next year, a three per cent salary increase, which comes into effect on 22 June. We have absorbed that three per cent, in effect, through other efficiencies that we have managed to gather from the program.

Senator O'BRIEN—So, last financial year, it was 52.4, this current financial year it is expected to be 53.86, and next financial year it is expected to be 52.58. That is why I am saying there is a little bump.

Mr Bailey—Yes, that is right.

Senator O'BRIEN—I am trying to understand it. You would expect that there would be aggregate less charged next year.

Mr Bailey—It will cost us less. We are not proposing to alter the range of fees but, as a result of some structural changes and some other efficiencies that we have managed to achieve, we are able to hold the costs.

Senator O'BRIEN—Where is the Meat Safety Enhancement Program up to?

Mr Bailey—At the moment, MSEP is effectively stalled while we continue to pursue the acceptance of that program with our major trading partners. To this point in time only the United States has accepted a modified form of MSEP, and that modification required the retention of one government inspector to meet the requirements of US law. No companies in the Australian industry were interested in pursuing listing for the US market if it was only under an MSEP arrangement. The principal reason for that is that they are typically multilisted and need access to a range of markets. We have continued to seek recognition from Japan, Korea and Taiwan, and that has been sought through personal contact or communication. But there is a wait-and-see attitude from a number of those markets about developments internationally.

The other encouraging sign for us has been a discussion paper that has recently been issued by the European Commission. That paper also foreshadows a move to MSEP type arrangements, including company inspection. But obviously because of the legislative and structural changes that they will need to make within their own industries, that is perhaps two years off. There is some momentum now moving towards the MSEP type model that we have been promoting within Australia now for a number of years.

Senator O'BRIEN—I asked some questions yesterday of the department and they referred me to AQIS in relation to a report prepared for Meat and Livestock Australia by SG Heilbron Economic and Policy Consulting, on which ABARE had some views in terms of methodology. Particularly, the report claimed that if the meat inspection charges reflected marginal cost pricing rather than the present cost recovery regime based on accounting principles then there were potential savings of \$15 million to the industry. What is AQIS's view on that? Are you aware of the report?

Mr Bailey—Yes, we are aware of the report and the analysis of it done by ABARE. I make one comment about the overall impact or cost of inspection. In the last four financial years we have in fact been able to deliver a 37 per cent reduction in the cost of inspection through the reform agenda and the efficiencies we have been able to generate. We have also considered the methodology for assessing those charges and, as was pointed out in the ABARE report, we have not gone through the marginal cost pricing arrangement. We have a two-part structure which essentially seeks to recover our known fixed costs through our registration fees, almost in a fixed revenue, and our variable costs are then recovered through our fee-for-service arrangements.

I guess the fundamental issue is what is included in your budgets. The position we have followed is the traditional accrual budgeting and accounting approach which says that the full costs to government of delivering that service ought to be recovered so that we do include amounts to cover off workers compensation, superannuation, our accrued liabilities and the costs of maintaining our Canberra, regional offices and field staff. We do not believe there is a case for excluding those under the marginal cost pricing arrangement.

Senator O'BRIEN—I understand there was an inspection by EU representatives at the end of last year on how we are dealing with the issue of hormonal growth promotants, and those inspectors also looked at dairy production and residue programs. Is that what occurred?

Mr Bailey—That is true. A team of nine EU auditors visited Australia in November. They did look at the new arrangements we had put in place to underpin our HGP free certification, which involved property accreditation and animal identification and trade traceback, as well as the controls that had been implemented for the national residue survey and for the control and use of HGPs. They also looked at the dairy program, and overall they were satisfied with the robustness of the arrangements we had put in place to be able to certify that product destined for that market was HGP free. Perhaps I might defer to Dr Melanie O'Flynn from NRS who can elaborate a little on the NRS aspects of that review.

Senator O'BRIEN—I understand that we came up with a clean bill of health on meat and dairy, but the finalisation of the residue program was awaiting further information. Is that so?

Dr O'Flynn—If I can clarify that. With regard to the residue program, the review team were quite positive, and indeed complimentary, at the way in which the program itself was delivered, but their difficulties were in relation to the design of the program. In particular, they had difficulties with the way in which we had approached it previously on the basis of risk analysis and equivalence. Instead of that, they required direct compliance with the relevant EU directives. So that has required a restructuring of the program with regard to the number of samples of animal products tested.

Senator O'BRIEN—So more testing?

Dr O'Flynn—In some cases more testing. In the past we have based our testing requirements on a formula that if you test 300 samples you are 95 per cent confident that no more than one per cent will exceed the MRL. The EU has a very different approach which requires testing of a particular number based on a formula that is based on the previous year's slaughter figures. So we have had to redesign the program. In the case of cattle, the closed program we now have for supplying the EU market because of the HGP-free requirement enables us to actually test a subset of cattle, which are the EU destined cattle. So the number of cattle we are now testing is smaller. That has not been quite so simple in the case of other animal programs. But we have designed a program that is cost neutral for the other industries and that we believe will meet the requirements of the EU, although we have yet to have confirmation of that.

Senator O'BRIEN—When is it expected that that matter will be finalised to the satisfaction of EU inspectors?

Dr O'Flynn—It depends on how quickly the EU will respond. The reason we are only now getting definite feedback from them on what they require in relation to a directive that has been in place for four or five years is that the EU has been quite tardy in providing a definitive response to the plans we submit each year. We put in a formal response to the EU review within the required month after we received the report. That was then followed up

with our obligatory annual plan that was submitted in early March, but we have not yet received a formal response to that. It can take quite some time, and indeed sometimes we never get a definitive response from the EU about these submissions we make.

Senator O'BRIEN—So the beef industry residue problems are more easily dealt with than the dairy industry, for example?

Dr O'Flynn—The dairy industry I cannot really comment on because the national residue survey which I represent does not manage that program. That is managed separately under the auspices of AQIS. Perhaps Dr Zeman could comment on that.

Senator O'BRIEN—Perhaps someone else can assist me with the dairy industry.

Dr Zeman—The dairy residue program is currently managed by Dairy Food Safety Victoria. The situation with sample numbers in the dairy program is simpler, because the European Commission has a formula of one sample per 15,000 tonnes of milk production. In the case of Australian production in this financial year, it will translate into 750 samples. Issues with additional tests and laboratories are being addressed just as for other programs.

Senator O'BRIEN—Do I assume that it is a much more onerous program for the dairy sector because of the EU requirements? How legitimate, from a health point of view, are the EU requirements or are they just a technical hurdle we have to get over?

Dr O'Flynn—Sorry, Senator, was that specifically in relation to dairy?

Senator O'BRIEN—I am asking in relation to dairy at the moment, yes.

Dr Zeman—Some issues which were identified by the review team related to the differences between MRLs under the Australian legislation and MRLs under the European Commission legislation. Therefore, if in the past we considered our programs being based on risk, we related those risks to Australian risks and we believed that the program reflected Australian risks. We will have to add some tests which will reflect chemicals which are not even registered in Australia, and that is just to access their market.

Dr O'Flynn—The same goes for the NRS program overall. They have a particular interest in hormonal growth promoting substances, but there are number of analytes that are specifically required under EU legislation that we would not see on a risk basis approach that we would need to test for in Australia.

Senator O'BRIEN—Unless people were using chemicals that were not NRA approved, is that right?

Dr O'Flynn—That is correct, although we have no reason to believe that certain of the chemicals required by the EU are being used illegally in Australia.

Senator O'BRIEN—I would interpret your answer to mean that we have a technical hurdle to get over and the requirements are not really scientifically based.

Dr O'Flynn—You could certainly say that, on the basis of risk assessment and equivalence of outcomes and food safety outcomes, I think that would certainly be the case. But the EU presumably have their own reasons for requiring assurance that we do test to ensure that the chemicals they are concerned about are not being used, even though we believe there is no reason to believe that they would be.

Senator O'BRIEN—So we will be required to test on an ongoing basis even though we do not believe these chemicals are used in Australia and even if a period of testing fails to reveal them.

Dr O’Flynn—On the latter point, I think that it would be a matter of ongoing negotiation between the European Commission and us. Perhaps AQIS might like to comment a little further on that, because at the end of the day they are the competent authority for certification and for negotiations with the EU. Certainly from the NRS’s perspective, if a period of testing did verify that some of these compounds were not being used and on a risk basis there was no reason to carry out such testing, I think we would be seeking agreement by the commission to discontinue such testing.

Ms Stanton—Dr O’Flynn is correct on that point.

Senator O’BRIEN—What cost will industry have to meet to satisfy the EU requirements? Are these costs significant?

Dr O’Flynn—The way in which we have proposed to carry out the testing for this coming financial year is that, because the additional testing requirements have been to some degree offset by the number of samples being reduced, overall the changes in the program are cost neutral. There are some additional costs that do arise from other aspects of the EU review, such as a requirement that methods be validated based on incurred materials rather than materials that are created by spiking chemicals into a tissue in a laboratory, for example. So some aspects of the EU review response will have an added cost, but at the moment we believe those costs have been contained.

Senator O’BRIEN—I believe the team also looked at the game meat industry. What part of the game meat industry was inspected?

Mr Bailey—They certainly visited a game processing establishment. I think there was only the one but I would have to take that on notice to be certain. But for the first time they certainly visited parts of the game meat processing industry.

Senator O’BRIEN—Was there any feedback from the team as to the result of their visit and inspection?

Mr Bailey—The evaluation and the outcomes reported were positive. There were no aspects on the game meat side where we had to take any corrective action.

Senator O’BRIEN—So we would assume that it is a resounding pass not a bare pass. They had no concerns at all?

Mr Bailey—We are never quite game to give ourselves marks against the European review. A pass for us is a resounding pass.

Mr Wonder—I think the pass mark is 9.9 out of 10.

Mr Bailey—But it has certainly secured an industry that we were rather nervous about because it had not been reviewed before.

Senator O’BRIEN—Yes, that is very good to hear. I want to ask some questions about meat export licences and particularly a matter that went to the Administrative Appeals Tribunal in December 1999 regarding a company called Wilco Meats Pty Ltd. The company applied for a review of a decision by AQIS that refused the registration of the establishment as an export works under the Export Control Act. I believe AQIS rejected the application on the basis that the applicant was not a ‘fit and proper person’, and this was linked with an association with the meat substitution scandal in the late 1970s and early 1980s. However, the AAT overturned AQIS’s decision to deny the export licence, as I understand it. What was the basis of the AAT decision?

Ms Stanton—The facts are correct as you have stated them. I would have to take on notice the precise basis of the AAT decision, but basically the AAT found that the person concerned was a fit and proper person, unlike the view that AQIS had taken.

Senator O'BRIEN—What relevance did the past association with meat substitution have?

Ms Stanton—To the AAT?

Senator O'BRIEN—Yes.

Ms Stanton—I would have to take that part on notice, I am sorry.

Senator O'BRIEN—What happened after that decision—did AQIS appeal?

Ms Stanton—AQIS considered appealing the AAT decision but appeals to the Federal Court have to be made on a point of law as opposed to the merits of the case. Our legal advice was that we were unlikely to be successful on a point of law, so the decision was not appealed. However, shortly after that the person concerned formally withdrew his application for export registration, so the company is not a registered meat exporter.

Senator O'BRIEN—Okay. I want to ask some questions about an export works in Tasmania, SBA Foods Pty Ltd. Who currently holds the export licence for that plant or plants?

Ms Stanton—I would have to take that on notice. I do not have any information about SBA Foods. I do not believe any of my colleagues would either.

Senator O'BRIEN—I want to know whether there has been an application to transfer that licence or for a new licence to be issued for the plants which have been licensed to SBA Foods Pty Ltd.

Ms Stanton—I will take that on notice.

Senator O'BRIEN—What is the process followed in relation to the transfer of an export licence—is it the same as issuing a new licence?

Mr Bailey—For export registration, an application would need to be lodged with AQIS telling us the principals of the company seeking to acquire the property. We would then seek a fit and proper person assessment of the people declared on that application. We would also check the financial status of the operation to make sure that there was no debt owing to the Commonwealth before we would assign the registration; and then we would have an assessment done by our senior veterinarians to make sure that the plant was in a fit state to be transferred. Obviously, where it is open and operating, that is a reasonably straightforward process.

Senator O'BRIEN—Perhaps you could give us the details of any application in relation to SBA, when it was made and where we are up to in the checking process.

Mr Bailey—We will provide that.

Senator O'BRIEN—Regarding the new ballast water arrangements for the management of ballast water that come into effect on 1 July this year, how will the new system operate as compared with the system in place up to that time?

Ms Stanton—Dr Carroll will answer your questions on ballast water.

Dr Carroll—Under the situation we have at the moment, there is a voluntary scheme whereby vessels can exchange their ballast water at sea and thereby reducing the risk. What we have been developing is a system we call the decision support system or DSS. Under that the vessel puts in information before it comes to Australia on each ballast water tank and

where the ballast water comes from because you may take ballast water from different ports onto the vessel. The system then looks at where the ballast water is coming from, where it might be discharged and the various ballast water organisms that could be in there, and will decide on whether it is a high risk or a low risk. If it were a high risk, the objective is for the vessel to exchange ballast water at sea. So some vessels might find themselves in a situation where, at the moment in good faith they are changing their ballast water in a responsible way and they might find on the response from the decision of the DSS that they do not have to change the ballast water because there was actually no risk in that ballast.

There are other alternatives to exchanging ballast water; they can change ballast water between tanks, and there are various other things as well. In that way the vessel gets the information, the master gets the information and their agents. We also have that information on what we call our VMS, which is the vessel management system. That is the existing system we use for controlling vessels and for tracking the quarantine directions that attach to those vessels.

Senator O'BRIEN—Does this new arrangement have its genesis in the new oceans policy that has been announced or is it specifically an AQIS self-generated system?

Dr Carroll—I think it was originally generated primarily from AQIS. The system was originally under development in AQIS. It has been broadened now to incorporate, as from yesterday, other areas of AFFA as well. AQIS is now looking after primarily the operational aspects of the system rather than the broader policy aspects.

Senator O'BRIEN—I was given to understand there was a workshop in Canberra to develop this plan. Is that right?

Dr Carroll—There has been a series of workshops and meetings to develop the system and to agree on how it will work. There are a series of committees involved as well to bring in the appropriate expertise; there is a scientific committee called the RAG. There is a steering committee looking after the development of the DSS itself which is the computerised system, and there is another group looking at the overall ballast water and invasive marine species issue across Australia as well as in port.

Senator O'BRIEN—Are new regulations actually in place?

Dr Carroll—There are two issues with that. One is the powers to do what we want to do if a vessel is contaminated, and those powers are already in existence. There is a regulation which is still proceeding through which will allow us to ask the specific questions or will give us more defined authority to ask the questions. So it will make it more efficient in the way of going about the business if we put that legislation through. That is currently in an advanced stage, and I have been advised it will be in place by 1 July. That is a regulation.

Senator O'BRIEN—A regulation?

Dr Carroll—Yes. There is a sufficient head of power in the legislation to do all these things but, to make it work more efficiently, there is a regulatory change which will put us in a better position to ask the questions that they have to respond to as the entry of the data into the DSS by the ship's agents.

Senator O'BRIEN—According to one of AQIS's outcomes documents, No.9 of July 2000, AQIS has been working on a blueprint action plan for minimising risks from the introduction and translocation of marine pests. I take it that that is the process that has led to this particular policy?

Dr Carroll—I believe so, yes.

Senator O'BRIEN—What other issues are under consideration?

Dr Carroll—From an AQIS perspective, the main issue we are dealing with is the DSS. The fisheries and forestry people are looking at the broader aspect of ballast water control and issues relating to domestic movements, et cetera.

Senator O'BRIEN—Thanks very much.

Senator FORSHAW—While I was away, have you dealt with any issues regarding bananas?

Senator O'BRIEN—No, we have had no bananas.

Senator FORSHAW—I think it is an issue that is relevant to AQIS because it relates to the problem of the outbreak of Sigatoka disease in the banana industry in Queensland. There have been bans imposed by the New South Wales authorities.

Ms Stanton—It is a Biosecurity Australia matter but we can—

Senator FORSHAW—I know there is the issue of the Philippines seeking to export bananas to Australia and this is related. But this is an internal disease, as I understand it according to the reports, that has broken out in Queensland and that has led to some internal restrictions on the domestic trade of bananas.

Ms Stanton—Those issues are state based issues.

Senator FORSHAW—My question was going to be: what, if any, is AQIS's involvement in this? How relevant is this for your responsibilities?

Ms Stanton—Our involvement to date, apart from keeping in very close contact with our colleagues from Biosecurity on the matter, has been to provide assistance to the Queensland government in the form of a plant pathologist that we have made available to assist the Queensland government. That really has been about the extent of our involvement to this point. A staff member of ours from the north Australian quarantine strategy is already located in Queensland.

Senator FORSHAW—But it is not purely a state responsibility, is it? For instance, the outbreak of newcastle disease in the poultry industry in certain parts of the country was an issue for AQIS?

Ms Stanton—Absolutely, but also remember that that was in the old structure of AQIS when Biosecurity Australia was part of AQIS.

Senator FORSHAW—I understand that Biosecurity has responsibility for issues which relate to, for instance, the import risk assessments and export/import arrangements, but what is Biosecurity's involvement in this issue domestically? As I understand it, the disease exists in Queensland and it does not exist in New South Wales.

Ms Stanton—That is exactly right. There has been involvement both through Biosecurity and through our product integrity area. I think that perhaps Dr Bill Roberts could speak to that.

Senator FORSHAW—I am happy to deal with it when we deal with Biosecurity.

Ms Stanton—Bill is at the table so perhaps we can deal with it now.

Senator FORSHAW—Fine. But I understood—maybe incorrectly or maybe not fully enough—that the decision to establish Biosecurity was related to essentially the export/import arrangements?

Ms Stanton—Yes, you are quite correct. The area of AFFA that most often deals with the states and so on once there is an incursion of some sort is our product integrity, animal and plant health area. That is the area that Mr Roberts is representing.

Senator FORSHAW—Mr Roberts, maybe you would like to make some comment about what is happening and what assistance is being provided to the industry in Queensland—and elsewhere.

Mr Roberts—I will just briefly explain the systems and how these things work. My office deals with incursions of exotic pests and also with plant health issues of national importance. Therefore, we do get involved with endemic pest issues such as black Sigatoka. The way the interstate issues are managed, as Ms Stanton has mentioned, is that it is really a state issue. So New South Wales have taken action against bananas coming from Queensland. However, there is a group called the Interstate Plant Health Regulatory Working Group, which largely consists of state based officials from all of the states and which meets regularly to try to resolve problems, inconsistencies and concerns about interstate movement. That group is looking at the black Sigatoka issue.

In terms of Commonwealth involvement with black Sigatoka, we are involved through the Plant Health Committee, which is a subcommittee of the Standing Committee of Agriculture and Resource Management, in looking at the issue, what action should be taken, and what scientific and technical analysis is needed. Indeed, both my deputy and I have been up recently looking at the issue and meeting with industry to try to assess their needs and see what can be done.

Part of the activity has been alluded to already: AQIS has provided a plant pathologist out of its northern Australian quarantine strategy program to assist Queensland government do some scientific and technical analysis of the situation on the ground. That is the sort of overall systems, if you like. At the moment it is very unclear how the situation will unfold. There have been a number of additional detections of the disease within the Tully Valley, and the outlook is that it appears that the disease is pretty well established in the Tully Valley area. At the moment the situation is that the technical experts in consultation with industry are looking at the best long-term management options. Although we have not entirely given up, it looks like we are well beyond an eradication program in the Tully Valley area. It will be a situation of learning to live and produce bananas in the presence of the disease for that area.

Senator FORSHAW—There have not been any detections outside of that area?

Mr Roberts—No. There is fairly intensive effort, of course, to make certain we do know the distribution of the disease and there have been no detections outside that area. However, we are entering the drier period where it is a bit harder to find the disease, so we probably will not be 100 per cent confident of the distribution probably until the next wet season.

Senator FORSHAW—I have another question which goes back to the issue of foot-and-mouth disease in Europe. I read a report in the *Australian* back in April with this rather dramatic headline 'Foot-and-mouth spreads to human'. Maybe I should have asked this earlier, but is there any credibility to that story?

Ms Stanton—My understanding of that particular story is that the answer is no. Dr Biddle is better qualified than I am to deal with the issue.

Dr Biddle—Yes, there was quite a run of media coverage about putative cases of human infection with the FMD virus during the height of the outbreak of the disease in the UK sheep and cattle populations. The reality is that the testing that was done on these cases failed to confirm any such infection. However, it is a rare condition; there are very occasional cases reported in human populations. They are usually attributed to occupational health and safety exposure conditions, where very high concentrations of the virus are involved. Usually cases may be seen in laboratory workers and occasionally in slaughtermen and other categories of occupations that are handling diseased animals. It is an extremely rare event. In the last large outbreak of foot-and-mouth disease in the United Kingdom back in 1967, I believe one such case was confirmed. The intelligence that we have is that, during the current outbreak in the UK, no cases have been confirmed.

Senator FORSHAW—Thank you for that. Part of the reason for asking you is that there was this headline ‘Foot-and-mouth spreads to humans’ in the *Australian*. The article is on the page of the newspaper that is headed ‘World’ at the top. If you actually read the article, it says what you said. It states:

If confirmed by test results expected today, the case would be only the second of the human form of foot-and-mouth diagnosed in Britain and the first for 35 years.

The article goes on to say:

A Ministry of Agriculture spokesman played down the implications should the case be confirmed: “It is only ever heard of in people working closely with infected animals. At worst, that man will be in bed for a while.”

That quote backs up what you said. I suppose it is just a comment about responsible or irresponsible headlines on the matter.

Dr Biddle—We believe it is very important to have appropriate risk communication strategies so that consumers and other groups in the community are not unnecessarily alarmed. This is one of the lessons that will emerge from the UK situation.

Senator FORSHAW—Given that what we have is a situation of foot-and-mouth disease—and there was the BSE crisis and situations where CJD was found to have existed in humans—it is not hard to see that people will get very concerned when they see headlines like that. I thought I would raise it to give you the opportunity to comment, so thank you.

I have another question, and this has been reported on a number of occasions. The veterinary profession has expressed concern about a shortage of skilled personnel and the potential problems that might arise. This is according to a report in a paper that Dr Rose, the Dean of the Faculty of Veterinary Science at the University of Sydney, presented to the Animal Health Australia Conference last year. He argued:

In Australia currently, there is minimal contact of experienced livestock veterinarians with production animals, and minimal active laboratory surveillance of livestock disease. Existing livestock disease specialists are in the latter part of their career and opportunities for training new ones largely have gone.

We have also had some representations here in Parliament House from representatives of the veterinary associations. Is this a matter of concern? Do you have a comment about what is being said by the profession and its implications for the future management of these problems?

Dr Biddle—Yes. In the broadest context, I think the whole area of the preparedness to deal with foreign animal diseases like the highly infectious foot-and-mouth disease is a matter that has received detailed attention from government, particularly from ARMCANZ ministers,

who have established a national management group to examine all the different areas of preparedness—including veterinary expertise and laboratory infrastructure and, more broadly, how different areas of government can intermesh in responding to a large-scale outbreak. These processes of evaluation are continuing.

The next step in the process, as I understand it, is that the Council of Australian Governments will be considering specific whole of government preparedness issues and how matters might translate into addressing gaps and improving preparedness. So there is an active process going on. The specific issue that you alluded to through that quote from Professor Rose is one of the examples where clearly governments will have to give ongoing consideration to how best to access the relevant expertise from the private sector, from the government sector and from the specialist laboratory sector. Those factors are being considered at this stage.

Senator FORSHAW—I appreciate that it is not this department's area, but one way of addressing this issue, as I understand it—and this has been put forward by the associations of the profession—would be to look to ways to encourage more students to take up veterinary science as a career. I am not aware that there is anything in this current budget to promote that. Are you?

Dr Biddle—I am not aware of anything.

Senator FORSHAW—As I said, this is the concern of other departments or other departmental areas. I realise that. Thank you.

[12.23 p.m.]

Senator McGAURAN—As there are no further questions for AQIS, we now move to market access and biosecurity. We will deal first with questions on trade policy.

Senator O'BRIEN—One of the questions I pursued with AQIS was the criticism by the President of the Horse Industry Council and the head of the Australian Veterinary Association of the restrictions imposed on the importation of horses during the foot-and-mouth disease crisis. They said that the restrictions were not based on science but were political. AQIS said it was not their role to comment in relation to the views expressed by the President of the Horse Industry Council and the President of the Australian Veterinary Association. I take it that Biosecurity is the correct area to comment on that.

Dr Hearn—Senator, we put out that press release. I do not know that we should comment on that. What I will comment on is the decision that was taken. The Australian Veterinary Association are of course fully entitled, as a professional body, to express their opinions and they have done so. It comes back to the fact that at times there is always going to be some disagreement between scientific authorities, be they in the public or the private sector, on certain matters of detail. I think this is a case in point. The decision taken and announced by Biosecurity Australia was that, given the magnitude of the problems we are all aware of in the United Kingdom, certain measures had to be taken, which were cautious measures. There is no question about that—they were cautious. Those measures were taken and they are subject to review as events move forward. They have already been reviewed once, from the ban through to the limited and conditional access for horses. The Veterinary Association, as I understand it—

Senator O'BRIEN—They are critical of both—the ban and the relaxation, with the pre- and post-export quarantine arrangements.

Dr Hearn—Yes. As the press announcement said, this is constantly under review, and experts and scientists, both inside and outside of Biosecurity Australia, are working on that. The difference—and I do not choose to comment on the views of the Australian Veterinary Association; they are perfectly entitled to those—appears to be one of when and how, and whether or not there has been excessive caution. We do not think there has, in the circumstances; but we obviously accept that, as time moves forward and hopefully there is an abatement as quickly as possible in the United Kingdom, further action can then be taken. That is about as much as I can say about the Veterinary Association's attitudes. They obviously do not accept the extent of the caution, and there is a difference of opinion.

Senator O'BRIEN—I was wondering whether there was a vested interest on the part of the Veterinary Association, given their role in particular in the equine reproductive industry in the Hunter Valley. They have based it there, haven't they?

Dr Hearn—They are a very professional body. I cannot comment on that, so I cannot comment on what their motives are. I assume it is being done on their judgment as a scientific representative body. I am not party to and I cannot comment on any other motives.

Senator O'BRIEN—They criticised the science of your decision making process, so I am interested to see whether you can defend the science.

Mr Wonder—We are happy to defend the science, Senator. Dr Hearn is just making the point that we do not wish to speculate on what their motives are; that is all.

Senator O'BRIEN—I understand that, but I have not really heard a defence of the science.

Mr Wonder—Which particular—

Senator O'BRIEN—Really, what you are saying is that it is a toss-up call. We have a view, they have a view—they are both valid. That is how I am interpreting what you have said so far.

Mr Wonder—That was not what we said.

Senator O'BRIEN—Perhaps you could say it more clearly.

Dr Hearn—At the risk of repeating myself, what I would like to say is that there is an attitude to caution here. Our attitude has been that, given the magnitude and the risks involved and the impact that could emerge—which we are all aware of; I do not have to go down through that school again—we need to exercise great caution at this juncture. And that is what has been done. Of course, attitudes to caution change in every field of endeavour. I suggest that the AVA feel that that caution is excessive. That is perfectly their entitlement. But we have taken the view that it is not excessive at this juncture.

Senator O'BRIEN—Is it correct to say that the animals in question can be a vector for transporting the virus?

Dr Hearn—I will ask David Banks to comment on the science of it. Before I hand over to David, I might say that, no, the animals themselves do not contract foot-and-mouth disease. But they mix in areas where there is foot-and-mouth; occasionally, maybe not in all cases of course, they can come from those areas or properties. They can come from multifarious sources. Therefore, they could conceivably have material on their hides, hooves and elsewhere and that material could be carrying foot-and-mouth disease. The horses themselves do not contract or carry foot-and-mouth disease.

Senator O'BRIEN—Is there scientific evidence to establish that?

Mr Banks—There is certainly evidence that the foot-and-mouth virus can survive for certain periods of time anyway in inanimate material such as mud. Very often in farm situations only a proportion of it is mud; there is a lot of urine and faecal material in there as well. So certainly hooves and coats could passively transmit the virus. I think it is important to put it in perspective though. These are conservative conditions and consistent with our appropriate level of protection but they have moved from a suspension to a system that actually lets the shuttle stallions in.

Senator O'BRIEN—Yes, I understand.

Mr Banks—The breeding season this year is not going to be disrupted by these new conditions. Quite a lot of the opposition is related to the competitive horses—by that I mean concern over the spring carnival, the Melbourne Cup, et cetera, in November. Providing the situation in the UK continues to improve we have said all along that we will review it as the situation changes in the UK. We intend to do that and I would be very surprised indeed if the current interim conditions are in place much later on in the year.

Senator O'BRIEN—So who is lobbying Biosecurity Australia on behalf of the horse industry? Do I take it the racing clubs—the VRC, for example—are lobbying about the issue you have just mentioned?

Mr Banks—A number of people have expressed views. We have had meetings with a number of interested parties where, certainly, opposing views have been expressed.

Senator O'BRIEN—Could you take on notice and suggest who is seeking to question the Biosecurity decisions, who has in the past in relation to the original decision, and what the issues are?

Mr Banks—We will take that on notice.

Senator O'BRIEN—You say that the Melbourne Cup carnival is an issue for some. I presume that the breeding season, given the scheduling of transportation of overseas owned stallions and Australian stallions located overseas, would be a prime issue. That issue comes up first, doesn't it? Your protocol allows them to return. I am given to understand that cost is not an issue, so that appears to have been resolved, yet AVA and the Horse Industry Council are still very critical of the position.

Dr Hearn—We shall get those contacts and names and send them on to you.

Senator O'BRIEN—Thank you very much for that. I did ask some questions about the situation with the lamb exports to the US and the US response to the decision to uphold Australia's objection to the restrictions imposed on the importation into the US of Australian lamb. Can someone here help me with that?

Dr Gebbie—The report of the appeal panel, which came down strongly in our favour, was adopted on 16 May. The United States is required to respond to that within around 30 days, which would make it the next meeting of the Dispute Settlement Body on 20 June. So on 20 June in Geneva we will have the first indication of a response from the Americans on the appeal panel report. Following that, we will need to negotiate with the Americans the period of time over which they will implement the findings of the WTO. We are very hopeful we will be able to reach agreement with them bilaterally or together with New Zealand and agree to a reasonably short period. If that is not possible, we have the avenue of going back to the WTO to seek an arbitration of what sort of period of time they might be given for that. In another very similar case they were given a period of four months to implement the finding. That

might be typical of what you would expect from an arbitrator. But certainly we would not be looking for anything beyond that sort of time limit. What they might do in response, we do not—

Senator O'BRIEN—How long did we get for salmon?

Dr Gebbie—That was eight months, I think. It seems to depend a lot on whether it requires a legislative action or whether it can be done by regulation and so forth. Certainly if we cannot negotiate something ourselves, we have the arbitrator to go back to. In terms of what the Americans might do, you can only speculate about that at this time. It seems likely that they will send the matter back to the International Trade Commission for review and advice. In a very simple case, the ITC might simply review its prior findings and attempt to bring them into conformity with the WTO findings, but I think our judgment would be that the findings were so comprehensive against the US measures that they would probably find that quite difficult.

It is possible—and there has been speculation—that the ITC might be asked to do the whole process again. There would be WTO issues involved in that, and we would need to look at them in terms of repeating a safeguards actions within a certain period of time. There are rules about that. The normal ITC processes allow for about 140 days for a complete determination with a new case, which is slightly over four months. They are some of the possibilities, but we probably need to wait until 20 June to hear from the Americans for the first time how they might go about implementing the decision.

Senator FORSHAW—Who will represent us in the negotiations? Will that be done at ministerial level with the Minister for Trade?

Dr Gebbie—I would not think so initially, but certainly ministerial representations have already been made on this by Mr Vaile during his recent visit to the United States, but it would be DFAT and the US trade representative's office initially.

Senator FORSHAW—What part would the department play in that process?

Dr Gebbie—Probably just a monitoring one at that stage, unless it gets difficult. We took a very active part in the original panel and the appeal process—we had a representative on all of those Geneva processes.

Senator O'BRIEN—On the question of trade policy, I want to ask some questions about Australia's negotiations with the USA about a free trade agreement. What role will Biosecurity and AFFA play in the negotiations?

Dr Hearn—At this juncture we do not have a role in that free trade agreement. Any prospective free trade agreement is a matter in which other portfolios, particularly Foreign Affairs and Trade, would have primacy. Were such an agreement to be started, I would imagine that a number of portfolios would be incorporated in furthering the causes of that. We would not have a prime role, but obviously, in terms of any agricultural involvements which we might speculate about, this department would be consulted and would contribute where necessary, but it is very speculative of me to go any further than that at this juncture, because we do not have that particular position, as far as I am aware. Foreign Affairs and Trade are handling that at present.

Senator FORSHAW—Has your minister sought advice on that matter? I am not asking you for the detail of the advice; I am asking whether it has been sought.

Dr Hearn—I am not aware of a specific request in terms of that type of advice. I am sure that advice is sought and discussions take place on a regular basis throughout government.

Senator O'BRIEN—Yes, but not specifically on the US FDA?

Dr Hearn—I am not aware of it. I am not saying that has not happened. Somebody else at the table may be aware of that, but I am not. That is not to say that there has not been advice given without requests for it. Much of this seems to be speculative at this juncture.

Dr Gebbie—The minister has been briefed on free trade agreements—generally the ones that have been either speculated about or the one we are actively involved in negotiating. There has not been any particular focus on the American one but, in general terms, the minister has been kept up to date with where things are heading.

Senator O'BRIEN—If such an agreement were under active consideration—I will try not to put words in your mouth; I am trying to find words to fit what was said—the department would take a role in the process?

Dr Hearn—That would be our expectation.

Senator O'BRIEN—Would it be the department's role to consult with rural industries—smaller intensive industries like the pork industry and the chicken industry—about issues that arise with such a process, or would that be up to DFAT?

Dr Hearn—The way in which the government might handle that is something that would have to be thought through by the departments that have primacy on that. This is not an unusual procedure across government. Those departments or, indeed, ministers, that have primacy in such a matter would no doubt allocate functions to industry, departments and others as they see fit. If I were to comment on it at this stage, I would be speculating. I cannot really foresee the detail on that, other than that one would expect agriculture to be one of the issues.

Mr Wonder—We have a close working relationship with DFAT and we would expect to be able to sort out some workable arrangements.

Senator O'BRIEN—You would hope so. I note that American farmers did not attend the recent meeting of the International Federation of Agricultural Producers, which was held here in Canberra recently. Given that American farmers are competitive exporters, what—if anything—did the department read into their absence from the meeting?

Dr Hearn—We have not had an opportunity to talk to the American producers, and probably would not in the normal course of events. Clearly there is dissatisfaction among US farmers and their representative organisations with IFAP and its operations. They have exercised their right to pull back. I cannot say entirely what their reasons are for doing that. It may be that they find it cumbersome or whatever, but they are obviously not satisfied. I am afraid I cannot really answer why a decision was made in the boardrooms of the American Farm Bureau and other organisations over there about that. I am quite happy to follow up with industry parties to see if we can uncover further information about that particular decision, but I imagine it was one that was not taken lightly. It certainly might also be one that, in terms of IFAP, is not desirable.

Senator O'BRIEN—How important is the IFAP? It apparently represents the farm sectors of more than 70 countries. Is it a significant organisation? What is the significance, in relation to its importance, that we might read into the US not being involved?

Dr Hearn—We are not members as government officials, and therefore I do not comment from the position of having inside information or having attended their meetings. Our view from outside of IFAP, as officials, is that—speaking personally—any organisation that can bring the industry parties across the world together to talk about matters which are pertinent to trade and other issues of agricultural production has to have the potential to be a very useful body. As to whether or not IFAP always delivers in terms of the outcomes that we would like, I certainly have some reservations. The question becomes one of whether you stay in there and keep trying to work with an organisation or whether you do not. That is a matter for industry parties and it is not a matter for the government—we have no say on that. We think that any organisation that can bring all those parties around the world together to get moving—and Australia has been an active participant in that at the industry levels—has to have some potential purpose, and it could deliver.

Senator FORSHAW—Is this the organisation that Graham Blight, who was head of the NFF, went on to be the chair of for a couple of years?

Dr Gebbie—Yes. He was president of it for a number of years.

Senator FORSHAW—Is he still the chair?

Dr Gebbie—No, a Dutch industry person is the current chair. I do not recall his name.

Senator FORSHAW—Is there government financial support for our involvement? I recall that a couple of years ago there was.

Dr Gebbie—Yes. There are small amounts of support provided by both AFFA and DFAT to support Mr Blight's continued involvement in IFAP as a representative of Australian agricultural industries. I think each department provides around \$20,000 a year. That is a total of about \$40,000 a year. We have been doing that for at least three years anyway. I am not totally sure of the figures but it is roughly of that order.

Senator FORSHAW—I knew that it rang a bell. Can I go back to this issue of bananas, now that we have Biosecurity Australia here? Could someone respond to the issues I raised earlier? I think we did get a comment. What is happening with the Philippines application?

Mr Stynes—The influence of the black sigatoka on our interest in Biosecurity Australia is how it would affect any market access bid either for Australia to export or for another country to come into Australia. The black sigatoka issue at the present time is that it is a quarantine pest so, according to the international definition, it qualifies as a quarantine pest because we have some measures in place that it is under official control. The distribution of the disease is managed in some way—and at the present time we are doing delimiting surveys—and until a decision is made that we will either do nothing further and it becomes endemic, or some other decision is made to contain that disease, that will determine whether it is a quarantine pest or not. If it remains a quarantine pest, with any imports we are entitled to put in trade restrictive measures that would restrict the introduction of that with any imported product. Similarly, if we are negotiating exports, if we have it under official control we can declare what conditions we have in place to manage its distribution if the importing country has concerns about black sigatoka.

Senator FORSHAW—At the last hearings you told us that there was an IRA panel in place and there had been three meetings at that time.

Mr Stynes—That is correct.

Senator FORSHAW—In response to a question from me regarding an earlier answer to a question on notice about the IRA timetable, you said that you planned to release a discussion paper in the next few weeks following the estimates hearing. Did that happen?

Mr Stynes—Yes. I think it is being called an issues paper now. An issues paper has been released and I probably have a date for that here.

Senator FORSHAW—Is that available publicly?

Mr Stynes—Yes, it is. The issues paper was released on 2 May. A policy memorandum accompanied that. It is out there for comment until 5 July.

Senator FORSHAW—You also stated at the previous hearings that the draft IRA would be released in August. Is that still the planned timetable?

Mr Stynes—I cannot recall making that statement, but I perhaps did. It would be difficult. The RAP is still meeting and they will get a response back from the issues paper. The RAP has formed three technical working groups, now, that are investigating various aspects of the issue. I guess it is in their hands as to when they will release the draft.

Senator FORSHAW—Let me just refresh your memory, Mr Stynes:

We intend to release an issues paper—

Mr Wonder—What page is that, Senator?

Senator FORSHAW—Page 159.

We intend to release an issues paper for comment which goes out for a 60-day comment and we are hoping to release that within the next few weeks. The schedule is for release of a draft IRA for comment by August in the coming year. The determination is foreshadowed for March 2002.

Are you on track for that timetable or—by the sound of it—not necessarily so?

Mr Stynes—I would be pre-empting that risk analysis panel who have the control of this. That was an estimate at the time. That was my feeling about how long it would take. The black sigatoka would be an issue that may influence that time line as well. The risk analysis panel is currently meeting informally in Queensland. They may have a further view on that. I have not heard any change to that position.

Senator FORSHAW—Is this outbreak in Queensland the first outbreak of the disease?

Mr Stynes—No. I could not give you a history, but I know black sigatoka outbreaks have occurred in the past but not in a commercial plantation.

Mr Roberts—There has been a history of black sigatoka outbreaks going back into the early 1980s. Previous ones have largely been in remote areas—the tip of Cape York, some of the islands through the Torres Strait, and one at Weipa. An organic banana producer at Daintree a couple of years ago had an outbreak. This really is the first occurrence of the disease in a mainstream commercial producing area.

Senator O'BRIEN—In relation to cotton and world trade: is it the view of the department that not only is the removal of trade barriers and subsidies at a standstill worldwide but in some areas these barriers are increasing substantially?

Dr Hearn—In terms of trade barriers there are a number of aspects to that. I heard the discussion yesterday that took place during earlier questioning. Across, for want of a better term, the OECD countries, the developed world, the level of assistance to agriculture has—using my words—waxed and waned somewhat. After the Uruguay Round finished, the

overall levels of assistance—which are not strictly speaking just protection but are distortions in many cases to world trade so they can then have similar sorts of effects in terms of trade distortion—declined for some time across the globe. More recently, there have been increases in the levels of assistance to farmers in the OECD. If you look at the numbers from the OECD under the heading of ‘producer subsidy equivalent’—which is the term for measuring those sorts of transfers and assistance measures—currently across the OECD the levels of assistance to agriculture are roughly similar to those which prevailed at the end of the Uruguay Round. That is a very disappointing result. I would like to add on that another—

Senator O’BRIEN—The US Farm Bill ratcheted it back up, didn’t it?

Dr Hearn—Not so much the US Farm Bill; I think there was some considerable progress—and do not hold me precisely to the numbers—following the FAIR act being passed in the United States. The PSEs in the United States declined for a while, from approximately 25 per cent down to about 16 per cent. Subsequent to recent measures announced by the former administration in the United States, they have now climbed back up again to something well over 20 per cent. So when I say ‘waxed and waned’, that is a classic example of where these things have happened.

A slight refinement I would like to make is that the methods by which assistance has been given since the Uruguay Round have changed quite substantially in various parts of the world. They are still assistance measures; they still qualify for producer subsidy equivalent type measurements, but in some cases it would be argued by some of those countries that the measures that they are now putting in place are less distortionary because they are more removed from directly being related to production than they were in the past. This is the subject of very long, protracted debate in Geneva right now and I would not like to give you a deadline for when that will finish. But there is this debate: when is something really not distortionary to production? When is it less distortionary than previous methods? I believe some limited progress has been made in that regard since the Uruguay Round, but it is far from complete.

Senator O’BRIEN—Do those comments apply generally to cotton production?

Dr Hearn—I put a reserve on that. I do not know whether Dr Gebbie can comment on cotton. Do you mean in the United States?

Senator O’BRIEN—No, I mean worldwide.

Dr Gebbie—Countries are meeting their WTO commitments. There is certainly no case where anyone has violated their WTO agreements. As Dr Hearn said, domestic support has shifted from the trade distorting kind in the WTO amber box and countries are providing support more so in the green box. Certainly, the levels of support that are said to be green—as the amber box support comes down in line with commitments. So the measures of the OECD, the producer subsidy equivalents, do not make any distinction as to whether support is green or trade distorting. It simply captures the total levels of support. The figures Dr Hearn gave you reflect all kinds of support, whether it is trade distorting or not, whereas in the WTO the emphasis with the amber box is more on the trade distorting forms of support.

Senator O’BRIEN—The Cotton Research and Development Corporation suggests that OECD figures indicate that 40 per cent of farm incomes in the group’s member nations came from government subsidies.

Dr Gebbie—Yes, that is correct as an average across all commodities and all OECD countries, but you have got a huge range there. In Australia’s case, we are at six per cent; New

Zealand is slightly less than that. At the other end of the spectrum, Switzerland, Japan and Korea are up around 80 per cent; the United States is in the low 20s; the EU is in the mid-30s. So there is quite a range.

Senator O'BRIEN—What about cotton producers? Is the Cotton Research and Development Corporation using the 40 per cent figure without regard to the real impact on their industry?

Dr Gebbie—That is the average across all commodities. I do not have a figure for cotton with me. We can certainly provide that.

Senator O'BRIEN—Switzerland and Japan are not big producers of cotton, are they?

Dr Gebbie—No. The three big areas are dairy, sugar and rice. They are the three big commodity areas that are still heavily supported across the OECD. If there is a figure for cotton, we will certainly make it available to you.

Senator O'BRIEN—Thank you. I would appreciate that. An interesting comment with respect to foot-and-mouth disease and smuggling of animals in the Irish republic: there was an indication that part of the problem involved moving herds for counting purposes for EU subsidy. The suggestion was that a number of herds were counted numerous times for the purpose of payment of EU subsidy.

Dr Gebbie—They call it the bed and breakfast arrangements.

Proceedings suspended from 1.00 p.m. to 2.03 p.m.

CHAIR—We will continue with questions on Biosecurity.

Senator O'BRIEN—I wanted to follow up the provision of the copy of the QEAC submission to the inquiry into the IRA process, and thank you for that. Where is that process at the moment? Dr Wilson told us in February that you expected the review to be completed by the middle of the year.

Ms Harwood—It is still under way. I do not think that we will meet the midyear target. In April we sent out a memorandum to all our stakeholders conveying some suggestions for improvements to the IRA process that had come out of the ARMCANZ meeting in March. Those centred on issues to do with stakeholder relations and communication and, also, some aspects of scientific review. We put that out for comment and we have comments back in so now we will be looking at what formal changes we propose to the IRA process. Those would be reflected downstream in a new edition of the handbook.

Senator O'BRIEN—When do you think the process will be completed?

Ms Harwood—This year but not midyear.

Senator O'BRIEN—Yes. Before the election?

Ms Harwood—I do not know when the election is, Senator.

Senator O'BRIEN—I thought it might get some binding commitment and inject a bit more urgency! There is an application from US producers, I believe, to export table grapes from California. I understood from a reported statement by the minister at the end of February that Biosecurity Australia had rejected it on the basis of the possibility of the introduction of Pierce's disease through the glassy winged sharpshooter. Is that matter now at an end? Has the application been rejected?

Dr Hearn—The situation is that no final decision was taken on importation of table grapes from the United States so the status quo, which is a ban on imports of table grapes for the reasons you have outlined, remains in place. The glassy winged sharpshooter is a prime vector for Pierce's disease, and we do not have nor ever have had either the vector or the disease in Australia. In view of the very serious deterioration, particularly in the second half of 2000, in the situation in the United States in terms of the glassy winged sharpshooter we felt that the risk profile in California had changed very significantly. As a result of that shift, we wish to get some further clarification on a number of scientific issues, particularly in terms of efficacy of methyl bromide fumigation and cold treatment. We currently have put to the United States the outline of a framework for experimentation to get that type of scientific data. At this stage we do not have it. We are waiting for responses from the United States as to how far they are prepared to go in terms of furthering the research and data that we need. The short answer is: this is still an ongoing dialogue with the United States. The current situation is a ban and that stays in place.

Senator O'BRIEN—There is an import risk assessment proceeding on pig semen, which I assume is a non-routine process. Can you tell me what is happening with that.

Mr Banks—We are just finalising the final import risk analysis report. It is expected out in the next few days.

Senator O'BRIEN—Did you say you were finalising the draft?

Mr Banks—No; the final report.

Senator O'BRIEN—A draft has been circulated?

Mr Banks—Widely.

Senator O'BRIEN—And responses have been fully considered?

Mr Banks—We have had public meetings and also meetings with the Pork Council on the issue.

Senator O'BRIEN—Who was on the panel for that?

Mr Banks—There was Ross Cutler, who is a specialist in pigs; Regina Fogarty from the New South Wales Department of Agriculture; I was chairing it; and Robyn Martin from my area was the secretariat. There is one missing; I will look it up and get that to you later in the day.

Senator O'BRIEN—How long has that process taken, from commencement on the expected completion time you suggest?

Mr Banks—We advised that it was going to start on 15 September 1997 but the membership of the risk analysis panel was not confirmed until 7 May 1999. In other words, there was a long delay before announcing we were going to start it and actually starting it. It really got started in May 1999.

Senator O'BRIEN—So it has been about two years?

Mr Banks—Yes.

Senator O'BRIEN—Could you give us an update on the committee process examining the pig meat import risk assessment review?

Mr Banks—We are approximately halfway through that one. We have issued the issues paper and we have received responses to that. The risk analysis panel is working through the responses and incorporating the relevant responses into the IRA.

Senator O'BRIEN—Will that be a draft IRA?

Mr Banks—As we mentioned earlier this morning, I hope that the draft IRA will be out before the end of this calendar year.

Senator O'BRIEN—While we are on the subject of pigs, what was the position with regard to foot-and-mouth disease and the importation of pig meat?

Mr Banks—As pigs are susceptible animals, the importation of pig meat from Europe was suspended. We backdated that suspension to when the virus was first believed to be in the UK which was February of this year.

Senator O'BRIEN—Has that suspension been lifted?

Mr Banks—Not yet, no.

Senator O'BRIEN—Has a specific date been determined when there will be a review of the circumstances or is the situation fluid?

Mr Banks—There is no specific date. Other countries have regionalised the European Union, while others have not. We have not had a great deal of pressure to do that, but we expect that to start. To be prepared for that—I will not say 'to assist that'—we have prepared the type of data that we would require of the EU for us to make that decision. That will go to the chief veterinary officers of each country and through the European Commission later this week.

Senator O'BRIEN—Presumably any pressure will come from Denmark?

Mr Banks—I would imagine so.

Senator O'BRIEN—On quarantine policy development, according to the communique from the last ARMCANZ meeting, there was agreement for the development of an enhanced partnership between the states, territories and the Commonwealth on policy generally, and on the management of import risk assessments. According to the communique, the focus for further discussion was to be the ALOP, import risk analyses, and other World Trade Organisation related quarantine issues. Could the committee be supplied with more detail about exactly what is being discussed in relation to each of those areas?

Ms Harwood—A working group of CEOs has been established on quarantine matters in relation to state and Commonwealth agriculture. The program is considering various ways in which there could be closer cooperation on quarantine policy matters, with the areas you mentioned being identified by SCARM and ARMCANZ. The group has yet to meet. It is in its early stages. It also relates to the improvements proposed to the IRA process, with stronger consultation between Commonwealth and state CEOs at key points in the IRA process—at the beginning, at the draft stage, and at the final stage.

Senator O'BRIEN—What about other World Trade Organisation related quarantine issues? Are any of those worthy of note?

Ms Harwood—None spring to mind. This involves looking at closer understandings between the Commonwealth and the states on the issues that bear on the import risk analysis process.

Senator O'BRIEN—In relation to the ALOP, that is a matter for determination by the national government.

Ms Harwood—Yes, it is, but the states have a strong interest in that issue and they want to engage with the Commonwealth and discuss how we couch and implement it.

Senator O'BRIEN—Is there to be a redefinition of our appropriate level of protection arising from this discussion?

Ms Harwood—Not necessarily, but there will be discussions between Commonwealth and state officials in terms of building a stronger common understanding of what the concept is about and aspects of how we can communicate it more effectively.

Senator O'BRIEN—The change in the states' role is likely to be just that communication at CEO level in relation to import risk assessments?

Ms Harwood—Yes, and probably some practical arrangements for more clearly acknowledging the fact that we draw on a lot of expertise from state authorities in the conduct of particular IRAs. So it is work on making sure that the cooperative arrangements for drawing on that expertise are in place.

Senator O'BRIEN—Thank you.

[2.17 p.m.]

CHAIR—There being no further questions on Biosecurity, we will now deal with section E, Food.

CHAIR—Is Ms Bev Clarke going to join us?

Mr Wonder—Bev Clarke will not be joining us today.

Senator FORSHAW—According to a communique from ARMCANZ, the Commonwealth has decided to develop a national food industry strategy through a whole-of-government and industry partnership. Can you give us some detail on this strategy and how it will work?

Mr Mortimer—Yes, I can do that. The government has, as you indicated, taken a decision to develop a national food industry strategy. Minister Truss announced that in a press release dated 13 March 2001. The intention of the strategy is to develop mechanisms to encourage the food industry to be more innovative and globally competitive. It is to develop a framework for growth and future development for the food industry.

Senator FORSHAW—When is it going to start? Who is going to be involved in it? What is the cost? How is it being funded? Feel free to give us as much information as you can, Mr Mortimer.

CHAIR—I am sure Mr Mortimer always does that.

Mr Mortimer—Thank you very much.

Senator FORSHAW—I know; it just saves me asking another question.

Mr Mortimer—In terms of the development of the strategy, the minister announced its commencement on 13 March of this year. The funding for the development of the strategy is \$3 million. You will see that in the portfolio statement on page 52. It is a footnote to the redirection of dollars from the FarmBis program. That money will be spent over two years. The government's intention is that a draft strategy be brought forward to cabinet for consideration in September so that that can be initiated as soon as possible thereafter.

Senator FORSHAW—The strategies will be brought forward in September.

Mr Mortimer—A draft strategy will be taken to cabinet for consideration in September. A public discussion paper has been released and that is available. We can pass that to you if that is helpful.

Senator FORSHAW—If you could table that, that would be very useful. I will just go back to the funding of this.

Mr Wonder—Mr Mortimer referred to page 52 of the PBS. It is a bit obscure. It is a footnote under the savings from FarmBis. It is a reference to \$3 million in 2000-01 and 2001-02 for the national food industry strategy.

Senator FORSHAW—I must admit it was in rather small print. This is not new money; this is a redirection of funds from the FarmBis area. Is that correct?

Mr Wonder—That is correct. There is a fuller explanation on page 64 of the PBS. The reason Mr Mortimer referred you to the earlier page was that some of the money is in fact being made available in 2000-01, whereas the money identified on page 64 of the PBS only identifies that for 2001-02, but there is an additional \$1.5 million in 2000-01 and that makes up the \$3 million, as the explanation below the table on page 64 outlines.

Senator FORSHAW—If we go to the comments on page 64 of the PBS and also what was in the communique, it says:

The aim is to develop a strategic framework to underpin the future growth of an innovative and globally competitive Australian processed food and beverage industry.

This sounds very noble and something I thought we had been endeavouring to do for some time. It is good if we can have some more money put into it, even from existing areas. However, as with all this talk about a strategy, can we be a bit more specific? The communique said that the national approach will address key issues facing the Australian food industry. What are we actually talking about here?

Mr Mortimer—If I can just take you through a bit more, it is largely set out in the—

Senator FORSHAW—Is it a booklet?

Mr Mortimer—Yes, in the discussion paper.

Mr Wonder—We have tabled this discussion paper.

Senator FORSHAW—I appreciate that, but I would just like something on the record in this area.

Mr Mortimer—The development of the food industry strategy comes from work done by the Prime Minister's Supermarket to Asia Council, which looked at issues confronting the food industry in the period of time ahead. It identified issues such as globalisation, increasing development of international major players in food retailing and processing, et cetera. It considered how Australian business was connecting with those sorts of issues and decided that there were some important issues that needed to be addressed to make sure that Australian producers and industry were in the best situation to get benefits in terms of growth of exports and production from participating in that expanding world trade agenda. As a result, there was consideration and the government announced that the development of a national food industry strategy would take place to investigate those matters.

The government agreed that the food industry strategy would be developed through what is called an action agenda process. Action agenda processes are commonly followed in the

manufacturing industry sector, and previous action agendas have been followed for industries such as motor vehicles, furniture, printing and so on. The agenda involves identifying future growth opportunities, strategic issues for the industry, priorities for action by government and industry, and a timetable for action to be taken by industry and government.

Senator FORSHAW—Where will the money be spent? Will it be spent within the department?

Mr Mortimer—The money will be spent on a combination of things. It will be spent on some staffing, on some consultancies to investigate issues that form part of the strategy, and on consultations with industry groups.

Senator FORSHAW—What about the work that is currently being done by organisations such as Austrade, ANZFA, the Supermarket to Asia Council? I assume that there will be linkages.

Mr Mortimer—That is right.

Senator FORSHAW—Could that not be repetitive in what some of those programs are designed to do and have been doing for some years?

Mr Mortimer—The intention of the food industry strategy is to take a whole-of-government approach that draws in initiatives in other areas, such as the Supermarket to Asia Council, Austrade and so on, but in doing that it will focus very much on issues of major importance for the food industry itself.

Mr Wonder—Mr Mortimer might want to elaborate, but one point that you might not be aware of is that the reference committee for the development of the action agenda comprises industry members of the Supermarket to Asia Council, so there is a very strong linkage there, I would expect.

Mr Mortimer—That is right. You will see at the back of the discussion paper a table that sets out the membership of the food industry advisory committee that is being established to steer the development of the strategy. The core of that is the industry members of the Supermarket to Asia Council, augmented by some other members from other key food industry groups that are not directly represented on the Supermarket to Asia Council.

Senator FORSHAW—Forgive me for being sceptical—I do not want to criticise the objectives—but it sounds a bit like reinventing or re-badging things that are currently being done anyway. I am looking for what is new about this that really does not reflect a focus that we have had for a number of years under both the previous government and this government about expanding our food exports not just into Asia, but with a primary focus on Asia, and focusing on the quality aspects of Australia, such as the clean green image. I could run through a range of issues and objectives that have been identified and promoted at industry level, at government level, through this department, through DFAT, with Austrade, or through any one of a number of activities. As I have said, I do not want to be critical about our National Food Industry Strategy, but you are not telling me that we do not have one or that we have never had one, are you?

Mr Mortimer—What I am saying is that the government has decided that it is timely to re-examine the issues confronting the food industry and to see whether it can sharpen the focus of its programs and policies to deliver better outcomes for the industry. You quite rightly point to a range of initiatives that relate to the food industry, but the question is how well they are operating and whether a better policy framework might be more useful.

Another key thing to be said about this initiative is that it very much involves an industry perspective on this, which is why the Food Industry Advisory Committee is led by industry members, and also why the government is consulting very widely with food industry players—companies, producers, et cetera—to get a sense of what the important issues are and how to prioritise those issues.

Senator FORSHAW—So is this an umbrella type review of what is happening in other programs?

Mr Mortimer—Not directly. It is not a review as such. What it is doing is looking to see how all the different policies and programs that do relate impinge in a broad sense and whether there is scope for focusing them more sharply in the interests of the food sector.

Mr Wonder—Perhaps I could help a little. When we look at the last decade, we see the extent of globalisation that has occurred and the implications of that for world food trade and the way in which our food chains around the world are organising themselves. There have been some quite significant changes internationally over the last 10 years, as I am sure you are aware. I think what Mr Mortimer is saying about this action agenda is that it wants to reflect on those developments, identify the key opportunities and, indeed, threats, and to go beyond there to work out strategically what we can do to enhance our competitive position, develop some strategies for going forward and a timetable on action priorities and the like. That is the broad sense of it. In no sense would it be fair to say that it is more of the same. On the contrary, it is developing an action plan for the way forward, given the environment we now find ourselves in.

Senator FORSHAW—As I said—and forgive me for being somewhat sceptical about everything you have told me—it sounds very noble and commendable, but I thought they were all the sorts of things that were supposed to already be being done. If you are talking about focusing on where there are gaps or specific new challenges, then I might be a little bit more convinced. But it says here that the aim is to develop a strategic framework to underpin the future growth of an innovative and globally competitive Australian processed food and beverage industry. I thought that that was what everyone had been trying to achieve for the last 10 years or so. Certainly, I heard those objectives being talked about in the same terms before I came to this place, when I was working in the union movement, with one of the unions involved in parts of the food industry. We were involved in that. The ACTU was involved in developing programs to promote our food industry and promote further downstream processing. That happened back in the early nineties.

Mr Mortimer—I guess the only comment I would add to what has been said by Mr Wonder and myself is that this is very much reflecting a new appraisal of what is happening in the food industry internationally, and I refer to the study on globalisation done by the Supermarket to Asia Council, which found that there is a huge rate of change in the industry, both in Australia and around the world. That has been reflected in issues such as the concentration of production and retailing and in issues such as new food products, health foods, et cetera, as well as production technologies and approaches to supply chain integration management. On the basis of that analysis, it was considered that there were new issues arising which warranted a reappraisal of the government's current policy framework on the matter.

Senator FORSHAW—I look forward to receiving a copy of the report towards the end of this year. Is that what we are aiming for? You said a draft strategy paper would be ready in August or September.

Mr Mortimer—That is right.

Senator FORSHAW—What would be the timetable after that?

Mr Mortimer—I would expect a report would be available and the results announced as soon as possible after that, certainly before Christmas.

Senator FORSHAW—Can you bring us up to date on where the Supermarket to Asia program is.

Ms McKinnon—Basically, they have been funded for \$23.7 million over three years from 1999. A portion of that is to support the council and its work program, including the NFIS, which is a major focus. There is \$6.6 million for the Technical Market Access Program, which is run in partnership with AQIS. There was \$3.1 million for the New Industries Development Program and also some funding for the Food and Fibre Chains Program. The council itself is doing some work on developing an export culture and developing our markets in Asia, including some market research. It works strongly with the state governments in the state and territory food councils that exist.

Senator FORSHAW—Thank you for giving me those figures; I was going to ask you to provide that information, but you have already. This is a private company, isn't it?

Ms McKinnon—Yes.

Senator FORSHAW—We have \$23.7 million of public funds being put into this strategy—that is correct?

Ms McKinnon—Yes, into the Supermarket to Asia strategy.

Senator FORSHAW—How much goes into the company?

Ms McKinnon—\$4.8 million over the three years.

Senator FORSHAW—Can you give us further details or show me, if they are in the budget papers, on how much has actually been spent in the last two years and how much is left to be spent for the remaining year?

Ms McKinnon—Within the council's work program or over the overall strategy?

Senator FORSHAW—I am looking for the strategy. Do you have the detail of the spending within the company as well?

Ms McKinnon—No. I am going to have to provide that later, against the project headings that they report to us with.

Senator FORSHAW—When you give me those figures, could you also give us a breakdown of how the money has actually been spent. You gave me some overall figures earlier, but I am looking for what has been spent so far, in what areas or in what ways, and what is left.

Ms McKinnon—In June this year they do an annual report for us, and I would be in a better position in three weeks to give you a breakdown against project headings for the council.

Senator FORSHAW—Okay. When can we get that annual report or that detail?

Ms McKinnon—In three weeks.

Senator FORSHAW—It would be in the annual report?

Ms McKinnon—The Supermarket to Asia web site breaks down their projects, but there is no funding against that on the web site. It breaks down into detail what their projects are. We could provide you the funding against those project headings within two weeks.

Senator FORSHAW—Okay. If you could provide that, then if that does not give us everything we are after we can come back to you. You mentioned the web site. The most recent information we could find on the web site related to the 1999 action plan. Can you tell us where we are currently at with the implementation? Firstly, when did implementation of the 1999 action plan commence?

Ms McKinnon—The funding was available from 1 July 1999. I understand that the implementation plan would have happened then. The Supermarket to Asia Council was formed. It is a private sector government body that determines priorities for the work plan for the council.

Senator FORSHAW—According to what we have ascertained from the web site, the program includes ‘Developing an export culture’, ‘Promoting a helpful business environment’ and ‘Developing our markets in Asia’. There are a number of strategies under each of those headings. Can you give us an update on each of the strategies?

Ms McKinnon—Certainly. ‘Developing an export culture’ mainly relates to the state and territory food export alliances and is about building effective working relationships with state and territory agrifood committees and agencies. STA Ltd acts as a catalyst to gain a national focus to the food export efforts with those committees and to promote a more coordinated national approach. They are particularly involved with: in South Australia, the Food for the Future Council, which has had four meetings; the Tasmanian Food Industry Council, which has had four meetings; and the Victorian Food Industry Advisory Council, which has had nine meetings that the Supermarket to Asia executive director has attended. Similarly, there is a Queensland Food Industry Council and a New South Wales Premier Export Council. The Supermarket to Asia also had a meeting in Canberra of all states’ representatives in October 2000 to consider the Commonwealth-state food export councils, the projects, the food export programs, e-commerce and the delivery of the grant funding programs in the various states.

Under the heading of ‘Providing a helpful business environment’, the main platform is FoodConnect Australia.

Senator FORSHAW—Before you go on to that next one, the web site identifies two parts under ‘Developing an export culture’. One is ‘Communications strategy’ and the other, which you mentioned, is ‘State and territory food export alliances’. Under the ‘Communications strategy’ heading is a list of what are described as ‘Project outputs planned’. Can you provide us with some information on how each of those outputs has progressed?

Ms McKinnon—I am not sure which document you are looking at.

Senator FORSHAW—I am looking at the printout from the web site of STA on its action plan 1999. It has got: ‘Developing an export culture’. Then it has ‘Communications strategy’, which is 3.1.1, and under that is ‘Project objective’ and then ‘Project outputs planned’. A series of project outputs planned is detailed there.

Ms McKinnon—Under ‘Developing an export culture’, the other part of that, other than premier food council or state and territory food alliances, is the work of the Supermarket to Asia staff who, in the last year, conducted a combined 30 meetings and visits with individual food companies and related food industry groups, such as the NFF and the Australian Food and Grocery Council. They also have their *Supermarket to Asia* magazine, which they see as

their primary means of communication with exporters, importers, producers and a range of others in the food industry. That is produced quarterly. The web site itself is part of the communications strategy. I understand that has around 50,000 hits per week. They also do presentations at food and other conferences.

Senator FORSHAW—They are the items that are listed in the ‘Project outputs planned’. When it says, ‘Effective communication linkages with key agrifood groups and agencies to maximise communication opportunities’, I take it that that means what you have just told us—web sites, the magazine and so on.

Ms McKinnon—And meetings—

Senator FORSHAW—And speeches and conferences?

Ms McKinnon—Yes, and the state and territory food committees.

Senator FORSHAW—Who are the key groups and agencies referred to when it says, ‘Effective communication linkages with key agrifood groups and agencies’?

Ms McKinnon—That would be the state governments and the industry associations involved in the food industry. I understand that the membership of the state government food committees comprises largely industry and state governments. So they are a conduit of that sort of communication, because I understand that STA is a member of those committees.

Senator FORSHAW—Is there a list?

Ms McKinnon—I could get STA to provide you with a list if you wish.

Senator FORSHAW—Yes.

Ms McKinnon—Sure. Just to clarify, a list of who STA communicates with regularly in forums.

Senator FORSHAW—Yes, who is on the database and who would receive the general material and so on. Has this all been achieved? This is all under ‘Projects outputs planned’. This was the 1999 agenda. It stated that it was the development of this ‘integrated and coordinated umbrella communications strategy’.

Ms McKinnon—The *Supermarket to Asia* magazine goes to a very wide number of people, I am not sure that it would be useful to give you subscriber list to that. That is widely used. The STA *Food exporters’ guide* was sent, on request, to 10,000 Supermarket to Asia people seeking the guide.

Senator FORSHAW—This is the 1999 action plan, which we lifted off the web site only a matter of days ago. So that was the plan in 1999. What I am endeavouring to ascertain is: have those project outputs in relation to communications that were planned at the time been achieved? I am assuming that what you are telling me is that they have.

Ms McKinnon—Yes. I understand that they have. But I will ask Supermarket to Asia to clarify those points you asked.

Senator FORSHAW—You were going to go on and talk about the second of the three areas—promoting a helpful business environment—before I stopped you to talk about communication strategy. Could you continue?

Ms McKinnon—Their main project over last year and a half with that was FoodConnect Australia, which was an Internet trading platform. That was done in partnership with Telstra, and a commercial decision by Telstra shut that down.

Senator FORSHAW—When and why did that occur?

Ms McKinnon—On 20 March, Telstra and Supermarket to Asia jointly announced the closure of FoodConnect Australia. Telstra deemed it was not commercially viable, and there was a press release on that.

Senator FORSHAW—Who put out the press release?

Ms McKinnon—I think it was a joint press release between Telstra and STA.

Senator FORSHAW—Could you provide us with a copy of that?

Ms McKinnon—Yes.

Senator FORSHAW—Do you know how much was spent on that?

Ms McKinnon—I have STA's figures. I understand that that was around 170,000 from Supermarket to Asia. The figures from Telstra were not provided to us.

Senator FORSHAW—You do not have that press release with you, do you?

Ms McKinnon—No, I do not.

Senator FORSHAW—Are you able to indicate why it was seen not to be viable?

Ms McKinnon—There was a question of the e-commerce readiness of Australian food businesses. The other issue was the willingness of the Asian importers to accept e-documents, as I understand it.

Senator FORSHAW—That seems to suggest that at least that part of the communication strategy, if we can call it that, did not work very well.

Ms McKinnon—I am sorry?

Senator FORSHAW—It suggests that the overall communications strategy was not very successful.

Ms McKinnon—I understand that looking at the information technology readiness of food businesses will be part of the NFIS, and that is one of the issues coming out of it.

Senator FORSHAW—Are there any proposals to do something about that?

Mr Mortimer—E-commerce and the issues of how it is operating, whether it is effective, whether it makes sense for the food industry and what might need to be done to encourage it are certainly on the agenda as far as the national food industry strategy is concerned. Discussions have been held and a number of industry people have given some views on those issues, but at this stage no clear picture has emerged and we are certainly a long way from the situation of being able to give concrete proposals. E-commerce is one of those things that the advisory committee will need to think about, and there will need to be further work to consider its priority and the extent of the issue.

Senator FORSHAW—Ms McKinnon, you were talking about FoodConnect Australia, which certainly has a communications aspect to it. If you go back to the communications strategy, the anticipated outcome was increased awareness of and easier access to Supermarket to Asia activities and projects, up-to-date information on the Australian agrifood industry, and information on agrifood industry opportunities in Asian markets. Are you able to say whether or not that outcome has been achieved and how you have measured that achievement to date?

Ms McKinnon—As I said, Supermarket to Asia has put out the *Food exporters' guide*, which is for potential new exporters in meat, grains, horticulture and seafood. There are some 10,000 copies, and they are planning to revise and update it. Supermarket to Asia also does some Asian market research. A project being undertaken by DFAT, *Subsistence to supermarket II*, is a study of Asian anticipated market demands for food from 2000 to 2010 for the food industries in Asia. STA also provides guidance and input into that project, as I understand it, and anticipate that that they will publish a major report in 2001-02. They also do some work with statistical database and trends monitoring, and the information provides up-to-date and comprehensive statistics and analysis of trends in Asian food export markets. They have a series of simple publications that go out to target companies with that information, and the *Supermarket to Asia* magazine, as I said, has a lot of that information and is widely distributed.

Senator FORSHAW—You said that the research work that is being done would produce a report in the coming year. I assume that will be a major indicator of the level of increased awareness.

Ms McKinnon—Actually, I think it is a report on market trends—the demand for food and food products—in Asia over the next 10 years.

Senator FORSHAW—Whilst you have told me that a range of things have been done, I asked you earlier whether or not that objective of increased awareness and easier access had been achieved and how you measure that. Has any work been done to determine whether or not there is in fact increased awareness, and how much has resulted from these activities that you have been engaged in?

Ms McKinnon—I am not aware of any work that has been done. Supermarket to Asia may have done some internal study of how effective their communication strategy is. There may have been an assessment of that, and I can follow that up for you.

Senator FORSHAW—Could you chase that up and see whether that has been done? Wouldn't the department wish to know whether or not these objectives are being achieved?

Ms McKinnon—We obviously would but I—

Senator FORSHAW—Seeing as they are stated to be the outcomes that are being sought.

Ms McKinnon—I do not have that information with me.

Mr Wonder—We will take it on notice and follow it up.

Senator FORSHAW—I would like to know, as you said, whether there has been any assessment done; if not, whether there are any plans to do such an assessment. We jumped ahead a bit and we got to FoodConnect. The outcome anticipated for the second area, state and territory food export alliances, is that a more national approach to export marketing and development in Asia is adopted by Australian governments in the food industry. Would you say that that has been achieved?

Ms McKinnon—I think that is an ongoing issue. The membership and cross-membership with STA with the state government food councils is working towards that.

Senator FORSHAW—I am sorry if I repeat some of the questions which relate to information you gave me earlier, but in respect of this area, for instance, one of the outputs planned was meetings with state and territory agrifood industry representatives prior to Supermarket to Asia Council meetings. Does that actually occur? Has that been implemented?

Ms McKinnon—There is a rolling program of state and territory meetings with Supermarket to Asia. Each state has a number of council meetings per year. I understand that the executive director or a member of Supermarket to Asia Ltd attends them, and there is then that link back into the Supermarket to Asia Council meetings.

Senator FORSHAW—Are you able to indicate what sort of input you receive from the states and how useful that has been?

Ms McKinnon—I will have to take that on notice and ask the Supermarket to Asia executive director for an assessment of that, given that he generally attends the meetings.

Senator FORSHAW—We talked about FoodConnect. By way of clarification, the web site was launched in November 1998; is that your recollection?

Ms McKinnon—Are you talking about FoodConnect or Supermarket to Asia?

Senator FORSHAW—FoodConnect.

Ms McKinnon—In November 1998 the pilot phase of FoodConnect was launched.

Senator FORSHAW—Yes, and it was fully commercialised in 1999.

Ms McKinnon—The domestic phase was then launched in April 2000.

Senator FORSHAW—You are going to provide us with details of the closing down of that service. There is also a project called Innovations for Food Exports identified on the web site. The objective of this project is to promote value added food products. The project appears to have been built up around follow-up work from an earlier project that saw a team of scientists and technologists exploring value adding opportunities in Singapore and Kuala Lumpur in March 1999. According to the plan, follow-up work was under way. Can you tell us what the original work found?

Ms McKinnon—No, I am sorry; I cannot. I will have to take that on notice.

Senator FORSHAW—Can you tell us where the project is now up to?

Ms McKinnon—As I understand it, they are currently working with the Victorian Department of Natural Resources and Environment and the Australian Ingredients Centre for the next visit by food scientists and technologists. This time they are looking at targeting Taiwan and the Republic of Korea to look at market opportunities for innovative value added products. The timing anticipated for that is September.

Senator FORSHAW—This year?

Ms McKinnon—Yes.

Senator FORSHAW—There is a reference in the report or the document on the web site that states:

A second group of industry based food scientist technologists will visit Asian based buyers to review product range, anticipate trends and isolate product development opportunities where Australia may have a comparative advantage.

This, of course, was a 1999 agenda. Did that occur?

Ms McKinnon—I am not sure whether it occurred or whether that is what they are talking about in September. So I am not sure whether there have been two visits previously and there is a third planned for September or whether this is the second visit.

Senator FORSHAW—The difficulty we are having is that this was the 1999 action plan. It is now May 2001 and I am trying to ascertain just what were laid down then as proposals, as work to be done, and as outcomes to be developed, and whether those outcomes have occurred and what work has been done, and so on.

Mr Wonder—I appreciate your line of questioning, Senator, and I understand where you are coming from. Perhaps we could offer to help here by way of taking that 1999 plan that you refer to there and which you have been asking quite a few questions on, and doing what we can in liaison with Supermarket to Asia and come back to you with some sort of status of each of the actions that are identified there. Would that be helpful?

Senator FORSHAW—That would be very helpful, because I have quite a lot of questions here.

Mr Wonder—If you could give us a list of your questions on notice—if you did not want to ask them all here—we could do our best to proceed along the lines I suggested.

Senator FORSHAW—I am happy to go through and identify each area and, if you can comment now, have you do so, but we would still appreciate if you could, in conjunction with STA, go through this agenda plan in this document and give us a report on what was proposed at the time and what has happened vis-a-vis the outcomes, and so on.

Mr Wonder—We are in the difficult position of having Supermarket to Asia, the company, actually being responsible first-hand for implementing much of what you are referring to and at the same time, whilst we are knowledgeable of much of what we do, we cannot probably offer the quality answer that we could if we could work with them to pull something together.

Senator FORSHAW—I must say that the way Ms McKinnon started out I thought you were going to have all the answers, and I appreciate the point you make. It has been almost two years since the project kicked off and I would have thought that they might have updated it or provided some overall report on this plan.

Mr Wonder—They may have, but I am not aware of that.

Senator FORSHAW—Wouldn't it have come to the department?

Ms McKinnon—Senator, I understand that at the next scheduled STA board meeting, which is 21 June, they will be looking at a draft of an updated action plan, so I think they have that in hand.

Senator FORSHAW—Which they would presumably put on the web site?

Ms McKinnon—Yes.

Senator FORSHAW—Can I just go through the projects—and you can let me know if you can comment now. The next project was the *Food exporters' guide*. I think we have been provided with a copy of the booklet. Are you aware how useful the booklet that was produced has been?

Ms McKinnon—The figure STA has provided to me is that they had 10,000 copies of that. That was provided to people on request to STA, so that is to people looking at the web site or finding out about it, rather than from a direct mail-out. So that is some indication, but the answer to your question is no.

Senator FORSHAW—The 'Asian market research' project involved work with DFAT on what was described as *Subsistence to supermarket II* research project. Are you able to make any comment on that project?

Ms McKinnon—That work is still in progress and they anticipate it will be published later this year or early next year.

Senator FORSHAW—Thank you. I may as well identify the projects as I go through. The next is the ‘Statistical database and trends monitoring’ project:

To provide up-to-date, comprehensive statistics and analysis of trends in Australian agrifood exports to Asian food markets.

Ms McKinnon—They provide financial year and quarterly export trends to each Supermarket to Asia Council meeting, but that information is also published in the *Supermarket to Asia* magazine and on the web site.

Senator FORSHAW—Thank you. We can probably also give you some questions on notice in relation to these areas to assist with the preparation of the response on the overall program. The next is the ‘Marketing Quality Food Australia’ project. It involves participation of QFA members at Asian food shows. Are you able to comment on that?

Ms McKinnon—I understand the Quality Food Australia project was wound up some time ago.

Senator FORSHAW—Okay. Pity your web site does not say that. That was managed by STA. When was it wound up?

Ms McKinnon—I am not sure, but it would have been a year or a year and a half ago.

Senator FORSHAW—That will be in the report anyway. What about the ‘Unexploited market access opportunities’ project?

Ms McKinnon—That is agrifood market access opportunities. Their aim, I believe, is to widely publicise those opportunities to the Australian food industry. They have done further work on developing listings of new market information. They have had 15 seminars, delivered to some 500 food producers and exporters in Australia, in rural and regional areas and state capitals, on the STA Technical Market Access Program and the specific opportunities for food processors. They anticipate next year there will be a publication on new market access achievements, along with a 10-countries study on unexploited opportunities.

Senator FORSHAW—What about the ‘Building demand in Asia’ project?

Ms McKinnon—The objective of that program, as I understand it, was to identify and extend Australian food industry demand chain opportunities for food products. This year they have developed a commercial relationship with the NTUC FairPrice supermarket chain in Singapore. The aim of that is to have an Australian pavilion built in one of the major FairPrice supermarkets to showcase Australian produce from July 2001 to 2002. They are hoping that successful produce that is showcased there will be picked up by FairPrice and ranged through its 78 stores in Singapore. Next year they are hoping that, if that Australian pavilion in Singapore is successful, they will roll out a similar platform in Taiwan.

Senator FORSHAW—What about ‘Ecolabels and related value adding concepts’?

Ms McKinnon—There was an ecolabelling project. I am not sure of the details. I understand it was working with Field Fresh Tasmania and the Nature’s Choice label, which is an UK supermarket organic label. They did some research on implementing an ecolabel system in Tasmania. From the lessons learned from that, they are currently working on an ecolabel meat product project which may have potential in the Japanese market.

Senator FORSHAW—The Food and Fibre Chains Program?

Ms McKinnon—The Food and Fibre Chains Program is run by Agri Chain Solutions, which is a subsidiary of the Supermarket to Asia company. As at 3 May this year, the Agri Chain Solutions board had approved funding totalling \$3.8 million for 42 projects. From memory, only three or four of those projects have reached completion and been evaluated. Those projects that have reached completion were phase 1. They were doing market research in order to move to phase 2 of the project funding, but the ACS board, which is a private sector led board, was happy with the evaluations of those three or four projects that were completed.

Senator FORSHAW—The next one is the Technical Market Access Program.

Ms McKinnon—The Technical Market Access Program is run by AQIS. I would have to get them to fill in the details of what they are doing under that program.

Senator FORSHAW—If you would not mind doing that. What about the New Industries Development Program?

Ms McKinnon—The New Industries Development Program has been quite successful. They have got 26 projects currently under way and 11 more under contract, which fully expends, as I understand it, the first tranche of funding available under NIDP.

Senator FORSHAW—There is a reference in the PBS to the New Industries Development Program on page 63. It reads:

The Government will provide \$21.7 million over five years to expand and enhance the existing New Industries Development Programme.

Can you give us some further information on how that program will be expanded and enhanced?

Ms McKinnon—There was a strong industry response for the current three-year NIDP project. The demand for support outstripped the current level of funding which, as you said, was \$4.6 million over three years, so the government has announced an extension of the NIDP, which is \$21.7 million over five years commencing July this year. That will be managed in a similar fashion to the existing NIDP, in that there is a working group of industry members with specialist skills assessing the projects. In addition, there will be a range of scholarships awarded which, again, has state government and industry determining who is to be awarded those scholarships.

Senator FORSHAW—How much was provided for this program in the current financial year?

Ms McKinnon—I think it was around \$1 million. I am not sure.

Senator FORSHAW—The performance information for this program, which appears on page 64, lists three measures at the top of the page: a minimum of 30 pilot commercialisation projects are approved; a minimum of 15 scholarships are awarded; and extensive national and regional exposure to financial and management issues is achieved through mainstream media coverage. Are they all targets for one year or for the five years?

Ms McKinnon—That is for the five-year project. The performance indicators for the NIDP mark 1 was 20 projects. As I said, they have got 26 currently and 11 under negotiation.

Senator FORSHAW—What do you see being achieved in the first year of the new allocation?

Ms McKinnon—Probably a similar performance—between 20 and 30 new projects under contract. The 15 scholarships would be awarded; there is one allocated to each state and the rest are for general scholarships.

Senator FORSHAW—You might take that on notice. I assume if there is not already, there will be established some target objectives for this 2001-02 year. Please let us know. To complete the detail we were seeking in respect of the 1999 action plan, the full list of projects are identified in that document, which we can supply to you, but it is on the web site and I am sure you have got it. As we discussed earlier, if you could provide us with an overall report on each of those projects and their outcomes, it would be appreciated.

Ms McKinnon—Thank you.

Senator FORSHAW—That completes the Supermarket to Asia issues, Acting Chair.

[3.19 p.m.]

ACTING CHAIR (Senator Calvert)—If there are no further questions on food, we will move on to product integrity, animal and plant health.

Senator O'BRIEN—What is the current state of play with BSE? You provided us with some advice at the end of February that there was work under way to trace a number of species of live animals and other animal material imported from the UK and Europe since BSE emerged during the 1980s. Can you tell me exactly what came into Australia at around that time and how successful the relevant agencies have been in tracing these animals and this material?

Dr Biddle—Could you repeat the time period there? You mentioned a range of dates.

Senator O'BRIEN—During the 1980s was the range of dates.

Dr Biddle—All right. There have been two main phases of tracings of imported livestock. The first phase related to UK cattle from about 1982 to 1988, when the peak of the epidemic was recorded in the UK. Those were the group of animals that were considered to constitute the highest quarantine animal disease risk, and those animals totalled 131. Since that time there have been tracings of animals from countries that developed BSE after the first cases were recorded in the mid-1980s in the United Kingdom. Those tracings have led to animals from Austria, Denmark, France, Germany, Italy, Norway and Switzerland and, additionally, to buffalo imported from Bulgaria and Italy. The fate of those animals has been largely traced—although, because of the passage of time, the tracing of a percentage of those animals has not been successful, due to reasons such as change of ownership and the dispersal of herds. With the second group of animals—that is the cattle—of those countries I mentioned, there were 290 in total, of which 24 were untraced. So the vast majority of those animals were traced, only 106 of them remain alive. They are all in sound health, according to all the information available to us.

Overlying these efforts of tracing, there have been two phases of buyback schemes for these imported cattle. The first phase related to cattle from the UK and Switzerland. They were voluntary schemes operated by Animal Health Australia, with the full cooperation of the Cattle Council of Australia. A number of animals out of the imported population were disposed of as a result of those actions. The brains of those animals were examined and found to be normal. None of the imported animals has recorded clinical signs consistent with bovine spongiform encephalopathy. The second phase of buyback is being planned at this point and shortly Animal Health Australia will be moving to again make offers of buyback to those

second group of countries which I mentioned. Again, we would be seeking to examine the brains of those animals to confirm their freedom from disease. So that is the general level of activity that has occurred in respect of imported cattle and buffalo.

Senator O'BRIEN—I am told—and correct me if this is wrong—that there was at some stage an ability to trace all of the animals that were brought into the country but that that system had lapsed.

Dr Biddle—There continues to be a number of untraced animals for the sorts of reasons I indicated before, because of dispersal of herds, death of owners, and re-export of animals is another category. I mentioned that, of the second group of 290 animals, 24 are untraced and will probably never be traced. Our efforts have been quite thorough and have involved trying to assess records held by livestock agents and other commercial parties, and breed societies but in retrospect the passage of—

Senator O'BRIEN—So are you saying that the trail has just gone cold?

Dr Biddle—In some cases it has.

Senator O'BRIEN—And what about in those 24 cases in particular?

Dr Biddle—Yes, in those cases in particular.

Senator O'BRIEN—But there was some means of establishing where they had gone and trying to trace them from there?

Dr Biddle—We certainly can establish, through import permits, the number of animals that entered the country, but their subsequent change in ownership and various uses after release from quarantine—and the original release from quarantine was unconditional—has led to these difficulties. I should add that we regard the BSE risk posed by these animals as quite low for a number of reasons, including the fact that they were selected animals in respect of which the general history of their herds of origin was known. In general, they were not dairy cattle which represents the highest risk group because of the dairy cattle feeding practices in countries like the UK. The animals that have survived and have been traced, and which are still alive, have exceeded the longest known incubation period for BSE without exhibiting signs of the disease. The prevalence of the disease was always low on an individual animal-herd basis. It is not like a highly infectious disease such as FMD. The actual number of cases in the total UK population was always quite low at something like 0.3 per cent. The probability of selecting infected animals, particularly when you did not select dairy cattle to any significant degree, was always low.

Senator O'BRIEN—The letter we received from Dr Murray advised that because of concern by the EC's Scientific Steering Committee on the possibility of BSE in sheep and goats, 'current scrapie import policies (like all other TSE-related policies) are the subject of ongoing review by AFFA and specific review by the NH&MRC's Expert Committee on TSEs and ANZFA.' Can you explain to the committee exactly what all that means?

Dr Biddle—It means that the science is changing. It means that different groups in this country and overseas are reviewing risk factors and that the current area of activity in Australia is through the specially formed NHMRC special expert committee. The committee meets next on Thursday and it has a paper before it in relation to BSE risk in sheep. It remains to be seen whether that special expert committee will make any recommendations as a result of these considerations.

Senator O'BRIEN—Dr Murray advised:

The NH&MRC has indicated that it will shortly be seeking advice from AFFA on:

- importation of semen and embryos;
- importation of other biological material eg, vaccines;
- ruminant feed ban, policy and enforcement;
- surveillance arrangements;
- fertiliser;
- effluent from plants (abattoirs and rendering plants for example); and
- imported food/feedstuffs.

Has that advice been sought? If it has, what advice has AFFA given?

Dr Biddle—Yes, those areas of risk assessment are proceeding in various ways. Biosecurity Australia is in the process of re-examining the risk factors associated with genetic material imports and live ruminant imports. It is keeping those areas under ongoing review. There has been no recent change to policies, but there has been an active review of the science. The special expert committee I referred to earlier is considering further the ruminant feeding restrictions, including matters relating to tallow and fertilisers, which is peripheral to feeding, but associated with systems of production of feeds and fertilisers. As I said before, no specific recommendations in these areas have yet emerged from this newly formed committee. However, the department and ministers through the ARMCANZ process would be keeping all these issues under development.

I mentioned ARMCANZ. Through its veterinary committee and the safe meat partnership, it has received advice about ruminant feeding practices. At its recent Wellington meeting it removed certain exemptions that were available for ruminant feeding practices. In other words, it strengthened the extent of the restrictions to cover, in addition to meat and bone meal of mammalian origin, the exclusions that now go to meat and bone meal of poultry and fish origin. The rationale for that decision primarily related to ensuring a high level of enforceability of the feeding restrictions. That was the most recent significant change that has flowed through the system in regard to ruminant feeding restrictions. I think that covers most of the areas that you raised in your initial comments.

Senator O'BRIEN—I wonder whether you would take that on notice and see whether there is other information that you can provide. Dr Murray also referred to the Phillips report on the UK outbreak. Has that report turned up any lessons that we can learn with regard to the BSE outbreak and the protective measures that we can take?

Dr Biddle—Yes. The report has been actively considered at a number of levels. It was a major review of the whole sequence of events in the UK, and very extensive volumes were published by the Phillips review committee. The recommendations have been considered in the light of risk factors for Australia. In particular, ARMCANZ established its national management group, one of whose purposes was to look at gaps in preparedness not only for FMD but also for BSE. They considered advice from Dr Murray's area on the analysis of the report, and key lessons about preparedness, openness, communication and the scientific underpinnings of these animal health programs have been fed into that national review process. Additionally, the analysis in the Phillips report to which I referred has been fed into the NHMRC process, and that is factored into their mode of operation as they work through different risk areas in their review of national activities.

Senator O'BRIEN—What is the state of play with regard to BSE in the Northern Hemisphere?

Dr Biddle—In broad terms, a number of countries have recorded their first native-born cases of BSE. Previously, cases outside the UK of a native-born type had been recorded in France, Switzerland, Ireland, Portugal and the older category, but more recently countries such as Italy, Denmark and Germany have returned cases. The number of cases being reported in countries such as France has increased as the rapid testing survey approach for certain risk groups of cattle has progressed under EC legislative requirements. Those risk groups include emergency slaughter animals and animals that died during transport and on farm. In those categories of animals, cases were detected when rapid testing methods were applied. That seems to be a feature of the detection of cases in Europe at this stage. Outside Europe, further cases have not been reported in recent times.

Senator O'BRIEN—The *Australian Veterinary Journal* produces the *Exotic Animal Diseases Bulletin*. Volume 76 of that bulletin, which is dated February 2001, provides a table on the disease and an update on the current situation. Is the department in a position to update that for the committee?

Dr Biddle—Was that a chronology of events?

Senator O'BRIEN—It has key dates of the history of BSE, and part of the same article, which is on page 91, talks about the current situation. In part you have updated that, but is it a simple matter to update that in documentary form?

Dr Biddle—In terms of cases and countries?

Senator O'BRIEN—Cases and matters of significance.

Dr Biddle—Certainly.

Senator O'BRIEN—There was an announcement at the beginning of the month that Australia was introducing a certification system for beef imports from July and, according to media reports, this will allow previously banned European countries to apply for resumed trade. I take it that you would be aware of this new system and have had a significant role in its development.

Dr Biddle—We are aware of it and we are working with other agencies in its development at this time, Senator.

Senator O'BRIEN—What has your section's role been in the development of this new system?

Dr Biddle—We have worked with the Australia New Zealand Food Authority in a process led by the Department of Health and Aged Care involving their New Zealand counterparts—that is the New Zealand side of ANZFA and of Health. The certification scheme remains to be finalised by the parties I mentioned. That work is actively progressing and an announcement is due some time in May, but it is dependent upon the New Zealand parties as to the exact timing of the outcome of this process—the announcement about the new certification arrangements.

Senator O'BRIEN—If it is not going to happen in the next couple of days, it is not going to happen in May.

Dr Biddle—You are right. It is going to spill over into June.

Senator O'BRIEN—The principal agent here is not ANZFA but the Department of Health and Aged Care.

Dr Biddle—It is, because it is a measure to protect human health.

Senator O'BRIEN—What about ANZFA? Do they have a key role in it?

Dr Biddle—They do, because they set standards in relation to food and food safety for domestic consumption.

Senator O'BRIEN—The ban on beef and beef product imports was put in place in January when BSE was found to have spread to France, Germany and Portugal. Is it true that there is now some evidence that contaminated meal has found its way to Asia?

Dr Biddle—Yes.

Senator O'BRIEN—Are there currently bans in place on countries where BSE has not presented itself?

Dr Biddle—In terms of beef imports to Australia?

Senator O'BRIEN—Yes.

Dr Biddle—Yes, that is the current prohibition that is to be replaced by certification arrangements.

Senator O'BRIEN—Which countries are those?

Dr Biddle—Approximately 30 countries are listed under the temporary prohibition, primarily of European origin. Under the certification arrangements, all countries will have to be classified and certified according to their classification.

Senator O'BRIEN—I take it they would be the countries that would access Australia in the new system under consideration.

Dr Biddle—Any country that can meet the new criteria, the different classes, will qualify for access on presentation of the appropriate certification.

Senator O'BRIEN—What sort of certification will that be, or don't we know yet?

Dr Biddle—We do not know yet—the details are still to be resolved.

Senator O'BRIEN—Will that involve a ministerial order?

Dr Biddle—That is really a matter for the ANZFA legislation, as I understand it. It may well involve a regulatory change of some type, but I am not sure about that.

Senator O'BRIEN—Could you check that and let us know?

Dr Biddle—Yes.

Senator O'BRIEN—There was a proposed foot-and-mouth disease simulation announced at the beginning of May. Have the Commonwealth and the states struck an agreement that would coordinate eradication and quarantine campaigns if an exotic disease entered Australia? I assume that that would have been done at the last ARMCANZ meeting.

Dr Biddle—The answer is on two levels. The first general level is that there are established cost sharing agreements for nominated major foreign animal diseases which would apply to their eradication in the event of incursion into Australia. Those arrangements are in the process of being modified involving Animal Health Australia and industry cost sharing. Deeds of arrangement are being entered into. Those matters are nearing finalisation but they

have yet to replace the current arrangements. Those are the main points in answer to your first question. We are at a transition phase, but the existing arrangements apply to eradication.

The other reference in your question was to a simulation exercise. That is a separate track process. When the ARMCANZ ministers recently considered the report from their national management group, they indicated that a simulation exercise should be conducted early in 2002. This is also an area where the whole of government approach to a large-scale FMD outbreak is under active consideration and, as I think I indicated in a separate answer earlier today, there is COAG consideration of this matter. That may well influence the shape of the simulation exercise—the scope and the number of agencies that might ultimately be involved in the simulation. At this stage, detailed planning for the simulation is awaiting the COAG outcome. COAG will be meeting shortly, and then, through work with Animal Health Australia and Emergency Management Australia and other parties, planning will commence for a simulation exercise. The timing will have to be subject to the progress of that planning, but ministers have given a broad signal already that it is to be early in 2002.

Senator O'BRIEN—So we have exotic disease and eradication and quarantine plans in place, but that has been revised, if I understand your answer correctly.

Dr Biddle—Yes. The deed of arrangement—the new process for funding—is working its way through the system, but there is an existing—

Senator O'BRIEN—Do we know how it will be funded, or will it be funded under the old plans?

Dr Biddle—If an outbreak were to occur tomorrow, we still have the current arrangements in place.

Senator O'BRIEN—According to the media, more money will flow into epidemiology, animal health standards setting, training, diagnostics and field resources such as vets. What is being proposed or planned in each of those areas and what has been agreed to?

Dr Biddle—The budget papers included a sum of \$1.7 million under the FMD initiative. Half a million of that will be directed to the Australian Animal Health Laboratories for diagnostic reagents and extension of preparedness to use those tests to the states. The remaining money will be applied in successive years for this initiative to improve the science base in the OCVO to undertake epidemiological and related work focusing on developments overseas both in the spread of the disease and in the science relating to its diagnosis and control, which includes vaccination, and those will be the particular priorities that will be delivered by this office.

Senator O'BRIEN—According to the Nairn review vets are trained on specific animal diseases, particularly exotic diseases, and that training flowed from recommendations from EXANDIS, the Exotic Animal Disease Preparedness Consultative Council. I understand that according to that report there were a number of courses for field vets and pathology vets and, of course, for private vets. Since the time of that Nairn report and the recommendations from EXANDIS has that type of training been provided to vets on an ongoing basis in the delivery of veterinary science courses?

Dr Biddle—Not so much in veterinary science courses at universities but for graduate veterinarians in the private sector and in government there have been active awareness and training programs and since EXANDIS they have been coordinated through Animal Health Australia. They have particular programs that aim at training different sectors to levels of competency so that they can operate effectively against the AusVet plan in combating an

incursion of a disease. So certain skills are taught under this process and acquired. People are accredited at those standard levels. This is an ongoing process and Nairn funding was directed to that end.

Senator O'BRIEN—Do we have a significant pool of vets who are trained to deal with FMD?

Dr Biddle—Yes, we do, and in that regard in recent times a number of government veterinarians from state and territory governments and from different areas of the Commonwealth government have been working and assisting in the control of the UK epidemic. Three groups have been sent, each of about 30 individuals. A fourth group is due to leave shortly and that will represent a significant pool of newly trained expertise that could be utilised in the event of an outbreak. Additionally, a number of private sector veterinarians, through a scheme organised by the Australian Veterinary Association, have gone and worked under contract to MAFF in field control activities, and on their return to Australia, additionally, they would represent a newly trained pool.

Senator O'BRIEN—I have some questions about white spot virus in imported prawns which impacts not only on prawns but also on lobsters and crabs. The virus was discovered in Darwin Harbour last year, as I recall it. It came in on frozen uncooked prawns that were used as feedstock for two aquaculture facilities. Were these prawns imported under the terms of the import protocols that are currently in place? Dr Carroll told us last time that there had been an upgrade of the requirements in relation to the importation of prawns, firstly, to tighten up the grading of prawns and, secondly, to develop a testing regime. Can the committee be updated on where those two changes are?

Dr Biddle—I might ask Dr Bernoth if she could answer that.

Dr Bernoth—If I understood you correctly, the first question was: under what regime did those prawns initially come into Australia in the Darwin incident? They were legally imported for human consumption but were then misdirected for use as feed in the facility. That was not a deliberate misdirection, however; that was accidental. Had the conditions that are now in place been imposed at the time of that incident, the prawns should not have been misdirected.

Senator O'BRIEN—What does the current system do? Does it tighten up the grading of prawns that are available to be used for feed stock or those that are able to be brought into Australia?

Dr Bernoth—The importation of prawns for any other purpose than for human consumption—green prawns, I should say—has been banned since 1996.

Senator O'BRIEN—Is there a testing regime? Do we randomly test for the presence of white spot?

Dr Bernoth—A testing regime is implemented as of 4 June, and every consignment of whole green prawns coming into this country will be tested for white spot virus.

Senator O'BRIEN—There was a second lot of infected prawns detected in Brisbane and Cairns last month, according to media reports. Is that correct?

Dr Bernoth—The ones that I am aware of were prawns which had entered the country prior to the Darwin incident. So there were not any new cases or new introductions. Those were prawns which were sitting in storage in Brisbane. I have not heard anything about Cairns.

Senator O'BRIEN—A story on the AAP wire of 24 April stated:

Two overseas shipments of raw prawns have been seized in Brisbane and Cairns after the potentially devastating white spot virus was detected.

A spokesman for Queensland Primary Industries Minister Henry Palaszczuk said today more than seven tonnes of Indonesian green prawns were seized on April 10 after routine inspections by Queensland Boating and Fisheries patrol officers.

You do not know about—

Dr Bernoth—I know about the seven tonnes but they were product which had entered the country previously. They were not new imports.

Senator O'BRIEN—I am not sure what you mean by 'previously'. They were seized on 10 April this year.

Dr Bernoth—Yes, that is right. But green prawns usually go into storage because they are frozen.

Dr Biddle—If I could supplement that answer: it is important to realise that there is a key event here, and that is that there were certain additional restrictions placed on the importation of green prawns that I believe we heard about in the hearing earlier today. The answer there relates to importation prior to that change in import condition and the prawns sitting around in cold storage. That is a significant difference.

Senator O'BRIEN—I see. How long would the seven tonnes of Indonesian prawns have been sitting around in the freezer?

Dr Biddle—We would have to look into that. I am just told that the original shipment of seven tonnes came in in 1999, which predates the quarantine change. Some lines sell faster than others do, I guess.

Senator O'BRIEN—Yes, I can believe that. That raises a number of other questions such as why you buy prawns in restaurants in Queensland. That is all I have on that, thank you. I think I have learnt enough about prawns for the moment.

Turning to mammal derived protein, as I understand it proteins derived from sheep have been banned for several years. Can you tell the committee why they were actually banned and when that occurred? Was there some particular event that triggered that ban?

Dr Biddle—This is for the ruminant food ban?

Senator O'BRIEN—Yes.

Dr Biddle—When a link was established between BSE and the human disease variant CJD, moves were made to strengthen feed bans. The original restrictions applying in Australia related to the recycling of ruminant material of a certain types to ruminants and that was then strengthened to cover mammalian material. As I indicated in an earlier answer earlier this year, that was further extended to cover meat and bone meals from poultry material—feather meal, poultry meal and fish meal. So there has been a progressive evolution in these ruminant feeding controls as the knowledge about a link between BSE and CJD emerged. As factors such as the need to ensure a high level of compliance and to limit the risk of cross-contamination of the feed supply have emerged, so Australian provisions have evolved.

Senator O'BRIEN—The Australian beef industry are on the record as saying they do not have any problems with a total ban on the use of mammalian proteins for feed. How close are we to that?

Dr Biddle—The actions of the ministers in Wellington at the ARMCANZ meeting significantly established that point because, in addition to prohibiting the feeding of poultry meals and fish meals, they also struck off certain pure meals of pig origin, pure meat meal of horse origin and of kangaroo origin, which were previous exemptions. They were also struck off the list of allowable items. At this stage, essentially the only allowable materials of a mammalian origin would include tallow, which has a small protein content in its natural state, gelatine and of course milk and milk derived products.

Senator O'BRIEN—How relevant in that context is any suggestion of a total ban of mammalian proteins?

Dr Biddle—These are, as my earlier answers indicated, areas of ongoing review by bodies such as NHMRC but, clearly, further movement in this area would hold the potential to cause particular difficulties for sectors of industry that rely on tallow as an ingredient of animal feed and other components.

Senator O'BRIEN—In terms of the importation of agricultural equipment and the foot and mouth disease issue, access for equipment was made a bit easier at the beginning of last month. What are the cleaning standards that are required under the new arrangements announced on 12 April or is that not your—

Dr Biddle—I am afraid that is an operational quarantine matter.

Senator O'BRIEN—I will put that on notice. It crept into the wrong area. I want to ask some questions about the consultancy let to the Centre for International Economics to look at the core issues of the funding and compensation for emergency eradication of exotic pests and diseases. Where is that work up to?

Mr Roberts—I will take that question. That is a consultancy commissioned by Plant Health Australia, the plant health council. The consultants have just about completed their report. I gather a draft report is being considered by the board of PHA already, and PHA indicated last week to me that they expected the result of that consultancy to be released as a public discussion document early in June. It is just going through its final clean-up and edit stage.

Senator O'BRIEN—So it will be publicly available shortly?

Mr Roberts—Very shortly I understand. It is a matter for PHA; we are not driving that process. It will be publicly available for everyone to comment on and look at some time early in June.

Senator O'BRIEN—Could a copy of that be supplied to the committee please?

Mr Roberts—Certainly.

Proceedings suspended from 4.01 p.m. to 4.16 p.m.

Senator O'BRIEN—I want to ask some questions about the story in the media at the end of February that referred to AQIS officers being on the lookout for the screw-worm fly. Dr Murray told us at the last hearings that there was \$806,000 for screw-worm fly preparedness. I think that was for 1999-2000. There was another \$1.006 million last year, which was provided for the construction of a plant in Malaysia but, as at February, that had not been expended. What has happened to that expenditure?

Mr Merrilees—The funding for the screw-worm fly project in Malaysia was \$1.006 million. That research and development program has now been completed. The final part of

the engineering systems development of the project, which is a design brief for a possible large-scale—and by that we mean 250 million sterile screw-worm flies per week—production plant, for construction in Australia, should an incursion become established, is nearing its completion and we expect to receive that design brief this financial year. The next step in the process will be a major conference of stakeholders held in October on the outcomes of the screw-worm fly strategy and to identify directions for future preparedness work.

I should have indicated that the Malaysian facility has now been passed over to the Malaysian government, as part of the arrangements there. I think the CSIRO completed its entomology research back in July, and the final and core element of the project, which was the sterile insect fly release field trial in a heavily infected cattle farm in Malaysia, was completed at that time. That trial demonstrated the effectiveness of the sterile insect technique for old worm screw-worm fly, which had not been previously definitively demonstrated. I think the point Dr Murray made last time was that that funding was in fact an accrued expense and will be an expense this financial year.

Senator O'BRIEN—So it has been carry over.

Mr Merrilees—That is correct.

Senator O'BRIEN—On page 74 of the PBS, there is reference to a major review in this area of the portfolio being undertaken this financial year. What have those reviews covered and what have the outcomes been?

Mr Wonder—Are you asking what the outcomes were of the reviews taken in 2000 and 2001?

Senator O'BRIEN—Yes.

Mr Roberts—There was a series of reviews. The functional reviews that the area initiated this year included a review of the animal health area, a review of the plant health area, and a review of the residue and ag and vet chemicals area. Those reviews involved a number of external stakeholders being on a panel arrangement and some discussions, and they were basically an internal process intended to help those areas set future directions and developments. We can provide the finalised reports of those reviews if you are interested in them.

Senator O'BRIEN—Yes, thank you. There was a suggestion that some of the money held in trust for use on the BTEC campaign might somehow be made available to fund a controlled bovine Johne's disease program, either in part or in whole. There was clearly a legal problem in doing that, and, I think, a political problem, in relation to how much should be used. Has there been any further consideration of this matter, and, if so, what has it been?

Mr Merrilees—There has been no further consideration of the question of the application of funds held the national cattle disease eradication account in regard to BJD. I can elaborate on the status of arrangements on BJD.

Senator O'BRIEN—I will come to that. Output 6, on page 33 of the PBS, indicates that:

The estimated expenses in relation to the national cattle disease eradication trust account for 2000-01 is \$4.63 million, and the budget estimate for 2001-02 is \$4.36 million.

How is this money being spent?

Mr Merrilees—The bulk of those funds relate to estimates of the costs of compensation and other costs in relation to TB breakdowns that occur. So \$4.359 million is our best estimate

of the likely costs involved this financial year. It all relates to costs associated with TB at this stage.

Senator O'BRIEN—I understand that there is about \$17 million in reserve.

Mr Merrilees—I am not sure of the precise figure, but it is in the ballpark of \$17 million to \$18 million.

Senator O'BRIEN—Could you take that on notice and give us the precise amount.

Mr Merrilees—Yes.

Senator O'BRIEN—Is the significant task of the BTEC program winding down? Is it fair to say that there is a substantial amount of money in the reserves which will not be expended on the program?

Mr Merrilees—BTEC is finished and the funding being applied to TB is now being applied in the context of the Tuberculosis Freedom Assurance Program. That program is currently scheduled to finish in December 2002. It has just been the subject of a review conducted by Animal Health Australia, a copy of which the department just received—I think about a week ago. One of the proposed recommendations of the review is that the program be extended for a further four years. If the program were to conclude in December 2002 then there would be substantial funds remaining in the account, based on the current level of projected breakdowns in the program. I think our projections are somewhere between \$6 million and \$12 million. The level of imprecision reflects our inability to project the level of breakdowns with any certainty, nor can we project the size of the properties and the associated costs involved.

Senator O'BRIEN—You were going to give me an update on the BJD program.

Mr Merrilees—Yes. Animal Health Australia has been convening work in regard to the future control of BJD in Australia. A paper was circulated in early March to the key funders of that work—that is, the Cattle Council of Australia, the Australian Dairy Farmers Federation and the Australian Lot Feeders Association. That paper was also circulated in mid-May to state animal health authorities for comment. Those comments are due at the end of June, although at least one state has already sought an extension. At this stage, interested stakeholders have a draft report and will consider it. We expect that a workshop of interested parties will be held in July to further progress that report and to develop a national approach to the management of BJD.

Senator O'BRIEN—We are up to stage 2, basically?

Mr Merrilees—I am sorry, Senator, I am not sure what you are referring to.

Senator O'BRIEN—There is a media release from Animal Health Australia about a testing program.

Mr Merrilees—You might be referring to the BJD survey in south-east Australia.

Senator O'BRIEN—That is true, yes.

Mr Merrilees—Perhaps I can elaborate on it and update you.

Senator O'BRIEN—Yes. As I understand it, stage 1 of that survey has been completed.

Mr Merrilees—No. The BJD survey management committee met last week, and the survey was suspended. It was suspended because of the assumption that underpinned the survey—that there was a very low prevalence of BJD in low-risk cattle—and the aim

therefore was to free up trade in those cattle. About two-thirds of the survey work for that first stage has been completed, and it has found three positive cases. A further seven reactors are still to be pursued.

The committee have decided to suspend the survey, rather than continue to expend additional funding on the survey, because, if the survey reached six infected herds, the underlying assumption that there was a low prevalence of BJD in south-east Australia would be disproved. Based on that level of incidence to date in the level of survey activity that has been completed, the committee has decided to suspend it. Representatives of state and national industry bodies will meet on 12 June to consider next steps on that survey and, indeed, the approach to the basic issue of trying to free up trade in low-risk beef cattle.

Senator O'BRIEN—Does that mean that the indications are that south-east beef cattle will not fall into the low-risk category?

Mr Merrilees—The survey proposition is unlikely to be proved, and at this stage we doubt that they will continue further survey work; they will look at other options.

Senator O'BRIEN—Am I correct in saying that, although swill-feeding of pigs has been illegal in Australia for some years, a number of states have clauses in their legislation that allow exemptions to be granted in certain circumstances? In some states it is still possible to feed animals with food scraps or refuse from livestock, is that correct?

Dr Biddle—Swill feeding has a particular definition that involves table scraps and restaurant scraps being systematically collected, cooked and then fed to swine as their diet, or a major part of their diet, and that classical definition is outlawed in all states. However, there are certain low risk practices that are licensed under some state legislations. Some of those low risk practices include the feeding of bakery waste. In some cases, licence has been given to the feeding of offal from an abattoir where the health of the animals is known, as a by-product of the slaughter process. Permission has been given to feed that material but the gathering of restaurant scraps—you do not whether that has been imported or what its origin has been—the classical swill feeding definition, is prohibited in this country.

Senator O'BRIEN—Generally across Australia or in specific states?

Dr Biddle—The classical one is across all jurisdictions in Australia.

Senator O'BRIEN—Which states permit the sort of practice you have just been describing, which fall outside it?

Dr Biddle—From memory, the bakery waste was an example from WA, the offal feeding was a Victorian example, and examples in a similar vein can be found in other states. So there is a range. I think three or four states have some exemptions and have issued permits for these limited use applications.

Senator O'BRIEN—Would you mind advising the committee of the details of those exemptions state by state?

Dr Biddle—Yes, we recently surveyed that.

Senator O'BRIEN—I do recall that you mentioned there are steps—under consideration, at least—to ban the feeding of poultry waste—

Dr Biddle—To ruminants.

Senator O'BRIEN—Only to ruminants.

Dr Biddle—Yes.

Senator O'BRIEN—They do feed poultry waste on crocodile farms.

Dr Biddle—Yes, whole dead birds are fed on some crocodile farms. But the feeding of feather meal and poultry meal to swine is a common source of protein.

Senator O'BRIEN—I understand there has been an ongoing pursuit by the Rural Industries Research and Development Council for research funds to be levied in the form of a horseshoe levy, but that that has been rejected by the government. Can you give me an update on that matter?

Mr Merrilees—Over recent years industry has developed a number of options for a horseshoe levy. There were to be a number of purposes for that levy—one was research and development, as you mentioned in relation to RIRDC. Other possible uses were to fund its animal health activities through Animal Health Australia and industry also sought support to fund, through that levy, the operations of its policy council. The government, in discussions with the department, has not supported the use of industry levy funds to fund a policy council, and industry has, in recent times, gone back and discussed with its council and with stakeholders whether it would be prepared to support a levy that had a focus of just research and development and animal health matters. I understand that the outcome of those informal discussions to date is that at least some elements of industry are not supportive of that—particularly groups of farriers who are concerned, given that they would possibly be involved in the collection of that. They are not keen to be involved in the collection of the levy for those purposes. But, at this stage, a formal proposal has not come back to government for consideration.

Senator O'BRIEN—If the levy is on the shoes when the farriers buy them, they are involved in the transaction?

Mr Merrilees—That is correct, yes. There is only a very small number, it is a potentially cost-efficient collection point for the levy.

Senator O'BRIEN—Who represents the farriers? Where is the information on the farriers' views?

Mr Merrilees—I cannot answer that.

Senator O'BRIEN—Will you take that on notice, please?

Mr Merrilees—Yes.

Senator O'BRIEN—Can you outline for the committee how the National Registration Authority works with individual states in issuing permits for the off-label use of chemicals?

Mr Raphael—The legislation provides for the issue of a permit for the use of a registered chemical contrary to what is on the label or for the use of an unregistered chemical. Requests for such permits sometimes come from states, but more often they come from individual farmers or peak farming organisations who are seeking to use a chemical that has not been registered for the relevant purpose. The legislation provides that when we are contemplating issuing such a permit, we consult with the state coordinator of the affected states where the permit would apply. The state coordinator is the designated person in the state government—usually in the agriculture department, but it depends on the state's arrangements—and we would get their advice as to the appropriateness of the issue of the permit.

Senator FORSHAW—Do you act on their advice, or is it still up to the NRA?

Mr Raphael—The legislation provides that the NRA has to make the final decision on the matter, but it would be unusual for us to ignore the advice of an affected state. We would usually try to accommodate it in our decision.

Senator FORSHAW—At the end of the day, the state's advice would be either yes or no, or would it put to you some qualifications or options?

Mr Raphael—It could indeed put options to us. The advice would usually go to the need for the permit—was there a justification for allowing the use contrary to the registered conditions? It would go to the need for the permit; whether there were alternatives for the growers to use in lieu of the permit being granted; or whether the permit would interfere with some other state program that might be controlling the disease or pest by other means. Those are the sort of things that the state advice would usually go to and that we would take into account.

Senator FORSHAW—Have there been any situations that you are aware of in which the NRA has made a decision that has not been agreed to by the state concerned?

Mr Raphael—I cannot think of one offhand, but I could not deny that there may have been such cases.

Senator O'BRIEN—I raised a matter in the Senate in relation to ANZFA legislation and the conflict between ANZFA's and the NRA's roles on MRLs. It arose from a Queensland department of primary industries report prepared in June last year, which I imagine you are aware of.

Mr Raphael—Yes.

Senator O'BRIEN—The study compared two sets of MRLs, and 657 anomalous MRL entries were identified. Of the largest proportion of anomalies, 31.5 per cent related to NRA maximum residue levels having no corresponding ANZFA maximum residue level for the commodity in question. One-quarter of the anomalies were the result of an NRA temporary maximum residue level set in conjunction with what is described as an off-label permit or trial permit, without a corresponding ANZFA maximum residue level. And there are other anomalies.

Dr Turner—It might help if I explain first how the NRA deals with MRLs and how we have worked with ANZFA, particularly over the past 18 months, to try to improve that process. A maximum residue limit basically serves two purposes. First, we have to set it at a level that ensures that there are no food safety concerns and, secondly, it is set at a level that allows us to monitor whether the agricultural chemical is being used in accordance with its labels. That often means that the MRL we set is lower than that required for food safety. For example, a pesticide might have a safe food level in corn of 2 milligrams per kilogram, but if the use according to the label means that the level should not exceed, say, 0.3 of a milligram, we will set the lower level.

In the NRA, we use a two-step process to determine the MRL. First, we evaluate the agricultural data and, on the basis of that, we propose an MRL which is based on a proposed use level. The second process, which involves ANZFA, is where we do a dietary risk assessment jointly with ANZFA to see whether that MRL is consistent with the acceptable daily food intake. We have worked with ANZFA in that process and we have an MOU to ensure that that process is carried out jointly between us. When we finish it, ANZFA signs off on the dietary risk evaluation. At that stage, both the NRA and ANZFA agree that there are no food safety concerns and we proceed to register the product and we set the MRL under our

standard. ANZFA then takes that MRL and goes through its processes to publish the MRL in the food standard. ANZFA does no more scientific work after we have agreed on the MRL within our process.

The anomalies referred to in the report arise for a variety of reasons. Some are just plain errors. Some have occurred because there is a time delay between the NRA setting the MRL and the standard and ANZFA going through its public consultation, ministerial and council processes.

Senator O'BRIEN—When you say they are simply errors, are they errors in the Queensland report or errors in ANZFA's documentation? What do you mean?

Mr Raphael—Basically, I doubt that there are errors in the Queensland report. It went through several drafts. There could be an error in the way that ANZFA has expressed the MRL. It might have got a decimal point, or the dimensions or units, in the wrong place. That would be a straight clerical error. We have discovered such errors in the past as a result of this kind of cross-comparison and we have corrected them. The most common cause would be because, in allowing the use of the chemical, we have set an MRL and, due to ANZFA's follow on processes, it has not yet reached the food standards area. The particular problem you referred to was the case of MRLs that we set in connection with permits. Permits are often set on a shorter time frame. There may be an emergency or urgent use for the chemical and we try to deal with permits quickly to assist the farm sector, provided of course, that we are satisfied about the safety of the use. Once we have set that MRL associated with the permitted use—and we often call those temporary MRLs and distinguish them as such in our standards to make it clear that they are related to a temporary use—it is very hard for ANZFA to keep up with them in its process of public consultation and then reference to what was the food standards council, and what is now the ministerial council on food standards.

Senator O'BRIEN—Has the NRA analysed the document and identified areas where the differences are down to errors by ANZFA?

Mr Raphael—We have certainly analysed the document and we have corrected the errors that are down to us, but I could not speak for ANZFA about errors that might be down to them. Most of them would be in what is called the residue definition, which is the definition in the standard of the measurable residue. Is that definition the original chemical or some metabolite or breakdown product of the chemical? Those sorts of errors occur in a few cases. However, the bulk of the errors would relate to the time delays.

Dr Turner—We are hopeful that the differences as identified by the Queensland report will be reduced in the future because I think that was written when there was no agreement between the NRA and ANZFA about how we would operate. So the time delays between us approving the MRL and it going through the ANZFA system were much greater than, hopefully, they are today. So you will find that a lot of those anomalies would have been resolved now because those MRLs have actually gone through the ANZFA system. But there still remains a time delay and there will because of the processes that ANZFA has to go through.

Senator O'BRIEN—Thank you.

Senator FORSHAW—Can I take you to last year's PBS. Do you have that with you?

Dr Turner—No, I am sorry we do not.

Senator FORSHAW—Maybe we could lend you one. On page 252 you will see, ‘Table 2.2 Performance Information for Outcome’. Could you let us know where you are up to in terms of meeting the goals that are set out there in the indicators. I appreciate that it is not quite the end of year, but it is almost.

Dr Turner—The indicators mentioned there are the outcomes of the whole of the system in Australia of managing agricultural and veterinary chemicals. Those are measured by other agencies. For example, the National Residue Survey—I think that group was before the committee previously—would be one of the groups that would measure the outcomes of what we do in terms of looking for residues in produce. Also, a lot of activity is done by states. They do residue surveys and water residue monitoring is done by various water authorities. From time to time, we get occupational health and safety information from state health authorities, in the main. The NRA does not run or organise any of those activities. The major outcome we have, and some people would call it an output, is related to our processing of applications and we have a number of time frames specified in our legislation. We do of course get feedback from those various schemes on what is happening but, again, we are only one of the contributors to those outcomes. The activities of the state governments who control the use of chemicals obviously has a very big effect on those outcomes.

Senator FORSHAW—But you would have to have some feedback or information from the states. It states there that, whilst they are undertaken by other state and Commonwealth agencies, the indicator is to give confidence that the National Registration Scheme is effective and contributes to productivity. You would be wanting to, surely, make a judgment about whether that outcome has been achieved.

Dr Turner—We certainly get feedback from all those bodies. For example, the National Residue Survey will write to us and inform us if there are any problems where they think we might have an influence. For example, one of the reviews we did was on one of our products called endosulfan, which we reviewed in the past. That review had a very big input, because we were getting unacceptable levels of endosulfan in water. Now we have set up a program with the states to give us a regular feedback on the levels of endosulfan that are found in the environment to see if our review outcomes have been effective and, to date, the information from that would suggest that we, together with other things that the states and the industry are doing, are having an effect on reducing those levels.

Senator FORSHAW—Do you make regular reports to the NRA board on how effective your measures are in achieving these outcomes?

Dr Turner—We regularly report on the outputs of the NRA, which is our registration performance, and on how we are going in terms of our corporate and operational plan, but we do not report on those issues you referred to.

Senator FORSHAW—What about the outputs referred to in the four boxes? Could you go through each of the boxes and indicate how you are going in terms of meeting the goals?

Mr Raphael—Perhaps I could try to answer your question in respect of the first box. In the year 1999-2000, we output about 2,800 registrations and approvals. On average, 98 per cent of those were done within the statutory time frame against a target of 95 per cent. The output in total was about 13 per cent up on the previous year and the time frame performance meant 98 per cent compliance with time frames. That means we were making our regulatory decisions, in either approving or rejecting products, with that volume of work and within those time frame constraints. In doing that, we found that there was improved industry

compliance with our requirements. We could not have achieved that without industry lifting their game also and providing us with better submissions for the products they were registering.

Senator FORSHAW—What about the second box, output 1.1.2, and particularly the compliance by chemical manufacturers and retailers?

Dr Turner—From 1 July last year to 31 March this year, we received a total of 226 reports of non-compliance which related to advertising, supply, general and importation. We have a risk-based compliance system. If it is a low risk, we send a warning letter. If it is a medium risk, they may get a subsequent warning letter. If it is high risk, we will carry out an investigation which may lead to prosecution, and we will also initiate recalls, usually voluntary, if the severity of the complaint warrants that. Compliance was achieved for 183 reports to date. We achieved 20 per cent compliance from the first warning letter; 59 per cent from the subsequent warning letter, 17 per cent were resolved by investigation and followed up by a warning letter and four per cent have been referred for full investigation. During that period of time, we have also had six successful prosecutions. However, many of those would relate to compliance reports in an earlier period of time because once the NRA has carried out its investigation, we have to refer them to the DPP and it can then be quite a period of time before they go to the courts.

Senator FORSHAW—Did you say 60 successful prosecutions?

Dr Turner—No, six, in the last nine months. I think we have had about 18 or 19 since the NRA was formed. But I would have to check that.

Senator FORSHAW—Out of how many cases?

Dr Turner—That we have taken?

Senator FORSHAW—Or situations where you may have considered legal action, but did not go ahead with it or the DPP would not recommend it.

Dr Turner—I am not sure whether I fully understand your question, Senator.

Senator FORSHAW—I think you said you had six successful prosecutions.

Dr Turner—In the last nine months, yes.

Senator O'BRIEN—Eighteen in total.

Senator FORSHAW—What is that as a proportion, either of the prosecutions that you have launched or other breaches which may have, in the NRA's view, amounted to a situation in respect of which you could have contemplated prosecution?

Dr Turner—I would have to take that on notice. Most of the compliance reports that we get are resolved by warning letters, but I think we would rarely go ahead with a prosecution and DPP would rarely accept it if they did not feel that we had a good chance of success. I think we lost one prosecution last year; that is the only one I can recall off the top of my head.

Senator FORSHAW—You are going to get some further information on that, but I am trying to ascertain whether there are a lot of situations where you do not or cannot prosecute even though the breach has been a serious one. Is that the case? Are these warning letters that you send first time warnings because they are not serious situations?

Dr Turner—Yes, that is usually the situation, Senator. When we get a compliance report we have a number of criteria that we use to assess the risk. Obviously, if you have the sale of a totally unregistered product which has never been assessed in Australia, and there is a high

potential of human health or environmental damage or something like that, that would go straight to the top of the list and we would pursue that very vigorously because the risk was so high. If somebody was selling medicated dog shampoo, they had not previously come to our attention and the product used a chemical that had been approved in another product, we would be much more likely to take a lower key approach, to write to tell them they were in breach of the legislation and try to bring them into compliance with the law.

Senator FORSHAW—Did you give me a figure a moment ago for the reports of noncompliance?

Dr Turner—Yes, 226 in the last nine months.

Senator FORSHAW—And, of those, you had six successful prosecutions?

Dr Turner—Yes, but they probably relate to reports in an earlier period of time.

Senator FORSHAW—Do you regard 200-odd reports as being a high level of noncompliance? I know you would like to have total compliance, but how does that rate in terms of your criteria?

Mr Raphael—It has come down from the early years of the National Registration Authority. The National Registration Authority only came into full operation in 1995. In the first two years the number of compliance reports in a year was much higher, basically as companies who had got their products registered dobbed in their competitors who had not got theirs registered. But as the scheme has come to be understood by the companies working in this sphere there is a smaller number of noncompliance reports. We do not have exact details of previous years, but my impression is that the number is steadying out at about 200 a year.

Senator FORSHAW—Could you comment on the next two boxes, particularly on 1.1.4, the certified agreement?

Dr Turner—The NRA's third certified agreement was certified a week or two ago by the relevant commission. It was agreed by staff—I think the vote was 90 per cent in favour. The management practices are guidance that we provide about how the NRA expects people to operate with regard to a whole range of personnel and management practices within the organisation.

Senator FORSHAW—Earlier, you mentioned endosulfan. I understand that the NRA has banned ultra low endosulfan.

Dr Turner—That is correct.

Senator FORSHAW—That was done just recently?

Dr Turner—That is correct.

Senator FORSHAW—Could you explain why and what led to the decision? Also, I understand it will continue to be marketed in emulsifiable concentrate formulations able to be applied by ground rigs. You might explain to me what that actually means in layman's terms.

Dr Turner—The reason we banned ULV endosulfan is that we did not have confidence that we had enough information in terms of its management that it did not ultimately pose a risk to trade in beef. One of the criteria that all chemicals have to meet under the NRA legislation is that they do not pose an unacceptable risk to the beef trade. We did not have evidence before us that would convince us that that was not the case with respect to ULV. EC, emulsifiable concentrate, is a different droplet size, and my understanding is that it does not have the propensity to drift that ULV has. Therefore, we can have more confidence that, if it is

applied according to the label, we are not going to get beef cattle with residues that exceed the maximum residue limit.

Senator FORSHAW—The cotton industry, as one would have expected, is not terribly happy with this decision but the beef producers are. But the cotton industry claimed that they have substantially reduced the use of aerial application of ULV. What do you say about their assertion?

Dr Turner—That is certainly correct. The NRA put a range of measures in the previous season which certainly restrict their use of ULV and also I understand pest pressures were lower last season, so again there was not quite the same demand to use it. I might compliment the cotton industry because I think they have worked very hard to improve their management of chemicals. However, the situation with ULV is that, when we suspended it last season, we gave the cotton industry an opportunity to come forward to us with data that would potentially allay our concerns that it would not drift and cause unacceptable residues. They did not come forward with any information that would allow us to assuage our concerns on that. And also we understand, for example, that they cancelled a number of studies that they were proposing to do—some occupational health and safety studies—that we also required to be satisfied in terms of the long-term use of endosulfan. While their press may have said they were surprised, I think the reality was that they fully expected the decision.

Senator FORSHAW—Dr Loschke, I will just quote the report from the *Land* newspaper to give you the opportunity to comment. This is not a quote from any individual; this is part of the article written by the journalist. It reads:

NRA's senior chemical reviewer, Dr David Loschke, said the authority had no choice. While he conceded the product had not caused a serious residue problem in more than two years, drift was still an issue and, given current technology and application methods, was unlikely to be solved.

Is that a fair, accurate report of the situation?

Dr Loschke—If I heard you correctly, yes, that is fair.

Senator FORSHAW—It says here that it is 'unlikely to be solved'. What does that mean—ever or?

Dr Loschke—No, it does not mean ever. What it really means is in the near term, in the foreseeable future. The issue is, of course, a trade issue; it is not a health issue at all. The problem is that endosulfan is so closely watched by the trading partners that the normal risk is magnified very greatly. That means that we really cannot tolerate even a modest number of incidents like the one that happened in December 1998, I believe, where the shipment to Korea was rejected and shipped back to Australia. Another incident similar to that and of that magnitude would jeopardise the international beef export trade. The NRA really cannot allow that to happen.

The problem with trying to solve the issue quickly enough to avoid that sort of problem is that the technology right now does not exist to allow droplet sizes that are in an acceptable range for ULV application. As Dr Turner just mentioned, the key issue with ULV is droplet size. When it is put on as a ULV, the typical percentage of mass of material—put on in such a fine droplet size that it is very prone to drift—is very high. It is a substantial proportion of the total material applied. The risk comes from the fact that when the material is applied to the very large acreages that are common in the cotton growing regions, there is a very high risk of an additive effect; that is, the very fine droplet material is capable of building up and, under certain weather conditions, causing unacceptable residues—we had experiences several years

ago of reports of unfavourable residues 10 kilometres away. Modelling data that we received last year indicated that, even under ideal conditions, those residues could be produced and drift to an unacceptable degree as much as four to six kilometres away when very large acreages are being applied. Currently, the NRA has no way of controlling how much endosulfan could be applied to how many acres within a region and within a specific time window. Because of that, it has no control over that sort of risk and then, because the risk has been magnified to such a level, the two are incompatible.

Senator FORSHAW—I will just quote Mr Montgomery from the Cotton Industry Council. He says this in an article in respect of MRLs:

In the past two seasons 15,630 beef tests were conducted by an independent authority across 5,207 farms with not one test going above the maximum international residue level and only two cotton related tests above half that level.

Dr Loschke—That is quite correct. The results of the last two seasons have been excellent in the sense that there have not been unacceptable residue levels reported. The few that have been reported are best described as due to human error. The issue though for the NRA is not what happened in the last two seasons. Because of the fact that the last two seasons had exceptionally low insect pressure, use of endosulfan by industry was down and weather conditions also permitted a substantial amount of early season ground application. The NRA was concerned that, if next year was a year of normal and perhaps high insect pressure, without the kinds of constraints I mentioned a moment ago, there would be no constraint upon industry not to apply levels of endosulfan that might indeed cause residues of the sort that we cannot tolerate.

Senator FORSHAW—I do not want to sound like an advocate for the cotton industry or the beef industry in this area, but it does not appear that both can be winners. It certainly has not appeared that way for a couple of years now. It just seems that the MRLs become largely irrelevant in view of these other considerations that you have referred to.

Dr Turner—It is all related to trade risk: the reality is that EC endosulfan is available to the cotton industry, so it is not as though they cannot apply the chemical. It is just that they cannot apply this particular type of formulation of the chemical which has a much higher risk in relation to trade.

Senator FORSHAW—I understand that.

Senator O'BRIEN—If I can ask a couple of questions about the OJD Gudair vaccine trials. What is the time line for the assessment and potential approval of that vaccine generally for use in OJD areas?

Mr Raphael—We have not received an application for registration of the vaccine at this stage. We expect to receive one very shortly and we are attempting to confirm that with the potential registrant. In the meantime we have allowed two permits for the use of the vaccine in its unregistered form. One of those is called a trial permit. That has been issued to the potential registrant so that they can do some trials to provide the data we need to be satisfied in order to register the vaccine. The other one is a minor use permit granted to the NSW agriculture department to allow minor use of the vaccine in a limited area in New South Wales under close control of the chief veterinary officer of New South Wales on properties where extreme losses have been experienced due to OJD, and there is no other control measure available to the New South Wales government. That permit is still extant. I

understand about 70 or 80 flocks have been treated under that permit and perhaps another 30 or so are expected to be treated while that permit is in existence.

Senator O'BRIEN—So it is restricted to use in a particular area?

Mr Raphael—I believe it is the Central Tablelands and the Goulburn land protection boards. New South Wales have indicated that they are considering seeking approval to extend that use slightly and we are discussing that with them. But no approval has been granted at this stage for extending beyond those land protection boards.

Senator O'BRIEN—What are the terms of the trial permit?

Mr Raphael—I could not give you the exact terms offhand, but it was issued to the company, CSL, to enable them to do controlled trials and gather data that they could submit to us. I think it probably would have covered about 2000 sheep. I am not sure exactly; I can take it on notice if you want more detail.

Senator O'BRIEN—Yes, thank you. That would be for the purpose of producing the vaccine here in Australia?

Mr Raphael—No, for the purpose of producing data about the effectiveness and safety of the vaccine so that we can be satisfied about its registration. The vaccine will be produced in Spain. I do not think CSL have any plans to produce it in Australia.

Senator O'BRIEN—That raises the question of the consideration of imported vaccine based on an animal product, I believe, in the context of foot-and-mouth and BSE issues. What considerations will have to be given to that in the future?

Dr Biddle—You are correct. These aspects are covered off in the quarantine assessment of import of biological material. There are set protocols to be followed and they do take particular account of BSE risks and FMD risks, but there are other classes of risks that are also addressed by the protocol.

Senator O'BRIEN—Has any consideration been given to particular issues with this vaccine?

Dr Biddle—Not above the normal criteria that are used in the assessment of biologicals of this type.

Senator O'BRIEN—Is there ongoing consideration of whether those sorts of vaccines should be permitted for use in Australia at all?

Dr Biddle—The appropriateness of, for example, the existing controls and quarantine protocols in addressing BSE risk is currently under consideration and review by the special expert committee of the NHMRC and there could be some changes that derive from recommendations that emerge from that process. But at this stage the criteria that are in place and have been used for some time continue to be considered to be appropriate and are being applied, and they will be applied in this case.

Senator O'BRIEN—What is the time line for the NHMRC consideration of the BJD vaccine?

Dr Biddle—They will have a vaccines paper before them at their meeting later this week. What direction that work will take we will have to see, but it should be a fairly rapid process.

Senator O'BRIEN—Going back to NRA, I take it that it is possible that the New South Wales government's application, which you were expecting, could seek to expand the area of

use of the vaccine beyond the Central Tablelands and Goulburn land protection boards. That is not a matter that would concern you?

Mr Raphael—They have discussed with us that they intend to seek an expansion beyond those two land protection boards into another set of land protection boards that I think are called the control residual zone in the OJD management program. We have, in fact, received that application, but only in the last 24 hours, so we have not had a chance to study it yet. We would normally have a statutory time frame of three months for such an application. We will deal with it as quickly as we can. We do have to assess whether it continues to be within the guidelines for permits.

Senator O'BRIEN—What are the issues that you would be considering in that context, having granted permits initially?

Mr Raphael—Primarily whether the use continues to be a minor use. The legislation restricts us to permits for minor use and, if the use were approaching that which might be the ultimate use of the registered product, it would not be a minor use. We would also want to continue to be satisfied that the use on this restricted basis was safe and under adequate control of the Chief Veterinary Officer and other officials of New South Wales.

Senator O'BRIEN—What is the relevance to your considerations of any national approach to disease control?

Mr Raphael—We are aware that VETCOM has been considering a national approach to this disease control and we would hope to have their advice before making a decision on the permit. There would be no use in us granting the permit if in fact national disease control policy prevented its use, and we would not do so.

Senator O'BRIEN—Thank you for that; that is all I have got on this area.

[5.17 p.m.]

CHAIR—We will now deal with the next item, natural resource management.

Senator WOODLEY—I want to ask about the Murray- Darling Basin in relation to the budget. Mr Thompson, you may be the appropriate person to answer this question. In a discussion of the budget in the *Australian* of 24 May, there was a statement that there was a decrease in the appropriation for the Murray-Darling Basin of \$14.3 million. Was that media report accurate? If so, could you give us some idea of where in the statement we would find that reduction itemised?

Mr Thompson—The media release is not accurate. I can only assume that what it was referring to was one of the items in the Murray-Darling Basin. The Commonwealth is providing \$11.9 million to the Murray-Darling Basin Commission for its activities this financial year. That compares to just over \$11 million last financial year. The payments to the Murray-Darling Basin Commission come from a number of places in the budget.

There are two direct appropriations to the Murray-Darling Basin Commission: the contribution to salinity mitigation and the payment to the Murray-Darling Basin Commission, of \$3.2 million and \$1.2 million respectively. Then there are some payments made from the Natural Heritage Trust to the Murray-Darling Basin Commission that amount to a further \$7.5 million.

Senator WOODLEY—So the media report is simply wrong?

Mr Thompson—The media report is wrong in relation to the Commonwealth's provisions for the Murray-Darling Basin Commission. I have not seen that particular media release.

Senator WOODLEY—It was actually a report in the *Australian*.

Mr Thompson—The Commonwealth's contributions to the Murray-Darling Basin Commission are made through a number of items in the budget. There is scope for some confusion as to the total amount. As I said, one of the items is called 'Contribution to salinity mitigation'. Unless you read the fine print it is not evident immediately that that is a contribution for salinity mitigation by the Murray-Darling Basin Commission.

Senator WOODLEY—That is very reassuring because there were alarm bells ringing when we saw the media report. I did ask the question first of all as to whether that report was true, because that is one of the problems we find, as I am sure you do. That is reassuring, and that means that I do not have to ask a whole lot of other questions.

Senator ALLISON—My questions are to Mr Dalton. They relate to water resources. Are you familiar with the substance MTBE? It is a substance which is added to petroleum products—it is methyl tertiary butyl ether. I am asking about it is because I understand that cabinet is likely to make a decision next week based on whether the new fuel standards could allow for up to seven per cent of imported fuel to have MTBE in it. The reason for my question is that in many parts of the States, where it has only been used for the last 10 years, it has been banned. Was your department consulted and asked for any kind of briefing on the likely damage MTBE might do to aquifers and particularly to groundwater used in rural communities?

Mr Wonder—Asked by whom, Senator?

Senator ALLISON—By cabinet, by the minister for industry or the minister for the environment—I do not know.

Mr Dalton—Your knowledge far exceeds mine on this particular issue. The question of whether there might be an impact from the introduction of changes to the petroleum mix or blend on water aquifers, either directly through direct charge or through stormwater and so forth, may well have been referred to the environment department, but I am not aware of any approach directly through me.

Senator ALLISON—So if EA did provide a briefing they did not consult you about it?

Mr Dalton—Not to my knowledge.

Senator ALLISON—Do you keep across issues which affect aquifers and water supplies? What is the extent of your knowledge in this area?

Mr Dalton—We have knowledge throughout the portfolio which we have access to. Our principal concern about water quality relates to the preparation of the National Water Quality Management Strategy. That particular issue is not part of the current suite of water quality management strategy documents. However, as a portfolio, we are aware, through the activities of the Bureau of Rural Sciences, of the research that is done more generally about contamination to aquifers. I am happy to take on notice any questions in that area.

Senator ALLISON—The Bureau of Rural Sciences?

Mr Dalton—Yes.

Senator ALLISON—I will ask the same question of EA when we get to them in estimates. It would be useful to know whether you have statistics on quantities of ground water used in agricultural pursuit. Is that an easy figure to—

Mr Dalton—I would have to take that on notice. The recently produced National Land and Water Resources Audit contained some data on availability and use of ground water and surface water but I do not have the figures with me. I can certainly take the question on notice.

Mr Thompson—The National Land and Water Resources Audit is pulling together consistent national level information about uses of water in various purposes. The information we would use would come from that source.

Senator O'BRIEN—A letter last month from Roy Green, the Chair of the National Land and Water Resources Audit Advisory Council, enclosed two reports. The first was titled *Dryland salinity in Australia* and the second was titled *Water resources in Australia*. In the letter Dr Green referred to a number of other reports that are due for completion through the year. One was titled *Agricultural productivity*. What were the terms of reference for that project?

Mr Willcocks—The terms of reference for that one were to look at the combination of the production from agriculture and some of the indicators of the impact agriculture was having on its own resource base, to get a feel for the overall value and contribution of agricultural productivity to Australia.

Senator O'BRIEN—Who is doing the work and when is it scheduled to be completed?

Mr Thompson—Charles will have details of who is doing the work, but all the audit products go through a cycle of letting tenders to people to provide certain pieces of information; then they are pulled together at a technical level for a technical review and peer review and input. Subsequent to that there is a consultative session where the draft findings are talked through with a range of stakeholders, and then they are released. I think that agricultural production one is due for release to the stakeholder group within the next month or so for consultative comment. Charles, do you know the terms of reference?

Mr Willcocks—I have got what might be termed terms of reference for this particular theme report. I can read those out to you, if you like, Senator.

Senator O'BRIEN—If you can table it, that would be sufficient, if it is lengthy.

Mr Willcocks—Perhaps I will provide them on notice.

Senator O'BRIEN—That will take a long time. If you have got them there and you can provide them, that would be good, rather than reading it out.

Mr Willcocks—It is part of a longer document.

Mr Wonder—He has not got it in a form that can be tabled, Senator.

Senator O'BRIEN—How long will it take you to get it to us if we do not press you now?

Mr Willcocks—I can read out the three points. The theme was aimed at understanding the links between natural resource condition and production as a basis on which to maximise sustainable agricultural production. That is one point. The second point is—

Senator FORSHAW—Something that you and I remember, Mr Willcocks.

Mr Willcocks—Yes, Senator. The second point is to document the condition of natural resources used in agriculture as a basis to maintain and protect the natural resource base on which agriculture depends. The third point is to determine off-farm export, particularly fluxes of sediments, carbons and nutrients, as a basis for detailing the off-farm impacts of agriculture on public resources, rivers and estuaries.

Senator O'BRIEN—It is quite a substantial project, by the sound of it.

Mr Willcocks—It is one of seven themes under the audit. There is a final report workshop next week, on 6 June, when the details of the report will be gone through. The release of the report will be in late June or July.

Senator O'BRIEN—When did work commence on this report?

Mr Willcocks—I cannot give you an exact date but the work commenced about four or five years ago when the audit started.

Senator FORSHAW—Maybe we should drag out that old working party report on sustainable agriculture. It was many years ago, I think.

Mr Willcocks—It was a very high quality report.

Senator FORSHAW—It was a high quality report, I know. We will leave the rest of you to ponder about that.

Senator O'BRIEN—On the National Action Plan for Salinity and Water Quality, we discussed this plan in February and Mr Thompson told us it was progressing well; an intergovernmental agreement had been drafted and I think Queensland had already signed up and two other states were committed to sign up. Has everyone now signed it?

Mr Thompson—No, but we have had an advance on that. Queensland, as I said, had signed then. South Australia and the Northern Territory have now signed and Tasmania, New South Wales, Victoria and the ACT have indicated they will be signing the agreement very shortly. It is a matter now of looking for the appropriate occasion to get the document before premiers for signing.

Senator O'BRIEN—What about Western Australia?

Mr Thompson—Western Australia have not signed. We have been engaged in discussions with Western Australia, and Western Australian officials are closely engaged in work on the action plan. But the incoming government in Western Australia is reviewing their approach to salinity and we understand they will not be able to sign the document until they have completed looking at what might be the role of their government and how they might go about salinity mitigation in that state.

Senator FORSHAW—Does that present a potential problem if you get all the other states to sign up but WA does not? If they want some changes or whatever, is that open to them? One hopes that this is an agreement for all of the states in the Commonwealth.

Mr Thompson—The intergovernmental agreement is an over-arching agreement. We would envisage that all parties should be able to agree to the same document, and all other parties have. In discussions with the states, as with any document, there are often slight differences of interpretation. As we have moved into bilateral discussions and subsequent exchanges we have been able to clarify our respective understandings of them. So the over-arching agreement has been able to be signed and details can be sorted out in bilateral agreements or agreements with the regions which pick up jurisdictional differences. At this

stage we believe that a similar approach can be followed in Western Australia but we are still awaiting the finalisation of things following the change of government.

Senator O'BRIEN—What is the timeframe for the bilateral discussions between the Commonwealth and the states?

Mr Thompson—They are proceeding at different paces in different states. Those states that have signed the bilateral agreement are moving very quickly and we are confident that we should have some of them signed within the next month or so. In states where we are still awaiting the final signature, we are commencing discussions with states such as Victoria, Tasmania and New South Wales.

Mr Wonder—I want to make it absolutely clear, in response to Senator Forshaw's question, that the fact that Western Australia has not signed in no way impedes the implementation of the action plan in other states, because the intergovernmental agreement is the top level, and at the next level are these bilateral agreements that Mr Thompson has referred to with each state, that will enable the next steps to be taken. So whether Western Australia is in or out does not impact on implementation in other states.

Senator FORSHAW—I understand what you are saying. I was recalling what can happen—one would hope not in this area. For example, when the Medicare agreements were being negotiated, you can get into a situation where states sign up, and subsequently there is a subsidiary agreement negotiated between the state and the Commonwealth which can lead to others saying that they want to revisit theirs, particularly if there are financial commitments involved.

Mr Wonder—I am indicating that we are not hamstrung in any way.

Senator FORSHAW—I understand that.

Senator O'BRIEN—As I understand it, the funding package for this program is \$1.4 billion over seven years. What is the profile for the expenditure of that by state and by out years?

Mr Thompson—The profile in the overall expenditure is, in our estimate at the moment, \$65 million next financial year and then ramping up successively over the subsequent years. The actual detail will not be clear until we have some of the detail of what is going to occur in each state. There has not been a definite or firm division of the money between the states or between activities at this stage because we are still discussing that with some of the states.

Mr Handke—At the COAG meeting in November last year the Prime Minister gave the states indications of the broad levels of funding that they could anticipate under the national action plan. It was not divvied out year by year, but done more in terms of the gross amount that the states might anticipate. Funding levels were in the order of \$198 million for New South Wales, \$152 million for Victoria, \$82 million for Queensland, \$158 million for Western Australia, \$93 million for South Australia, \$12 million for Tasmania and \$6 million for the Northern Territory, summing to \$700 million. We need to bear in mind that the moneys were intended to be largely available for regional activities and regional strategies, so they will not necessarily be provided directly to the states for state activities.

Senator O'BRIEN—If the sum is \$700 million then it is a dollar for dollar—

Mr Handke—The states will match the contribution that the Commonwealth makes to the various elements under the national action plan.

Senator FORSHAW—Were they negotiated or agreed amounts? Was some understanding or formula used to arrive at them?

Mr Handke—There were no negotiations with the states at the time as to the quantum that the Prime Minister gave any indication of.

Mr Thompson—They were indicative figures based on the number involved, but they were not intended to be definitive. It was intended more to give a feel for how it would be split up.

Senator O'BRIEN—How will the Commonwealth see that the funding is provided? Is it money out of consolidated revenue?

Mr Thompson—Yes, it is money out of consolidated revenue.

Senator O'BRIEN—Where does it appear in the PBS?

Mr Wonder—It actually appeared in our additional estimates PBS for 2000-01, so it is not, in that sense, a new budget measure and therefore does not appear in the 2000-01 list of budget measures.

Senator O'BRIEN—Is there anything for the out years in here?

Mr Wonder—Yes, there is. We can give you the numbers for the entire \$700 million. Is that what you are asking for?

Senator O'BRIEN—Yes.

Mr Handke—The estimates for the seven years, commencing with 2000-01, are: \$5 million, \$65 million, \$150 million, \$190 million, \$170 million, \$90 million and \$30 million, summing to \$700 million. As Mr Thompson indicated, this is our initial feel for how the action plan funding might roll out. It will depend on the extent and the nature of both the regional plans and how quickly the regional bodies develop or refine those plans, as well as other elements of the national action plan which relate to capacity building and include R&D, various information dissemination activities, pilots for market based instruments—the sorts of activities which are key elements of the national action plan. So it will depend on both the level and the extent to which regional bodies develop their plans, the nature of those plans, whether or not those plans actually involve works or strategies et cetera and the funding profile that relates to the other activities.

Senator O'BRIEN—So I take it we will spend the \$5 million in the current financial year?

Mr Handke—At the moment we anticipate expenditure in the order of \$3 million which will relate to both salinity mapping activities in Queensland that are occurring at the moment and additional funding for Queensland for foundation activities and capacity building activities, and potentially some funding for South Australia.

Senator O'BRIEN—What other Commonwealth agencies are involved in this project?

Mr Thompson—The implementation of the action plan is a joint activity with Environment Australia who are assisting us in meeting the broader objectives of the program; they are closely involved. Close liaison has also been established with the Department of the Prime Minister and Cabinet, the Department of Transport and Regional Services, and the Australian Greenhouse Office—because of the synergies that those portfolios have for these sorts of activities.

Senator O'BRIEN—Will the funding that we have been talking about be totally administered by this department or by one of the others?

Mr Thompson—In a formal sense, the money will all be administered by Agriculture, Fisheries and Forestry, and in a sense the money sits here. The administrative arrangements for running the program are that the Minister for the Environment and Heritage and the Minister for Agriculture, Fisheries and Forestry are involved in joint decision making. We have established for regional delivery a joint task force between Environment Australia and Agriculture, Fisheries and Forestry for dealing with the community; and we have a joint decision making body at department level to make the day-to-day decisions—if it was a single department program it would be within our hierarchy, but, because it is addressing both the environmental and agricultural objectives, it is proper that it is done in a joint fashion.

Senator O'BRIEN—On page 38 of the PBS you advise that this program complements the Commonwealth Natural Heritage Trust:

The Government is extending the Natural Heritage Trust with additional funding of over \$1.0 billion from 2002-03 to 2006-07, in addition to the \$1.5 billion already committed—

How do the two programs fit together?

Mr Thompson—The national action plan is a targeted program to address salinity and water quality activities in 21 priority regions in Australia and as its foundation has those regions developing comprehensive natural resource management plans; but the funding will be directed towards action to address salinity and water quality. The Natural Heritage Trust extension is going to be subject to further development over the coming months as a new revised program framework is tidied up; but it can fund the full suite of natural resource management matters—and it can fund them in catchments other than the 21. So in the 21 priority salinity and water quality catchments, the Natural Heritage Trust could, for example, support other elements of regional plans such as addressing biodiversity concerns that are not picked up in the salinity and water quality action plan, and in catchments outside the 21 priority catchments, where community capacity is there, similar sorts of activities to those being pursued under the action plan could be implemented.

Senator O'BRIEN—Can you give me an annual funding profile for the NHT as well over the same period?

Mr Willcocks—The forward estimates show that there is \$100 million allocated in 2002-03 and thereafter \$233 million. On top of that there is interest earned from the money in the trust which is expected to be of the order of \$20 million a year, making a total amount available on average of about \$250 million a year.

Senator O'BRIEN—So in 2002-03 it is \$100 million; 2003-04, \$233 million plus about say \$250 million; and the same for 2004-05 and 2005-06?

Mr Willcocks—Yes.

Senator O'BRIEN—And 2006-07?

Mr Willcocks—The forward estimates only go to 2004-05 at this stage.

Senator O'BRIEN—It is just that in your PBS you talk about it going to 2006-07 and the amount of money we are talking about falls short of the \$1 billion.

Mr Willcocks—It would be the balance—

Senator O'BRIEN—Okay.

Mr Willcocks—which is \$233 million plus interest.

Senator O'BRIEN—In the \$1 billion there is interest earned, is there, or is the interest earned in addition to the \$1 billion?

Mr Willcocks—In the \$1 billion it is \$1,000,000,032, in fact, and that includes the interest earned.

Senator O'BRIEN—\$1 billion and \$32 million, do you mean?

Mr Willcocks—\$1 billion and \$32 million, yes. Sorry, Senator, I am wrong. The \$1 billion additional does not include the interest.

Senator O'BRIEN—Which of the NHT programs are run out of AFFA and which are run out of Environment? I think you have given this to me before but—

Mr Willcocks—The AFFA programs include: the Farm Forestry Program, Advanced Property Management Planning, Fisheries Action, Landcare Tax Credits, Murray-Darling 2001, part of the Feral Animal Control Program, the National Land and Water Resources Audit, the National Landcare Program, Rivercare Program, part of the National Weeds Program—I think that covers them.

Senator O'BRIEN—Which parts of it are run out of Environment Australia?

Mr Willcocks—All the other programs, and I can list those.

Mr Wonder—Senator, you might not be aware that Mr Willcocks is actually reading from the statement made by Senator Hill.

Senator O'BRIEN—I have got that.

Mr Wonder—And, indeed, those forward estimate figures for the National Action Plan are also covered in that document.

Senator O'BRIEN—Thank you for that.

Senator FORSHAW—You mention the National Landcare Program. What is the funding allocation for this coming year for the National Landcare Program?

Mr Willcocks—There are two sources of funding. Part of it is funded from the Natural Heritage Trust and part from a separate appropriation to AFFA. Under the Natural Heritage Trust there is \$31.2 million allocated to the program and under the NRM appropriation there is \$38.3 million, making a total of \$69.5 million.

Senator FORSHAW—Are those figures in the PBS?

Mr Willcocks—The land care natural resource management appropriation occurs in two places—on page 30 and page 32. In output 1 there is an allocation of \$2.1 million, and on page 32 there is an allocation of \$36.190 million.

Senator FORSHAW—Which makes up the \$38.3 million?

Mr Willcocks—Yes.

Senator FORSHAW—Am I correct that this represents a reduction from last year, when the funding for land care was \$100.3 million from those same two sources of funding?

Mr Willcocks—It does represent a reduction, but it was a programmed reduction. It is reflected in the foreword estimates for previous years.

Senator FORSHAW—But it is a reduction, isn't it?

Mr Willcocks—Until the second round of the Natural Heritage Trust was announced, the funding through the trust was terminating and, as with all these programs, the expenditure profile increased in the first four or five years of the trust and then declined.

Senator FORSHAW—I am aware that it was due to wind up—

Mr Willcocks—At the end of 2001-02.

Senator FORSHAW—Yes, on 30 June 2002. Is it now going to continue as part of the Natural Heritage Trust arrangements?

Mr Willcocks—The details of the new trust arrangements have not been worked out.

Mr Thompson—Those sorts of projects are envisaged. Support for land care in its broader sense, which is communities and regions implementing works on the ground to improve their sustainability and resource base, are envisaged as being a continuing part of the NHT. The action plan for salinity and water quality is also about conducting similar activities. So, in aggregate, if we look across all the activities that are going towards land care with a lower case 'l', there is a significant increase in funding.

Senator FORSHAW—It is a very creative analysis but, as I understand it, the new strategy that is being funded will be based upon regions and community groups such as Landcare groups.

Mr Willcocks—Yes.

Senator FORSHAW—That is the real focus of it.

Mr Willcocks—Landcare groups will remain an important element in delivering all sorts of natural resource management programs.

Senator FORSHAW—Yes, including the new ones. Does it not then mean that under a new program those Landcare groups are nevertheless going to get less money to do what they have always done and what they will be expected to do than what they got in previous years?

Mr Thompson—Less money through those two appropriations but, as we develop regional plans under the action plan, there may well be in those regions elements set aside for doing similar sorts of activities under those plans as well.

Mr Wonder—One of the key points that has not been made absolutely clear, and building on what Mr Willcocks said before, is that the new NHT that kicks in the arrangements for that is yet to be decided on by the ministerial board. Therefore, the final allocations to land care will be determined in that context.

The essential point out of the budget is that, with the moneys that are here, plus the distribution of the \$700 million that we talked about earlier—which, as we alluded, were in the additional estimates and in Senator Hill's environment statement for this budget—plus the NHT \$1 billion, we can be confident in saying that there has never been so much money made available for these purposes as in the current budget.

Senator FORSHAW—I won't debate the point any longer but, in respect of the Landcare groups themselves, their budget funding is 30 per cent less than what it was last year.

Mr Willcocks—I think it has to be looked at in the context of the overall funding.

Senator FORSHAW—That is yet to be seen, Mr Willcocks. There is a specific allocation in the budget for Landcare—\$69.7 million.

Mr Willcocks—But Landcare groups get funding from a range of programs; they do not just get it from the national land care program.

Senator FORSHAW—All I am saying is that you have acknowledged that there is a reduction from last year. I understand what you are putting about other duties or involvement they have in the broader program that has been announced, but I am just making the point that their budgeted funding allocation for this year is 30 per cent less than last year. I will leave it at that.

Mr Thompson—I think the point that has to be remembered though is that, as with the Murray-Darling, these groups do receive funding from a range of fund resources.

Senator FORSHAW—But they are going to receive less from the government than they received last year.

Mr Thompson—I could not say that at this stage.

Senator FORSHAW—At this point in time that is what the budget figures say. Whether or not they access future funds out of the \$700 million that the government announced pre-budget in November last year—and which is yet to be negotiated with the states and local government and so on—remains to be seen. But at this point in time they have a reduction in their allocation.

Mr Thompson—No, I do not think that is quite correct. There is a reduction in the total appropriation in the budget that has a label next to it for Landcare. Those funds have to be accessed by an application approval process, and they have to go through a process of regional bodies agreeing to those plans. Just as with the action plan, there is funding there for a wide range of activities for natural resource management. People undertaking natural resource management activities at the regional and local level will be accessing funds through that. It would only be fair to say that the amount of money that is available for accessing those sorts of activities is greater than last year. All that we are seeing is that some lines in the budget with a certain label on them are different from what they were last year.

Senator FORSHAW—That is your interpretation, Mr Thompson. It is not the interpretation that the Landcare organisation and groups would put on it.

Mr Wonder—We have not had any feedback of that nature, as far as I am aware.

Mr Thompson—We have had discussions with the Natural Heritage Trust Advisory Committee and the Australian Landcare Council. They asked the same question because they saw the same numbers as you did, Senator. We did have to explain to them what the total budget amounts to.

Senator FORSHAW—Time is getting on. I will leave it at that, but the point remains.

Senator MURPHY—I have a question with regard to NHT funding in the Farm Forestry Program. Can anyone tell me what the \$13 million-odd was expended on?

Mr Willcocks—The arrangement we have with the committees is that we answer NHT questions generally in the environment committee because the appropriation for the trust goes to the environment department.

Senator MURPHY—I was listening, and I thought you were answering some questions somewhat specifically.

Mr Willcocks—We try and answer the questions that we can. But the problem is that this group does not manage the Farm Forestry Program. We would have to pass that question onto our colleagues in the forest and fisheries area.

Senator MURPHY—Mr Wonder might correct me. I asked this question yesterday. I am just trying to work out who I can actually ask to get an answer.

Senator FORSHAW—I think he is telling you to come back next week.

Senator MURPHY—Who did you say administers it?

Mr Willcocks—It is administered within AFFA, but within the group that deals with forests and fisheries.

Mr Wonder—This is where we were discussing the issues yesterday.

Senator MURPHY—I will put the question on notice. When we get to that area, perhaps I will—

Mr Wonder—We have been to that area and we finished yesterday. Sorry—

Senator MURPHY—I did ask this question yesterday and I could not get an answer then. Who else can I ask? Should I ask somebody else?

Mr Wonder—The last thing we want to do is not answer your question. Perhaps there has been some confusion. I apologise if there has been. I think I said at the time that the responsible part of the department that had information on the Farm Forestry Program would come up in the discussion of the NHT today.

Senator MURPHY—That is what I thought.

Mr Wonder—I did say that and I am happy to concede that point. If we do not have an officer here available to pursue what you want to pursue now, we will have to take that on notice, I am afraid, and answer your question in that way.

Senator MURPHY—I am happy if you do take it on notice, but I want a breakdown of how the money has been expended. I want to know how much of it has been expended and what it has been expended on. In particular, I would be interested in finding out whether or not any of the money has been provided to forest plantation companies and, if so, which ones and how much money was provided. I am talking nationally. In terms of the state departments, if plantation forestry development have received funding as well, I would like to know which ones received it and how much they received. I do not want to get a very selective breakdown, I want a fairly comprehensive one.

Mr Wonder—You want some detail. I apologise for any confusion there. That was my fault.

Senator FORSHAW—The action plan for Australian agriculture comes in under Innovation and Operating Environment, I think.

Mr Wonder—Yes, it does. That is correct.

Senator FORSHAW—I think that completes what we have for the natural resource management group.

[6.02 p.m.]

ACTING CHAIR—We will move on to the next section, innovation and operating environment.

Senator WOODLEY—I would like to ask some questions about the Advancing Agriculture program. I was given to understand yesterday, when I was going to ask these questions, that this would be the best place to ask them.

Mr Wonder—They were about farm innovation, as I recall.

Senator WOODLEY—They were about the farmers retirement scheme.

Mr Wonder—Yes, this is the right spot.

Senator WOODLEY—I understand that the farmers retirement scheme finishes on 30 June 2001. I was wondering—and I am happy for this to be taken on notice—how many farmers have accessed that scheme to date, and whether is there any projection for the number that will have accessed it by 30 June 2001.

Mr Morris—I think we can answer part of that question. The program is delivered by Centrelink, so we have to rely on them to provide us with the numbers. The latest numbers they provided us with were up until 31 March 2001. At that point there had been 2,110 farmers who had taken up the scheme, including customers both through Centrelink directly and also through the Department of Veterans' Affairs.

Senator WOODLEY—That compares to the figures we have had across the period of the scheme; it was a fairly consistent number of applications. So there will probably be around 2,000-odd by 30 June?

Mr Morris—I understand that there has been a bit of an increase in interest in the last couple of months, so I would expect it to be a little higher than that, but we do not have a forecast at this stage.

Senator WOODLEY—That is probably because of the announcement of it finishing.

Mr Morris—That is correct, yes.

Senator WOODLEY—I know that it was announced that it would sunset on 30 June and I think a review was done of the scheme, because some time ago I talked to Senator Newman about it, but is there a rationale for discontinuing the program?

Mr Morris—Yes. The scheme was originally intended as a three-year window of opportunity for farmers to basically get access to the pension and avoid the asset test that applies to the normal pension arrangements for farmers. It was never really intended to last for any longer than that period. It was directed at dealing with what was seen to be a relatively large group of low income farmers whom it was felt should be protected or enabled to be provided with an income post their retirement and after passing on the farm. As you know, the target was around about 2,000 farms, and that has been achieved through those figures.

Senator WOODLEY—The original announcement by Minister Anderson was for a target of 10,000.

Mr Morris—Our understanding of that figure—I was not around at the time—is that it was the number of potential eligible farmers as opposed to the take-up rate. The figures are actually based on about 2,000 farmers taking up the scheme. But I accept that there has been a bit of confusion around that number.

Senator WOODLEY—The predictions by the National Farmers Federation at the time were that the thresholds were far too restrictive but, of course, that is simply a debate that would continue; I do not expect you to comment on that. I wonder, however, whether the

government at any point looked at overseas experience with these kinds of schemes and made comparisons?

Mr Morris—I am not aware of any. It may have been part of the review, but personally I am not aware that there was that consideration. There could well have been, but I am not too sure. I might pass that question to Mr Ingham.

Mr Ingham—I am not aware of any comparison with overseas schemes. To my knowledge, there are not any schemes overseas which are directly comparable to the RAF scheme.

Senator WOODLEY—I was not trying to trick you at all on that. I am interested in the scheme, and I just register my disappointment that it is finishing. That is the government's agenda, so that is a debate we may have in other places.

Last year I spent a fair bit of time in the Irish Republic. They have a similar scheme, although it is much more open than our scheme. It has resulted in a lowering of the average age of farmers in Ireland. According to the government there, this scheme was one of the factors that enabled them to move older farmers out of farming and allow younger people to go into farming. That was the reason for the question; it was not a trick question. I did have an interest in it.

Mr Wonder—Senator, I am not sure whether it was mentioned earlier, but you would be aware that the government did extend the scheme from September 2000 to 30 June this year.

Senator WOODLEY—Yes. I voted for that enthusiastically.

Senator FORSHAW—I want to ask some questions about the *Action plan for Australian agriculture*. Can you give us an update on how this strategy is developing. I understand that a report was prepared for the key stakeholders in July 1999. Is that the most recent report?

Mr Morris—The July 1999 report that you are referring to, Senator, involved the preliminary work that was done in the lead-up to the announcement and publication of the action plan for 2000-01 which was released in February 2000. That was the analysis that was done of the first action plan that led to the production of that second plan. In terms of further work that we have done, the main vehicle for that action plan is something called our *Rural Vision* magazine, where we give our stakeholders the opportunity each time we publish that to present articles in that magazine on their actions against the action plan. We have had two editions of that, one of which we provided to this committee a couple of hearings ago, which was released in July 2000, and a second one was released in February 2001. I do not think we have provided that to the committee. We would be happy to pass that on to you.

Senator FORSHAW—Please do. Has there been any report produced on the plan itself—how it has been travelling?

Mr Morris—Not at this stage.

Senator FORSHAW—Is there any intention to produce a report on its successes or outcomes?

Mr Morris—The intention was to review the plan in April this year. That has been delayed a little bit for a couple of reasons. One is that the current action plan covers agriculture, food and fibre. As you are aware, the food industry has got a food action agenda now which has somewhat superseded some of the objectives of the action plan. So we are reviewing at the moment how we should take forward the other action plan.

Senator FORSHAW—I wanted to ask some questions about the food and fibre part of the overall plan. As I understand it, back in 1998 the department undertook a national survey of producers in a study of key community people to provide baseline regional data of skills and behaviours relating to key indicators. Is that correct?

Mr Morris—I think the survey you are referring to is the survey that was done in relation to the AAA program. It was the solutions survey.

Mr Wonder—That was the survey that we discussed yesterday during estimates, when Mr Banfield was here, under the rural support and adjustment industry development area. You will recall that there was a survey discussed that was conducted in 1998 and repeated in 2000.

Senator FORSHAW—Could you provide us with a copy of the results of that survey if it has not already been provided, or draw our attention to it if it has been provided?

Mr Wonder—I would have to take that on notice. I am not sure what form the actual report is in or its availability. I will check that for you.

Senator FORSHAW—There was one in 1998 and then a subsequent follow-up in 2000.

Mr Wonder—Yes, it was repeated two years later; that is correct.

Mr Morris—Senator, we provided the whole of the 1998 report to this committee a couple of hearings ago, including about 12 volumes of material. I am not sure whether the latest report has been provided. We will take that on notice.

Senator FORSHAW—In measuring the progress of the action plan, do you measure it against the data that was gathered in those surveys? Is that the way in which you track this through?

Mr Morris—The action plan is essentially a framework agreement between the various stakeholders which represents a common commitment to a range of actions. It does not have any specific programs attached to it as such. The review that was intended to take place in April this year, and will probably take place in the not too distant future, will be looking at the actions that have been taken against the action plan over the last year. That will be the main vehicle for assessing it. We did, however, ask during the latest Solutions survey about awareness of the action plan amongst rural producers and we did receive a few statistics from that. But the action plan is really something for the stakeholder groups to be pushing forward as opposed to something that is relevant to individual farmers themselves.

Senator FORSHAW—There is a report we have entitled *Action plan for Australian agriculture: one year on*. It is dated July 1999. I will seek some information relating to that report. On page 28, in chapter 5, there is proposal 1. I am wondering if that proposal has been developed or if there is a plan to develop such a proposal.

Mr Morris—I will start with a general comment on the report. The report was prepared as a discussion document for the meeting of stakeholders that was held in the second half of 1999. Subsequent to that report, the actions under the action plan were developed and then, as I mentioned earlier, were put out in February 2000. So not all of the proposals in the report were actually taken up in the action plan. There was a subgroup of stakeholders formed that worked on the detail of this document that we have previously provided to the committee on the action plan itself, and a lot of proposals that were included in the background document for the meeting were not subsequently picked up.

Senator FORSHAW—Weren't?

Mr Morris—Were not subsequently picked up or were not picked up in the context of the published action plan. On your specific reference to proposal 1 on page 28, unfortunately I do not have the document in front of me.

Senator FORSHAW—I do. I apologise, I am not cold-decking you. I appreciate that you would not exactly remember every word of it, but it says:

The plan becomes broader, either an action plan for food, agriculture and possibly fibre or part of a series of linked plans covering agriculture, food, fibre, natural resource management, women in agriculture and resource management, fisheries, forestry, and rural and regional communities.

What has happened?

Mr Morris—The plan was extended to include agriculture, food and fibre, so it actually covers all those industries. The stakeholder groups which are listed in that plan include a number of representative bodies for the groups that you have mentioned, including the Foundation for Australian Agricultural Women, for example—I think you mentioned women's issues. I believe that the seafood industry has also been picked up in this. I do not believe that the forestry industry was picked up, but there is a separate action agenda or action plan for the forestry industry which was raised during questioning yesterday as well.

Senator FORSHAW—The notes I have say—as we know; we spoke about it earlier—there is an action plan for agriculture, food and fibre, there is one of women in agriculture and resource management, there is one for salinity and water quality, there is one for fisheries. Is that right?

Mr Morris—I believe so. I am not sure about the fisheries one.

Senator FORSHAW—And there were these other ones identified—natural resource management, forestry, regional Australia, which you have commented about in passing.

Mr Morris—Yes.

Senator FORSHAW—You might need to take this on notice. Can you give us details of how many action plans there are and where they are all up to. Can you fill that information out by giving us some of the history of each plan: when it commenced, what funding is in place for each one, who are the stakeholders, what review processes have been put in place, and how long are they intended to last. Having done that, anything else you want to add that you think might be useful information for the committee—and it all is—would be appreciated. I would also be interested to know how each plan has been progressed. You might be able to comment here. Do they progress these plans formally or informally or through ARMCANZ or is it a mixture?

Mr Wonder—I think there is no single model that applies to all of those action plans. We spoke, for example, in the last program of estimates on natural resource management, about the action plan on salinity and water quality. It has its own particular arrangements, which the officers at the table at the time spoke to. Now we are talking about this action plan for Australian agriculture. It has its own peculiar arrangements that suit the objectives of what is intended to be achieved. The answer to your question is that there is no standard model.

Senator FORSHAW—In relation to a couple of the plans, I appreciate you are going to provide us with some overall information. I understand the women in agriculture and resource management plan was launched in November 1998. Do you recollect that?

Mr Morris—It is not within my area, but that sounds right.

Senator FORSHAW—Can you give us the details on the objectives and reporting requirements of that plan?

Mr Wonder—Perhaps we could include that in the framework of the advice you have sought from us in terms of commencement funding, stakeholders and review processes. Would that be satisfactory?

Senator FORSHAW—Yes. I was hoping you would have something here.

Mr Wonder—Unfortunately the officers from that program are not at the table.

Senator FORSHAW—You have given us some information already and you are providing further information on the action plan for salinity and water quality. For regional data tracking, as I understand it the plan was for the BRS and ABARE to develop a proposal to coordinate the national provision of comparative regional tracking data for the action plan. Where is that up to?

Mr Morris—To be frank, I am not aware of that requirement. It is not actually in the document that was published. Is that something referred to in the document that was done in advance of the meeting in July 1999? If it was, as I said, that was a background document with proposals to be considered by the stakeholders, and some of those proposals were not taken up. But I am not aware of the specific requirement you are referring to.

Senator FORSHAW—Can you check that out for us.

Mr Morris—Certainly, we will take that on notice and look into it. I might add, though, that BRS has done work in this area. They have produced a social atlas of regional data that was released in the year 2000, so there has been information collected on those issues. I am just not sure that it was collected in the context of this particular proposal that you are suggesting.

Senator FORSHAW—In the overall plan, as I understand, it was intended there be an analysis every two years.

Mr Morris—That is right.

Senator FORSHAW—There was an annual review meeting in July 1999 and we have the one-year-on action review. When is the next detailed analysis to be done?

Mr Morris—The review was due in April 2001, as I mentioned. It has been delayed a little because of some of the other action plans which have been developed and our need to make sure that all of these action plans are appropriately integrated with each other. That will be taking place in the near future though.

Senator FORSHAW—Can you be a bit more specific?

Mr Morris—We are hoping to send out letters to all the stakeholders in the next couple of weeks but we need to liaise a bit within the department on these other action plans, particularly the food one which is relatively new, to make sure that we are not cutting across anything that they are doing at the same time.

Senator FORSHAW—Thank you. On R&D surveys by the department, there was a reference in a media release put out by the Grains Council on the 5 April this year that said:

Recent surveys by AFFA suggest every dollar spent on research and development can return up to \$10 in benefits.

Can you give us some details of these surveys?

Mr Morris—Between 1993-94 and 1998-99, we conducted an annual survey of each of the R&D corporations to collect some general information on a range of factors including any cost benefit analyses that they had done, the directions that their funding was going in—for example, whether it was going to CSIRO, state governments or universities, et cetera—their collaboration with other R&D corporations, and a whole range of other general statistics which we have used essentially to help us in watching over the performance of the R&D corporations. We have also used it generally for other statistical purposes when we have needed them for speeches, media releases, and so forth. We have not tended to publish the results from those surveys but the information collected is essentially public so there is no problem in providing that if you would like a copy of the latest survey.

Senator FORSHAW—I was going to ask for more than the latest one, Mr Morris, but go on and we will come back to it.

Mr Morris—We can provide previous ones if that is what you were going to ask for.

Senator FORSHAW—Yes, please do.

Mr Morris—We are happy to provide those earlier ones as well. The latest one also includes data which relates back to the previous years so you will get a series of data and information from that latest survey. So that is the survey. The 10 to 1 figure actually came out of figures collected during that survey and it is an average of the cost-benefit analyses which had been done by the various R&D corporations. It is actually the lower end. We found in some years that the figure was as high as 39 to 1, from memory. Yes, it was as high as 39 to 1 and as low as 10 to 1 in 1995-96, so the 10 to 1 relates to that particular figure.

Senator FORSHAW—If you could, would you provide the latest survey and previous surveys, as well?

Mr Morris—Yes.

Senator FORSHAW—Who actually did the surveys?

Mr Morris—We just do it in-house. It is a probably more of a census than a survey because we send out the same questionnaire to each of the R&D corporations and just ask for the information I mentioned earlier. We can give you a copy of the latest questionnaire if you would like that.

Senator FORSHAW—Please do. And they have been done on every R&D corporation?

Mr Morris—I believe so, yes. We include the new private companies, as well, in the survey.

Senator FORSHAW—How often have they been done?

Mr Morris—Up until 1989-99 they were done annually. We have not done one for the latest year because we have been working with the R&D corporations to establish a uniform set of performance indicators and we will be looking for the R&D corporations to report against those performance indicators in the future. That information, in fact, will supersede what we were collecting in the survey.

Senator FORSHAW—One other issue relates to recent announcements by Mr Anderson that there should be some means of defining the term ‘national interest’ as it relates to competition policy. According to media reports, he called for some process to be developed to better describe and define the term ‘national interest’ and said that sometimes you have to balance lower prices for consumers against the impact on a particular group of people in the

community. Has any work been done or has the department been requested to do any work by Minister Truss, Minister Anderson or any other minister on this issue?

Mr Morris—I will ask Mr Ingham to answer that question.

Mr Ingham—National competition policy, as you would know, is the responsibility of Treasury, so AFFA do not have portfolio responsibility for overall national competition policy issues. We do have an involvement in national competition policy to the extent of ensuring that AFFA are complying with requirements under the competition policy agreements. In relation to this particular issue which I understand was raised by Minister Anderson, we have not done any specific work on that within AFFA. We have been doing some low-level research aimed at keeping us up to date on recent developments and monitoring media discussions so that we are in a position—

Senator FORSHAW—Monitoring media discussions?

Mr Ingham—Yes, media debates—to have the capacity to provide advice in the future, but that has not happened in the last three or four months.

Senator FORSHAW—When did you start to do what you called low-level work?

Mr Ingham—Probably in the past three or four months when national competition policy issues became a little more prominent in the media.

Senator FORSHAW—Who made the decision to undertake that work?

Mr Ingham—It was just based on the fact that we saw some press reports that these issues were being discussed and raised.

Senator FORSHAW—There wasn't any specific request from the minister?

Mr Ingham—No.

Senator FORSHAW—But you are well prepared if there is?

Mr Ingham—That is correct.

CHAIR—We should, on that note, break for dinner.

Senator O'BRIEN—Have we finished on this section?

Senator FORSHAW—Yes.

Senator O'BRIEN—That is all we have on innovation and operating environment.

Proceedings suspended from 6.33 p.m. to 7.31 p.m.

ACTING CHAIR (Senator McGauran)—Welcome. Dr Fisher needs no introduction, I think.

Senator FORSHAW—Firstly, what is the budget funding for ABARE for the coming year?

Dr Fisher—Are you asking about the appropriation funding or the total budget that ABARE expects to receive in 2001-02? Because, as you know, there are two components; there is the appropriation funding and then there is the sale of goods and services which comes from our external revenue sources.

Senator FORSHAW—Why don't you give me both.

Dr Fisher—I am expecting budget funding of \$9.073 million. I am expecting \$10.6 million from the sale of goods and services, giving me a total projected revenue for the business of \$19.673 million.

Senator FORSHAW—Okay, so that is for 2001-02. How does that compare with what was provided for the current financial year?

Dr Fisher—That is a projected fall of \$1.247 million dollars.

Senator FORSHAW—Can you confirm for me that, as a response to this cut in funding, ABARE has been forced to sublet part of its office area to the A-G's department?

Dr Fisher—I have sublet part of my office space to Attorney-General's. That is in response to ongoing commercial judgments that I make in terms of running ABARE from year to year and, on this occasion, it was prudent for me, given both my likely appropriation funding and my likely external revenue, to make those changes in my accommodation for 2001-02.

Senator FORSHAW—When did you do that?

Dr Fisher—The space was refitted in the last two weeks and is now available for the new tenant to take up.

Senator FORSHAW—When did you make the decision to sublet?

Dr Fisher—I made that decision several weeks ago in light of expectations that I had about falling revenue, particularly with respect to my external earnings. My business now has over 50 per cent of its revenue coming from external sources, and in the current financial year my revenue take has been down on expectations. That is a function, we think, of the slowing economy. There is a strong correlation between our external business revenue and the movements in the economy and, given our expectation of a slow first half of next financial year, I felt it was prudent to take this action now because, obviously, if you expect to see a fall in your revenue, it is too late to make those decisions at Christmas time. That is something that needs to be done in business before you get yourself into trouble.

Senator FORSHAW—Thank you. You said \$9.073 million and \$10.6 million. That is for the forthcoming year—I keep thinking we are into 2001-02 already. What were the corresponding figures for this year?

Dr Fisher—The appropriation for 2000-01 was \$10.37 million.

Senator FORSHAW—Would it be fair to say from those figures that the bulk of the reduction is coming from the reduction in the appropriation?

Dr Fisher—At this moment, I do not quite know where the bulk of the reduction will come from, but there is a reduction in the appropriation and therefore I have a strong incentive to attempt to make that up in external revenue.

Senator FORSHAW—Is any reason given for the reduced appropriation?

Dr Fisher—This is a result of changing priorities within the department.

Senator FORSHAW—Can you or Mr Wonder expand on that?

Mr Wonder—I am happy to add a few comments. In fact, Dr Fisher, as he mentioned yesterday, actually wears two hats. He is not only the Executive Director of ABARE but he is also AFFA's Chief Operating Officer, so he is in a position to talk from both sides of the fence, so to speak, and no doubt he will want to add some comments. I would only make brief comments. The first point is one that Dr Fisher has already made, that each year we are

required in terms of our business planning to look at priorities across the nine outputs that make up AFFA. As you could well imagine, there are always competing priorities and difficult decisions that need to be taken on where those scarce resources are allocated. As Dr Fisher has indicated, the conclusion of that process this year was a reduction in appropriation funding. As Dr Fisher has outlined, it is yet to be determined what the final funding for ABARE is because the bulk of it comes from external rather than appropriation sources. At least with the appropriation sources it is the case that that funding has fallen, as Dr Fisher has indicated.

There is one other point I would make, and I refer you to page 29 of the PBS. In the second block of numbers there under 'Departmental appropriations' you will see that, notwithstanding the situation in ABARE, from an overall departmental point of view we actually have a very significant increase in our appropriation, from \$173.8 million to \$216.8 million.

Senator FORSHAW—I was looking at that table a moment ago and I noticed that. You said the bulk of funding comes from external sources. It is over 50 per cent, but it is not the bulk of it.

Mr Wonder—Sorry, I meant to say majority.

Senator FORSHAW—What are the sources for the external funding?

Dr Fisher—We expect something of the order of 53 per cent of funding in 2001-02 to come from external sources. The Department of Industry, Science and Resources provides funds of the order of \$4.5 million under a service level agreement for economic services associated with the minerals and energy industry. In addition to that we have major contracts with the Dairy Research and Development Corporation, the Fisheries Resources Research Fund, the Grains R&D Corp. and Meat and Livestock Australia, as well as many small contracts with a large range of other research agencies, departments, state governments, et cetera.

Senator FORSHAW—Is it correct that they make up the other \$6-odd million?

Dr Fisher—Yes.

Senator FORSHAW—Do you have any plans, other than those you have already implemented, to make savings or to increase revenue from external sources?

Dr Fisher—Yes. We have an ongoing business improvement process, so we are continually looking at our costs. We are looking through our marketing program to improve the services we provide at conferences such as Outlook. Obviously, that means a combination of improving the services and therefore increasing the number of delegates, and cutting our costs for running those sorts of conferences. In addition to that, a large proportion of our revenue comes from publication sales, and we are looking to increase sales next year as compared with the outcome for this financial year.

Senator FORSHAW—What about the impact on the amount of work that ABARE does? What impact would this reduction have? Will it have an impact upon staff, for instance, or upon the work that would normally be expected to be done?

Dr Fisher—I anticipate that unless I find significant new contracts next financial year I will be reducing the staff in ABARE by of the order of 15 people.

Senator FORSHAW—What is the total staffing at the moment? I know I can find these figures and you have no doubt provided them previously.

Dr Fisher—My total staff at the moment is about 180—counting my field staff and my economic researchers—so I would be looking at something of the order of 160 or 165 for 2001-02.

Senator FORSHAW—Have you identified any areas where that reduction might take place?

Dr Fisher—We are now going through a process of identifying the key priority areas that we will continue to work on in ABARE. This process is not finished because it is also dependent on what outside contracts we can secure for next financial year, but we would expect to continue our high priority work on issues in trade liberalisation, climate change and natural resource management, and we would be likely to reduce our effort in some of the more traditional agricultural industry areas in which we have undertaken work in the past.

Senator FORSHAW—When do you expect to have a more complete picture of what new contracts might be achieved and what the staffing position will be?

Dr Fisher—That is an ongoing process. We adjust the research program in ABARE throughout the year, but I would expect to be settling these arrangements, at least for the first quarter of next financial year, in the next, say, six weeks.

Senator FORSHAW—That is not far away, is it? Do you engage consultants at all?

Dr Fisher—Yes, I do contract some of my work out, mostly in software development that we are not expert in. For example, we sell a modelling product called ANSWER around the world to assist people to do energy modelling. We have developed an interface that makes that process more user-friendly. Much of that work was contracted out to external software development experts because it is not cost-effective for us to maintain those types of resources in-house. That is the principle type of contracting out that we do. Other contracting out that we do, other than the provision of management type services, is to bring in specialist research services—on rare occasions, but if we have a project part of which would be more effectively subcontracted then we do that.

Senator FORSHAW—I turn now to some specific areas. Can you update us on the level of lamb exports to the United States and to what extent that export effort could be increased, having regard to the WTO decision? I am advised that we are flat out keeping up with the current level of demand—and, of course, we have a very low dollar at the moment. Could you give us your researched views on this?

Dr Fisher—Just to put these numbers into perspective, it might be useful to compare our exports so far to the United States, for July to April 2000 and July to April 2001. The July to April 2000 numbers were around 17,000 tonnes and the July to April number this year is 22,000 tonnes.

Senator FORSHAW—What was the first figure?

Dr Fisher—It was 17,000 tonnes.

Senator FORSHAW—That is for 1999-2000.

Dr Fisher—That is July 1999 to April 2000 and then July 2000 to April 2001.

Senator FORSHAW—The second figure was?

Dr Fisher—The first number was 17,000 and the second number was 22,000, and then total Australia the number is 78,000 growing to 94,000. So we have seen, both in lamb exports and meat exports more generally, substantial growth in those numbers over the last 12

months, principally, we believe, driven by the exchange rate. So there are some issues there now about the longer-term capacity to sustain the types of growth we are seeing in both the sheepmeats industry and the beef industry. The response to the low value of the Australian dollar has been quite spectacular over the last 12 months.

Senator FORSHAW—What about the WTO decision, which clearly is favourable to our position? How do you think we will go? Can we increase the demand and can we supply it?

Dr Fisher—I never cease to be amazed by the responsiveness of the Australian broadacre industries. There is now a very strong price incentive going back to these industries. Farm incomes are up in most of those industries and we have seen quite strong prices across the livestock sector for some time. The real question for us in the next 12 months will be what happens to seasonal conditions. The price incentive is there; the question is what will happen to seasonal conditions. I know that a lot of farmers in eastern Australia have a weather eye, so to speak, on the SOI.

Senator FORSHAW—What about specific strategies in the near future or short to medium term to further take advantage of those factors? Does ABARE have any views on that or have you done any work that industry should take note of?

Dr Fisher—We are convinced that the market is the best mechanism to determine these things. We have seen over many years that Australian farmers respond quite substantially to price incentives in Australian broadacre agriculture. As I have said, the price incentives are there. The real question is whether the luck holds with the weather.

Senator FORSHAW—What about some other industries? It is not long since your Outlook Conference. The committee has received the latest Outlook publications, but could you quickly give us a report on the situation in, say, the beef and wool industries? Those two industries apparently are expecting one of the best seasons ever. Is that how you see it?

Dr Fisher—If I could alert you to the fact that our next outlook will be released on the third Tuesday of June in the June issue of *Australian Commodities*. We are currently preparing that material, but perhaps I could give you a very brief update on where we see things having gone since the Outlook Conference.

At the Outlook Conference, we were, as people still are, relatively uncertain about where the US economy was up to. Since the Outlook Conference, about half a percentage point has come off likely world growth in the next 12 months. Therefore, some edge has come off demand for our commodities, but at the same time at Outlook we were assuming the Australian dollar to be slightly stronger than it has turned out to be. At the same time as we have seen some fall in demand for our commodities overseas in terms of being driven by economic growth, we have also seen the dollar stay low.

Senator FORSHAW—Or go even lower.

Dr Fisher—Or go even lower, in fact, than we were seeing it at Outlook. As a consequence of that, we have seen very strong prices in the livestock industries and we have seen firm prices in grains. There has been some slowdown in world feedgrain markets, but once you denominate those prices into Australian dollars, they have been holding up quite substantially. That is underlying our optimism with respect to farm incomes, for both this year and next year, subject as I said before, to the weather holding up. It is worth bearing in mind that some of our marketing groups have various hedges in place to which we are not privy, so one has to be a bit careful about assuming that the low value of the dollar is 100 per cent transformed into incomes in farmers' hands.

Senator FORSHAW—You have talked about wool and beef and we have discussed lamb. What about pig meat and chicken? Do you see the trend of buoyant or good prices continuing in all these industries?

Dr Fisher—We would see reasonably firm prices in chicken and pig meat, and some increases in exports, but again from a low base. Of course, those exports, and particularly in the case of pig meat, are driven to some extent by the unfortunate recent circumstances in Europe.

Senator FORSHAW—In your outlook, are you assuming—to use the word you used earlier—that the dollar will remain at about the level it is now, that is, that the low dollar is pretty well locked in for a while?

Dr Fisher—I used the word ‘assuming’ very deliberately because it is not my business to make exchange rate forecasts.

Senator FORSHAW—I was being careful not to ask you that question. I asked you about your assumptions about the exchange rates.

Dr Fisher—I always make it very clear to everybody who asks, and even to people who do not ask, that I do not make exchange rate forecasts; I make assumptions. We have been assuming that there would be a moderate appreciation of the Australian dollar over the medium term, but that it would not return to anything like the 80c we saw three or four years ago. At this stage, at least in the last several months, we have been optimistic with respect to our assumptions on the upside—well, I guess it depends on whether you are an exporter or an importer—but we have assumed that the Australian dollar is going to be a bit stronger than it has turned out to be. You can therefore assume that, when we update our estimates of the value of commodity export earnings for 2000-01 in respect of the June Australian commodities, those numbers will be higher.

Senator FORSHAW—Can we quickly turn to costs as there is an impact there as well? What does ABARE feel will happen with farm costs? What will be the key pressures?

Dr Fisher—We are expecting farm costs to rise in the next financial year by about three per cent and that compares to a rise of about 3.5 per cent this financial year. Compared to this financial year, we have forecast lower oil prices and interest rates. Interest rates are a substantial component of that cost figure. However, because of the lower value of the dollar, we expect to see higher prices for imports such as fertiliser and machinery offsetting those cost drivers. But, on balance, we would expect costs to be rising slightly less in the coming financial year than they did last financial year.

Senator FORSHAW—You will provide us, I am sure, with a copy of the report when it comes out in June.

Dr Fisher—Even in my straitened financial circumstances, I imagine I will be able to afford to give you a copy.

Senator FORSHAW—That is the same as taking it on notice. It would be helpful to have one copy for the committee and one for the rest of us. I would like to talk about wheat prices. There was a recent report that there were continuing problems with the US crop. I would like you to comment on what the situation is there. How influential are US wheat exporters on wheat prices received by Australian growers?

Dr Fisher—When you look at our numbers, we always denominate world prices in US dollar prices and we always quote a US dollar amount and a US wheat type for the world

indicator price. Effectively, that is saying that we believe that US prices and US exports and US production are very influential on prices. Basically, when people are talking wheat, they always talk US prices, and typically they talk in US cents per bushel. That is an indicator that the US is quite important in that market. However, the amount of wheat moving in international trade is small compared with total wheat production in the world. You might have a situation in China, for example, where wheat production is down and therefore there is a substantial change in their imports. There can be quite a substantial impact on world wheat prices from, say, a weather event in China.

Senator FORSHAW—Do you have any idea how long the current problems in the US are likely to continue for?

Dr Fisher—As I said a moment ago, we believe that prices will be higher for this coming crop. I guess they are potentially \$35 higher than they were a couple of years ago, which is money in the bank, basically. So again for Australian growers, with this lower exchange rate and good weather, incomes are looking pretty good compared with five or six years ago.

Senator FORSHAW—Thank you. I want to go to some questions on prices for dairy farmers, but can I just refer to an article that I read recently in the *Land* newspaper, which said that the ABARE herd stats were seriously flawed. That was on 17 May 2001. Did you see that article?

Dr Fisher—Yes, we are aware of that piece.

Senator FORSHAW—Then I do not need to quote from it what the industry analysts said, other than that they branded your statistics as being wildly inaccurate. I will give you this opportunity to respond to that criticism.

Dr Fisher—We discuss these things directly with the industry, so I would not wish to take an opportunity here to have a discussion that I would not have with the industry itself. That article was a comment on some work we did on herd demographics as part of our farm survey work, and there is some dispute about whether our numbers are right or whether somebody else's gut judgment about what we are measuring is right.

All I can say is that we have a firmly based and statistically valid sample. We collect these numbers from actual farmers who give of their time freely to us and we greatly appreciate that. But obviously, at the same time, those numbers are in fact derived from a survey, so there are going to be sampling errors associated with that. Clearly by definition, we cannot do as well as we could, for example, if we went out and did a census. It is costing us a lot less to do that survey than it would if we were doing a census.

As with all of our survey numbers, there is always debate. This is not the first time and it certainly will not be the last. But I think the great value in this sort of discussion is not so much people having a go at me in the *Land* newspaper but the fact that we can have a sensible discussion with the industry based on what we think is good information. Some components of the industry think they have other information. Once we have gone through that discussion, then my analysts are in a far better position to make a better judgment about the future.

Senator FORSHAW—This is our opportunity to have a discussion with you, Dr Fisher, but I know we do get other opportunities and we are grateful for that. This survey was commissioned by Meat and Livestock Australia?

Dr Fisher—That is correct. This is part of our farm survey program. Half of that program is funded from appropriation dollars; the other half is funded by the industry.

Senator FORSHAW—Thank you. At the last hearing, you told us that the issue of price being received by dairy farmers was still being resolved, that there had been ongoing negotiations between farmers, cooperatives and marketers and that the next opportunity for ABARE to collect comprehensive data would be in the middle of this year. Has that process of collecting the data commenced?

Dr Fisher—Yes. My officers are currently in the field as part of our Australian dairy industry survey. Depending on where they are, they may not be collecting right at this moment, but they are in the field. We will be processing that information after the officers return. My guess is that we will have preliminary estimates from that material in about October.

Senator FORSHAW—October? Well, you have answered my next question. When would you have a report available to be released for publication?

Dr Fisher—Normally, we would release those numbers for all of our surveys at Outlook 2002. That is our normal process. On occasions, we do release preliminary numbers earlier than that, depending on whether there is a demand for them.

Senator FORSHAW—I can envisage that there is an ongoing demand for this sort of information. Can I say—and I do not want to take too much time—that from discussions I and other colleagues have had recently as we have been out and about talking to farmers, processors and others, that there is a whole range of different arrangements out there. That somewhat complicates the issue as well. But what I am getting to is that it is information that people are interested in having as soon as possible. We can come back to that at a later date. The government has announced this additional package. Did ABARE make some contribution in terms of work done to develop that package?

Dr Fisher—It is not ABARE's job to develop packages. However, it is our job to provide information, for example, on regional impacts on farm incomes, et cetera. We do that as a matter of course. That material is supplied to the relevant area of the department.

Senator FORSHAW—So there was a request to ABARE to provide that detail?

Dr Fisher—Yes. There has been an increased demand for our services in that respect over the past 12 months but those numbers are nothing new or different from the ones which we would provide any person who made a request.

Senator FORSHAW—Are you saying that there was no special work requested which was put into the process of developing the package; it was rather the ongoing work that you have done and been requested to do since dairy deregulation occurred.

Dr Fisher—Yes I would classify it as standard ongoing briefing work that we regularly provide the department, and we would of course provide on any industry not just the dairy industry.

Senator FORSHAW—How many farmers have exited the industry on a state by state basis?

Dr Fisher—No, we would not have that information. I think I would have to source that kind of information from the Bureau of Statistics.

Senator FORSHAW—Could that be taken on notice?

Mr Wonder—We could take that on notice and seek that information from the Bureau of Statistics from the relevant area of AFFA, if you would like.

Senator FORSHAW—Yes, if you would not mind.

Mr Wonder—I am not sure what they have available, mind you, but we are happy to answer the question.

Senator FORSHAW—I envisage that other bodies might have some information too, like the dairy industry authority.

Mr Wonder—Yes I understand.

Senator FORSHAW—We would like to get some accurate figures if possible. I was going to ask you about the profile of the farmers who have left the industry but I presume the answer would be that you would not be able to give me that.

Dr Fisher—No, I would not be able to give you accurate statistical information about that. The only way to get that kind of information would be to do a survey of those who had exited, but we do not have such information.

Senator FORSHAW—Thank you, I think that is all I have for ABARE.

Senator O'BRIEN—I have a couple of questions following up on the questions that Senator Forshaw was asking earlier. At the beginning of your evidence to the committee, Dr Fisher, you said that your government funding has been reduced by about \$1.2 million for the coming financial year. Did I hear that correctly?

Dr Fisher—Correct.

Senator O'BRIEN—Remind me of the community your services are directed towards.

Dr Fisher—My role, as I see it, is to work on anything in agriculture, fisheries, forestry, minerals and energy that might impact on the competitiveness of Australia and those producers in it. Of course that is a broad gamut of things, including all international issues that have an impact on our producers, all domestic policy issues, some minor work on macro-economic issues that have an impact clearly through our forecasts and of course all of those environmental and natural resource concerns that now also have an impact on production and obviously on the environment.

Senator O'BRIEN—So you have had a reduction of about 12 per cent in your government funding and your work is directed essentially towards assisting rural and regional Australia's enterprises.

Dr Fisher—I would not use the word 'assisting'—not in the normal way that assistance is used.

Senator O'BRIEN—You are providing information to assist them to manage their businesses.

Dr Fisher—Yes. My job is to provide those information services that help to make those decisions. Not only that, also to help governments make better policy decisions.

Senator O'BRIEN—Of course, for rural and regional Australia.

Dr Fisher—Correct.

Senator O'BRIEN—That is point No. 1 in terms of the evidence that you have given. With respect to point No. 2, you have predicted a fall in your external income, and that is based on your prediction of an economic downturn in the next 12 months. Is that in the general economy or in particular sectors of the economy?

Dr Fisher—A slowdown in economic activity.

Senator O'BRIEN—Generally?

Dr Fisher—General economic activity. When you look at the demand for our services, let us take as a classic example demand for the outlook conference. A growing number of people from the financial input sector come to the outlook conference. They are providing banking services, stockbroking services—all those types of services. We sell conference services and publications to those types of businesses. Obviously, when the hype has gone out of the technology sector, for example, in stockbroking, then there are a few less stockbrokers, there are a few less people demanding Australian commodities. Therefore, there is a fall in demand for my services, and that is reflected very directly in my bottom line.

Senator O'BRIEN—What proportion of your work force, your establishment numbers, will not be employed next year?

Dr Fisher—I hope to see all of my people employed next year but some of them will not be employed with me.

Senator O'BRIEN—Perhaps I need to rephrase the question: how many will not be employed by ABARE?

Dr Fisher—As I mentioned previously to Senator Forshaw, of the order of 15 people.

Senator O'BRIEN—Out of how many?

Dr Fisher—Out of about 180. If I can put on my chief operating officer's hat for the department, as Mr Wonder noted previously, on page 29 of the PBS there is an increase in the total money available to the department. As a consequence of that, I would expect to place any officers for whom I cannot find gainful employment—subject, of course, to my external revenue earnings in 2001-02—elsewhere in the department.

Senator O'BRIEN—Which services would you have to reduce with a reduced work force? Presumably, you will have less external work; that is what you are predicting. What about the services to government?

Dr Fisher—My expectation is that I will be providing less of the traditional agricultural industry briefing to government.

Senator O'BRIEN—What about work such as the work that you have done on the dairy industry which has been almost at the request of government in crises? How will this reduction in funding affect that sort of work in the future?

Dr Fisher—My priorities are determined by the policy relevance of the issue of the day. If there was an issue, for example, like dairy restructuring, I have no doubt that I would find the money, move the priorities and do the work. Basically, that is the way ABARE has always operated. Effectively, we try to anticipate the most important policy issues for rural and regional Australia and direct our scarce resources—and everybody's resources are scarce—to the highest priority areas. If there is an issue like that coming up, I would expect to be there on the day with the analysis.

Senator O'BRIEN—How do your comments on the international competitiveness of some agricultural industries vis-à-vis the low Australian dollar tailor with your predictions of a general economic slowdown?

Dr Fisher—As I said before, up to this point, we have seen the value of the Australian dollar staying lower than most people had anticipated. You hear talk among economists and

general commentators of the fair value of the dollar—something between US60c and US65c. But we have got a dollar of about US52c or US53c.

Senator O'BRIEN—US51.68c.

Dr Fisher—And we have been down to US48c. So, effectively, despite the fact that we foresee a slowdown in the world economy—we are already experiencing that—we still see very strong demand for most of our exports as a consequence of the low value of the dollar. We have become extremely competitive against most of our export competitors. Whilst ever the dollar stays at this level, I would anticipate that demand to be maintained.

Senator O'BRIEN—So there is no contradiction in the position that the economy can have a slowdown and certain agricultural sectors can have boom conditions while the dollar remains low?

Dr Fisher—Yes, there is none; I do not see any contradiction there at all. In most of our major broadacre industries, if you just look at physical production, a vast proportion of that is exported under those export markets. It is only in cases where there are hedges in place that may potentially have locked in higher values of the dollar that we would not see the low value of the dollar being translated into money in farmers' pockets.

Senator O'BRIEN—That is all I have got, Mr Acting Chair.

[8.22 p.m.]

Bureau of Rural Sciences

Senator FORSHAW—Could you give me details of the funding allocation for BRS for the current year and next year?

Dr O'Brien—Funding from government for the current financial year is \$9.38 million, and revenue from the sale of goods and services is \$10.2 million. For the next financial year, funding from government is \$8.254 million, and our estimate of revenue from the sale of goods and services is \$12 million.

Senator FORSHAW—You are very confident that you are going to cover the reduction in government funding by an increase in external sources.

Dr O'Brien—Confident might be too strong. But the estimates are based on work we anticipate, particularly in the context of salinity risk mapping for the national action plan, and a range of other contracts that we anticipate from other departments.

Senator FORSHAW—Has there been a reduction in the level of external work for the bureau this year as a result of the downturn in the economy?

Dr O'Brien—We have not seen that downturn, primarily because we have been very much involved in new work in salinity risk mapping and in providing some services to other departments, such as transport and regional.

Senator FORSHAW—Are you looking to make some savings in light of the reduced funding from government, or are you expecting to make it up through external sources?

Dr O'Brien—BRS has an establishment of approximately 156 full-time equivalent staff, and some 35 per cent of those staff are non-ongoing. Because we are a science based organisation we are moving scientists in and out of the organisation on a range of shorter-term appointments as priorities change and the need for expertise changes. I would expect that,

with changing distribution in our work, some people will be leaving us as contracts expire, but we will be recruiting in areas where work is required to support department activities.

Senator FORSHAW—You said a moment ago that you have scientific staff coming on board as required. Where do you recruit them from? Do you recruit them from other areas of the department?

Dr O'Brien—No. They are primarily drawn from science provider agencies—CSIRO, state agencies, universities and CRCs.

Senator FORSHAW—Do they come in on a fixed contract?

Dr O'Brien—Typically, yes. Some 35 per cent of our staff are employed on that basis.

Senator FORSHAW—What is the average length of one of these contracts?

Dr O'Brien—It is quite variable, from very short-term appointments that might be three months up to years. It really depends on the nature of the project and the funding that we have been able to secure for it.

Senator FORSHAW—To go back to my earlier question, do you envisage that you will be engaging fewer persons under those sorts of arrangements over the coming year to meet the reduction in funding?

Dr O'Brien—In terms of our overall budget, that level will be slightly higher than this financial year. We will probably have a slightly higher establishment to meet those work requirements.

Senator FORSHAW—Were you present when we discussed the action plan for Australian agriculture 'One year on' report, which I referred to earlier?

Dr O'Brien—Yes, I heard that discussion.

Senator FORSHAW—According to that report, the BRS has been undertaking regional analysis of a number of sustainable natural resource management and robust rural communities tracking measures. Can you give us a report on how that work has progressed and what results have been shown and how the information has been used?

Dr O'Brien—BRS has undertaken and planned several projects that are relevant to the development and monitoring of regional tracking measures. That work includes the publication *Country matters: social atlas of rural and regional Australia*, the report titled 'Servicing Regional Australia' that we recently conducted under contract to DTRS, and some other projects that involved the development and mapping of natural resource management and social and economic sustainability indicators.

We have just received funding from RIRDC, the Rural Industries Research and Development Corporation, to produce another issue of *Country Matters*, the rural social atlas. That issue will focus on profiling rural populations, industries and communities and will also develop benchmarks for viable rural communities. There is a range of activity going on in BRS. We are involved with the ABS in looking at measures of social capital. We are involved with other agencies in the development of headline sustainability indicators. I think there is a range of activities that are relevant to that monitoring and tracking.

Senator FORSHAW—When did you start doing this work?

Dr O'Brien—The social atlas was started, I think, about two years ago and published last year.

Senator FORSHAW—You mentioned a number of different projects.

Dr O'Brien—Could I take the commencement date of those different activities on notice?

Senator FORSHAW—Yes. It would be useful if you provided us with a list of the activities, when they commenced, and an indication of where they are at the moment. In relation to the RCP review, what is the relationship personally between the department and the bureau?

Mr Wonder—Perhaps I could have the first go at that and Dr O'Brien may wish to add something. Essentially, as you can see in our portfolio budget statement, we outlined our structure, initially, on page 12. It does not go into the detail but, subsequently, we have a list in the document of our outcomes and outputs. On page 23, there is some outputs information. You can see there are nine outputs, one of which is scientific advice. In the way our information is presented here, BRS is basically responsible for the provision of that scientific advice to AFFA and, indeed, to a number of other Commonwealth and, on some occasions, state departments, as well as to a number of external, outside government agencies of one kind or another that BRS has been contracted to provide advice for. That is basically the split up between their appropriation and their external funding.

The other key feature of the way this document is put together is that BRS is also undertaking a significant amount of its work under the heading of other outputs in that list. There is a distinction between scientific advice, which they are more or less wholly responsible for, and some of their other work which is actually conducted under the headings of the other outputs on page 23.

Senator FORSHAW—With the Rural Communities Program, there is a statement which says that projects can fall under different program components or elements as follows—this is from a document, an evaluation of the RCP. It refers to community planning information, provision of information services technology, community development and financial counselling, and then it says, 'projects of national significance.' Then, in the evaluation of the RCP it states:

The evaluation did not cover projects in the last category.

Can you tell me why that did not occur?

Dr O'Brien—I will have to take that on notice. I presume that that is because of the terms of reference for the review. But I will take that on notice.

Senator FORSHAW—The findings of the report will be the subject of a public consultative process that was scheduled to run about two months. Submissions had to be in to the department by 20 February. Can you tell us where the review process got to?

Mr Wonder—What was the last part of your question?

Senator FORSHAW—Submissions had to be in to the department by 20 February. I am wanting to know what has happened.

Mr Wonder—I am hesitant because Dr O'Brien and the BRS are able to answer questions regarding the actual evaluation they undertook. But in terms of how that evaluation fitted into the process and the other parts of that process, which is what I think you are going to now, the officers for that were answering your questions yesterday, you will recall, in the AAA part of the proceedings and I do not have the back up to provide any detail now. I will have to take those questions on notice.

Senator FORSHAW—Okay. According to this evaluation, the financial counselling component of the Rural Communities Program does not fit well with the rest of the program. This is stated to be because of the nature of the advice provided and its importance to clients, the need for prescribed qualifications, performance standards and performance monitoring for staff, the need for professional management of financial counselling services, and the unreasonable risks incurred by voluntarily committees who manage services under the current RCP model. Are you familiar with what I am referring to?

Dr O'Brien—I understand that that is the rationale for that recommendation 2 in the review.

Senator FORSHAW—Your report also found that it was not clear whether these financial counselling services are a form of welfare or play mainly a capacity building role. You say that this has implications for where these services are placed geographically and administratively. Can you expand on that last point particularly and the reasoning you have given for this recommendation?

Dr O'Brien—I do not have the information beyond the rationale for the recommendation that you have, but I can take that on notice if there is further elaboration.

Senator FORSHAW—Are they the same client bases or different client bases? Do you know?

Dr O'Brien—I am not in a position to answer. I do not know.

Senator FORSHAW—Will you take that on notice?

Dr O'Brien—Yes.

Senator FORSHAW—You also refer to the fact that the different approaches might mean that services could be supplied to deal with periods of particular difficulty as against continuing services. You conclude that the service should concentrate on agricultural and social adjustment rather than welfare. Would you like to expand upon that conclusion?

Dr O'Brien—Could I also take that on notice?

Senator FORSHAW—Okay. In your response, you might comment on how you would see welfare needs being met in the bush in the light of your recommendation that the service should concentrate on agriculture and social adjustment rather than welfare.

Dr O'Brien—Will do.

Senator FORSHAW—On that note, I think we have reached the end.

Mr Wonder—Could I just come back to one issue. It concerns the ABARE component of the program. I was just a little concerned about this—perhaps incorrectly, but it is always better to be safe rather than sorry after. It concerns the discussion you were having earlier, Senator Forshaw, with Dr Fisher about economic conditions generally in the economy and where they fitted with agriculture. Senator O'Brien, I think you came back to the issue later in that particular part of the session. I was just a little concerned—and I should have spoken up at the time, but I did not—that no distinction was being made, at least on our side—and I am not sure whether it was on your side—between world economic growth and Australian economic growth. I am not sure which one you were actually referring to, but I did want to flag that, like you, I have a copy of *Australian Commodities* that Dr Fisher has also made available to me. I refer you to table 2 where the key macro-economic assumptions for Australia are outlined. Economic growth in Australia is referred to and the assumption is that

it will be 3.5 per cent for both 2000-01 and 2001-02. It may well be that ABARE has some further information to provide on that matter in their next publication. However, I did feel that it was important to clarify that those were the assumptions for Australian economic growth, because I was a little worried that there was no distinction being made between world growth and Australian growth.

Senator FORSHAW—Could you please identify the page number that you are referring to.

Mr Wonder—I am referring to page 14 of *Australian Commodities*, March quarter 2001.

Senator O'BRIEN—I understood the growth was Australian, given that it was being factored into ABARE's external income. That is the evidence that we have.

Mr Wonder—I am providing some additional evidence, and that is why I asked to have it put on the record prior to the hearing being closed.

Senator FORSHAW—I understood that when Dr Fisher referred to economic growth he was talking about Australia. I assumed that when he did not say that he was talking about the US or internationally. He was talking about what he expected in the coming year in terms of external sources of funding.

Dr Fisher—Madam Chair, I apologise for being so unclear. For the record, I will make sure that we all understand what I was talking about. My comments about economic growth in the beginning were couched in terms of questions with respect to what was happening to commodity demand for Australia. My reference to something of the order of an adjustment downwards by half a percentage point was about world economic growth in calendar year 2001. That is in reference to table 1 on page 6 of the March issue of *Australian Commodities*. Without making a forecast at this stage, because those numbers will be released in the June issue of *Australian Commodities*, what I was saying was that my current assessment is that the world has slowed more than we expected at Outlook 2002 and, as a consequence of that, we are likely—but I am not making a forecast yet—to adjust those numbers down when we release them in the June AC.

Then I went on to talk about the fact that on the one hand we had a reduction in demand for commodities but on the other hand we had a lower value of the Australian dollar and, on balance, we were about the same or potentially slightly better off in terms of the value of Australian commodity exports. With respect to the demand for our commodities, the Australian economy virtually makes no impact because, as I said previously, the vast majority of those things are exported. Therefore, assumptions about the Australian economy are not very interesting to us in terms of the demand for our total exports. They are, of course, of more interest to me in terms of the services that we attempt to sell into the Australian economy. Of course, because we also export services to overseas demanders for consulting services, I am very pleased with the current value of the Australian dollar.

Senator FORSHAW—I understood that. I thought you used the example of the technology sector and your own Outlook Conference. I thought you were clear.

Mr Wonder—I hope I have not unnecessarily delayed proceedings. I am just concerned that there may have been some confusion.

CHAIR—Dr Fisher, you might want to have a look at the *Hansard* proof of your evidence, because I think you said Outlook 2002 when I suspect you meant Outlook 2001 in relation to the conference past held. You might just like to have a look at it in the *Hansard*.

Dr Fisher—Thank you, Madam Chair.

CHAIR—I thank you, Mr Wonder, and all your team for being here for two days. We have appreciated the way in which you tried to answer our questions and for those questions you have taken on notice. That completes the estimates for the Department of Agriculture, Forestry and Fisheries.

Proceedings suspended from 8.45 p.m. to 9.00 p.m.

TRANSPORT AND REGIONAL SERVICES PORTFOLIO**In Attendance**

Senator Ian Macdonald, Minister for Regional Services, Territories and Local Government

Transport and Regional Services**Executive & Corporate Management**

Mr Ken Matthews, Secretary

Mr Peter Yuile, Deputy Secretary

Ms Rosanne Kava, General Manager, Business Services and Strategies

Mr Jeremy Chandler, Chief Finance Officer

Ms Faye Powell, General Manager, Information Services

Air Transport – including Civil Aviation Safety Authority & Airservices Australia**Civil Aviation Safety Authority**

Mr Mick Toller, Director of Aviation Safety

Mr Bruce Gemmill, Deputy Director of Aviation Safety

Mr Terry Farquharson, Acting Assistant Director, Aviation Safety Compliance

Mr Richard Yates, Assistant Director, Aviation Safety Standards

Mr Mike Smith, Assistant Director, Aviation Safety Promotion

Mr Peter Ilyk, General Counsel, Office of Legal Counsel

Mr Rob Collins, Executive Manager, Regulatory Services

Mr Ray Comer, Executive Manager, Corporate Services

Mr Rob Elder, Executive Manager, Government, Industry and International Relations

Ms Karen Nagle, Executive Manager, Risk

Ms Sue-Ellen Bickford, Executive Manager, Strategy and Development Unit

Mr John Leaversuch, General Manager, Airline Operations

Mr Peter Boys, Manager, Investigations and Enforcement

Mr Tony Rothwell, Manager, Airways and Self-Administration

Aviation Division

Ms Robyn Beetham, Acting First Assistant Secretary

Mr Jim Wolfe, Assistant Secretary, Aviation Security

Mr Jim Manning, Acting Assistant Secretary, Aviation Industry

Mr Rick Wade, Director, Aviation Trade and Operations

Mr Mike Frazer, Director, Aviation Safety and Regulatory Policy

Mr Iain Lumsden, Director, Aviation Reform Group

Mr Ross Gough, Director, ASEAN, Europe

Mr Andrew Parle, Director, Africa, the Middle East, America, Pacific and Indian Oceans

Mr Chris Stamford, Director, North Asia, Multilateral and Regulatory Reform

Airports Division

Mr Martin Dolan, First Assistant Secretary, Airports Division

Mr John Elliott, Assistant Secretary, Planning Branch

Mr John McLucas, Assistant Secretary, Operations & Infrastructure

Airservices Australia

Mr Bernie Smith, Chief Executive Officer

Mr Andrew Fleming, General Manager, Air Traffic Management
Mr Daryl Cathro, General Manager, Airport Services
Mr Brian Predergast, General Manager, Infrastructure Support Services
Mr Tom Grant, General Manager, Organisation Development and Company Secretary
Mr Hisham El-Ansary, Chief Finance Officer and General Manager, Corporate Services

Australian Transport Safety Bureau

Mr Kym Bills, Executive Director
Mr Alan Stray, Acting Director, Safety Investigations
Mr Adrian Beresford Wylie, Director, Safety Programs and Support

Integrated and Cross Modal Transport and Infrastructure

Dr Greg Feeney, First Assistant Secretary
Ms Joanne Blackburn, Assistant Secretary
Ms Sue Elderton, Assistant Secretary
Ms Sarah Brasch, Assistant Secretary
Mr Winton Brocklebank, Team Leader

Maritime Transport – including Australian Maritime Safety Authority

Dr Greg Feeney, First Assistant Secretary
Ms Joanne Blackburn, Senior Executive Team
Ms Sue Elderton, Senior Executive Team
Ms Sarah Brasch, Senior Executive Team
Mr Winton Brocklebank, Team Leader

Australian Maritime Safety Authority

Mr Clive Davidson, Chief Executive Officer
Mr Brian Munro, General Manager, Corporate Support

Road and Rail Transport

Mr Bill Ellis, First Assistant Secretary, Land Transport Division
Mr Robert Hogan, Assistant Secretary, Land Policy Branch
Ms Trudi Meakins, Assistant Secretary, Roads Investment
Mr Daniel Owen, Assistant Secretary, Rail Industry Branch
Mr Peter Robertson, Assistant Secretary, Vehicle Safety Standards Branch
Dr Judy Winternitz, Assistant Secretary, High Speed Train

Regional Services, Development and Local Government

Ms Sema Varova, First Assistant Secretary, Regional Services, Development and Local Government Division
Ms Linda Addison, Acting Assistant Secretary, Regional Development Branch
Ms Linda Holub, Acting Assistant Secretary, Regional Services & Local Government Branch
Mr Nick Bogiatzis, Assistant Secretary, Regional Communities Branch
Ms Jane Harriss, Director, Communications Branch

Territories and Regional Support

Mr Mike Mrdak, Acting First Assistant Secretary, Territories and Regional Support Division
Dr Andy Turner, Assistant Secretary, Non Self-Governing Territories Branch

Ms Dianne Gayler, Assistant Secretary, Regional Support and Self-Governing Territories Branch

CHAIR—I welcome Senator Ian Macdonald, Minister for Regional Services, Territories and Local Government, representing the Minister for Transport and Regional Services. Senator Macdonald is accompanied by Mr Ken Matthews, Secretary, and officers of the Department of Transport and Regional Services and related agencies. Minister, do you or Mr Matthews wish to make an opening statement?

Senator Ian Macdonald—Apart from thanking you for your warm welcome, I do not have anything to say.

Mr Matthews—No.

CHAIR—Right, we will proceed.

Senator O'BRIEN—In February, Mr Matthews, you told us the vacant deputy secretary's position had been advertised. Can you tell me whether that position has now been filled or, if not, where the position is up to?

Mr Matthews—Yes, I think I was typically optimistic in the time frame that I forecast at that time about how long it would take to fill the deputy position, but it now has been filled. I announced just this week that a division head presently in the Department of Health and Aged Care has been promoted and will be starting on 12 June.

Senator O'BRIEN—I hear that Mr Hickey, formerly of AQIS, has been involved in the selection process. He is a pretty good officer. You might have wished to have recruited him. What about Ms Carol Boughton's replacement? What is happening there?

Mr Matthews—We have made a selection. The person has been resident in New Zealand and so has taken some time to join us but we expect that very early next month that person will take up the position. So that one is about to be filled as well.

Senator O'BRIEN—Can we have a name?

Mr Matthews—The name is Robbie Graham, presently working with the New Zealand Civil Aviation Authority.

Senator O'BRIEN—There has also been a review undertaken by Mr Dolan into how the department should reorganise its procedures to ensure that the problems with the Land Transport Development Fund do not occur again. While the LTDF was the catalyst, there were broader recommendations that flowed from that process, were there not?

Mr Matthews—Yes, there have actually been two reviews, but the particular one that you talk about was a root and branch review that I commissioned of all the roads programs administered by the department. It was conducted by Mr Dolan and Ms Meakins; Ms Meakins is the incoming assistant secretary for roads. Yes, it does look both at specific things to do with the ALTD and at broader things to do with the administration of the roads programs beyond that—it throws up all sorts of administrative improvements. I forwarded it about a week ago to the minister.

Senator O'BRIEN—What is the status of that? Do you intend to pick most of it up or are you making recommendations in that regard and awaiting the minister's view?

Mr Matthews—Yes, at this time I am waiting for the minister's view. There were 47 different findings and recommendations. I intend, subject to the discussion that I have not yet had with Minister Anderson, to accept the general thrust of the review. I have already

accepted some of the more urgent recommendations, such as increasing resources to be made available to the roads area, and they are being implemented. I have instructed Ms Meakins to get on with taking over the branch, being guided by the general direction of the report. Both Ms Meakins and the division head, Mr Ellis, will be carrying it forward. When I have had the benefit of the discussion with Minister Anderson, I will be able to respond to each and every one of the recommendations. In general, it was developed in consultation with me. I am very happy with the direction that it has taken, and I would expect that it would be implemented in full.

Senator O'BRIEN—Could you repeat that last phrase?

Mr Matthews—I am happy with how it was developed because it was developed in consultation with me, so there are no surprises in it. Subject to a discussion that I am yet to have with Minister Anderson, I would expect that it would simply be implemented in full.

Senator O'BRIEN—That is what I thought you said. Could you ask the minister if there is any problem with releasing that report to the committee after he has had a chance to have a look at it.

Mr Matthews—I will do that.

Senator O'BRIEN—With respect to aviation fuel excise, what has happened to the extra revenue that was pulled in by the excise in the current financial year and the previous year as well? I understand there was a surplus.

Mr Matthews—I will ask Ms Beetham, who is the acting division head for aviation, to answer that question.

Ms Beetham—There has been an overcollection of the levy or excise imposed for the funding of the location specific pricing program. The amounts were \$2.2 million in 1999-2000 and an estimated \$5.4 million in the current financial year. The recent budget announcement was that the total of that collection, which was \$7.6 million, would be directed to CASA, so that the sum of money that was collected over and above what was needed for the location specific pricing program would be retained within the aviation industry and used for aviation purposes.

Senator O'BRIEN—How much do you expect in this financial year?

Ms Beetham—In this financial year, on the basis of current estimates, we expect to collect about \$12.4 million. Given that \$7 million of that will go to the location specific pricing program, we are expecting \$5.4 million as an overcollection this year. That, added to the \$2.2 million overcollected in the last financial year, gives us the \$7.6 million that we are allocating to CASA for the next financial year.

Senator O'BRIEN—What is the expectation for collection in the financial year that is the subject of the budget?

Ms Beetham—For next year?

Senator O'BRIEN—Yes.

Ms Beetham—We have pitched the rate to collect \$7 million for location specific pricing and the amount for CASA is expected to be about \$4.7 million over the next four years.

Senator O'BRIEN—So you are expecting to collect \$32.7 million over four years—is that what you are saying?

Ms Beetham—It is about \$4.7 million per year for four years from excise collection.

Senator O'BRIEN—So \$11.7 million per year is expected over the coming four years. That is \$7 million for location specific?

Ms Beetham—Yes.

Senator O'BRIEN—And \$4.7 million for CASA purposes?

Ms Beetham—Yes.

Senator O'BRIEN—Next financial year and the three subsequent financial years?

Ms Beetham—The \$7 million applies to the location specific pricing subsidy, and we have extended that for two years.

Senator O'BRIEN—When does that extension run out?

Ms Beetham—Unless that is extended further, that would expire in June 2003.

Senator O'BRIEN—What would happen to the excise at that stage? I suppose that is a decision of government.

Ms Beetham—That would be a government decision, considered at the time; but if it were to continue the subsidy, as it has done this year, the excise would continue. Obviously, if the subsidy for location specific pricing were to cease we would adjust the excise accordingly.

Senator O'BRIEN—If that were what the government decided?

Ms Beetham—Exactly.

Senator O'BRIEN—What will CASA receive with the additional—

Ms Beetham—It is a package of funding. It will derive \$36 million over the next four years. That will be funded through the fuel excise that is being channelled to CASA—the additional money that we were just discussing; approval to draw down on its reserves a sum of \$10 million; and then the \$7.6 million—

Senator O'BRIEN—Is that for IT development?

Ms Beetham—It will end up with a sum of money—\$9 million per year for four years. Some of that will go towards IT because it is looking to upgrade its systems to support other activities.

Senator O'BRIEN—You are talking about an additional \$36 million over four years. What will the cost of operating CASA be in the next financial year?

Ms Beetham—Total funding allocated for it in the budget comes to, from memory, \$101 million.

Senator O'BRIEN—Where is that?

Ms Beetham—That is on page 97 of the portfolio budget statements and also on page 98.

Senator O'BRIEN—What is its funding in the current financial year?

Ms Beetham—The figure for the current financial year is \$93 million, the comparative figure with \$101 million. It is on page 106.

Senator O'BRIEN—What proportion of the fuel excise goes to Airservices?

Ms Beetham—It is now 0.26c for the location specific pricing, and for CASA it is 2.548c.

Senator O'BRIEN—How does the 0.26c work out?

Ms Beetham—It is a calculation based on estimated fuel usage, the \$7 million figure for Airservices. It is a working back.

Senator O'BRIEN—So Airservices got \$7 million?

Ms Beetham—They will get \$7 million from the budget. That is paid out from consolidated revenue, and then the excise is collected over time and returned to consolidated revenue, so that offsets it.

Senator O'BRIEN—In 1999-2000 Airservices got \$7 million?

Ms Beetham—It got \$7 million.

Senator O'BRIEN—And in 2000-01 it got \$7 million?

Ms Beetham—Yes, it will this year.

Senator O'BRIEN—And that is the projection for the outyears subject to the decision on the subsidy?

Ms Beetham—Yes. I have a correction, Senator. For 1999-2000 Airservices received \$11 million, which was the government allocation to it at that time.

Senator O'BRIEN—But it went down to \$7 million after that?

Ms Beetham—Yes.

Senator O'BRIEN—And it will remain at that, subject to a decision?

Ms Beetham—It will remain at \$7 million. The government has just reaffirmed the \$7 million for the next two years.

Senator O'BRIEN—Have the additional collections—\$2.2 million in 1999-2000 and \$5.4 million in 2000-01—been carried forward and will they be paid to CASA?

Ms Beetham—Yes.

Senator O'BRIEN—Mr Matthews, on page 49 of the PBS, at output group 1.1, policy advice and legislation, ministerial services, it jumps 50 per cent, according to this figure here. Can you tell me what that covers and where the increases actually occur within that broad grouping in output 1.1?

Mr Matthews—The most important factor is the contribution of the cost of the scoping study for the very high speed train, which is commencing this year and was not there before. There are one or two other adjustments as well, and I will ask the CFO, Mr Chandler, to add to them. But that is the principal factor.

Mr Chandler—Several other minor factors impact on that output and others across the output group shown there. There are adjustments for the capital use charge, which is a reduction this year of \$5.2 million, and that impacts significantly on that item as it is such a large proportion of the total. There are other adjustments to aspects of our program outputs in that some insurance recoveries impact on interest revenue which is spread across a number of items. The factors I am referring to appear on page 27 of the PBS. They are the main contributory factors that impact on the department's operating result for this year. A proportion of those factors impact on the items disproportionately in respect of that area of outlay.

Senator O'BRIEN—So reduced funding for the capital use charge means that—

Mr Chandler—The capital use charge is the amount that is appropriated to each government department to reflect the cost of capital employed, which is about \$27 million each year. The capital use charge for the department reduces next year, partly because of some reduction in our asset base, and also because of a reduction in the rate of capital use charge for this new fiscal year from 12 per cent to 11 per cent.

Senator O'BRIEN—I have some questions about funding to ATSB. As I read the papers, funding for safety services, at output 1.3, reduces by six per cent from \$18.822 million to \$17.676 million. As I understand it, the reduction is nearly all applicable to the funding of the ATSB. Is that correct?

Mr Matthews—Yes, that is correct. I will ask Kym Bills to give you some details of those adjustments.

Mr Bills—As Mr Matthews said, output 1.3 in relation to safety services is all allocated to ATSB. There is also an additional \$1.645 million of ATSB money in output 1.1 and, between the two of them, that is the entire funding to ATSB. Returning to 1.3, that comprises \$10.749 million that ATSB sees, and \$6.836 million which is corporate overheads that are allocated to ATSB on a pro rata basis, and a small capital use charge of \$91,000. With that background, it is correct that the projected total this year from 1.3 will be slightly over \$1 million more than the indicative budget for next year in 1.3. However, we have an internal process in the department which looks at new activities and at old activities that are ceasing. An adjustment process will be discussed within the department early next month and I am sure that the secretary would discuss matters further with the minister. These figures are indicative, subject to that process occurring.

Senator O'BRIEN—Can you run that past me again? How much will we actually have to spend?

Mr Bills—On this indicative projection, we will have about \$1 million less than last year, but I am hopeful, based on a round of bidding that occurs across the department, when we will propose some new expenditures and new activities, that the final figure will be closer to about the same as last year rather than \$1 million less. That is a process that has to occur, and I am a bit of an optimist.

Senator O'BRIEN—Mr Bills is very hopeful.

Mr Matthews—Yes.

Senator O'BRIEN—Your best possible outcome is the same amount of money as you had last year, so it is a real reduction.

Mr Bills—The secretary is better placed than I to answer that, but I am an optimist.

Mr Matthews—Not necessarily, Senator. I gave an example earlier when I said that, as a result of the roads report, prepared by Martin Dolan and Trudi Meakins, I had already agreed that there should be an internal reallocation to ensure that there are sufficient staff resources in the roads area to administer those programs properly. That is an example of an internal reallocation. I have done that in advance of the normal process, because the best way of doing these things as a manager is to get all the proposals together and to weigh them up competitively—where is the best bang for the buck?—and that is what Mr Bills is referring to. Before 30 June or, strictly speaking, before 1 July, when the financial year commences, we will have the final allocations, including some of the small internal readjustments so that people will know their budgets from 1 July.

Senator O'BRIEN—And I thought that the PBS would tell us all that, but you are telling us that this document is still work in progress.

Mr Matthews—No, this document is accurate as it is, but secretaries have authority at any time during the year to move resources within the organisation to respond to pressures, and we do that by consulting the ministers. It is just good management. It would be terrible to be hidebound so that we could not make adjustments according to circumstances.

Senator O'BRIEN—We will probably do just that after the election.

CHAIR—I hope you do not expect Mr Matthews to respond to that comment, Senator.

Senator O'BRIEN—I did not expect him to respond at all; I got a response from you, Madam Chair! Has there been any funding for a software upgrade for ATSB?

Mr Bills—Yes, there has.

Senator O'BRIEN—What sort of upgrade is it and how much money is involved?

Mr Bills—The funding that I think you are referring to is for our OASIS software, which is the aviation investigation database software.

Senator O'BRIEN—That is the Gwyn review stuff, is it?

Mr Bills—No, the Gwyn review was on major accident preparedness. Earlier this calendar year—January/February—the secretary approved an amount of up to half a million dollars for major accident preparedness work, which was the Gwyn stuff, and up to half a million dollars for upgrading the OASIS database. The OASIS upgrade money is mostly capital. I cannot tell you the exact figure as at tonight, but we hope that it will be as close to half a million dollars as we can get it.

Senator O'BRIEN—Is that amount in the figures we have been discussing? Is it in 1.3, 1.1 or neither?

Mr Bills—That is this financial year, rather than next financial year, and it would be separate, being a capital amount.

Senator O'BRIEN—Has the software upgrade occurred?

Mr Bills—It is in the process of occurring.

Senator O'BRIEN—On the face of the PBS—I certainly have the view that the overall effort in terms of aviation safety has to be increased—this seems to be not much of an advance, and possibly a cut for ATSB, but there are some significant additional funds for CASA. I am pleased to hear, Mr Matthews, that there is some possibility that that might change. When will we know about the equation of the funds going to CASA and the funds going to ATSB? Well, we know what CASA is getting I presume, but when will we know what ATSB actually have to do their job with?

Mr Matthews—It is always my intention to have budgets available to the managers and staff of an area by 1 July and that the business plans, that is what they have to do that year, be completed by that time as well. Our aim, which we achieved last year, was 1 July and I expect that we will do it again this year.

Senator O'BRIEN—When will this committee know?

Mr Chandler—The next formal round for reporting back would be through the published portfolio additional estimates statement; there is not another formal round report to the committee.

Senator O'BRIEN—Why can't this committee know sooner, given that we have a document we are supposed to be reviewing and on the day we are reviewing it we are being told not to take much notice of it because we are going to do another exercise.

Mr Matthews—Senator, with the minister's agreement, I am happy to make them available to the committee on 1 July.

Senator O'BRIEN—That is an improvement, thank you for that. Mr Matthews, to obtain a perspective on transport charges to the industry and community, does the department have a complete list of charges, levies, duties or other types of revenue raising devices for the portfolio?

Mr Matthews—Levies, duties or charges imposed by the portfolio, or collected by the portfolio?

Senator O'BRIEN—By—yes, that is the question.

Mr Chandler—If you turn to page 90 of the PBS, table 3.1.1 sets out administered receipts other than appropriations and provides a fairly close indication of the areas from which revenues are generated. Whether that provides you the detail you want I am not sure.

Senator O'BRIEN—Is there an equivalent table in previous portfolio budget statements?

Mr Chandler—Yes, there would have been.

Senator O'BRIEN—How far back would we be able to go to look at these figures through previous portfolio budget statements?

Mr Chandler—For example, the previous PBS them at page 109 in table 3.2.5, and I assume that there would be an equivalent table for years prior to that.

Senator O'BRIEN—If that is not the case, does the department have a record which would record these figures going back over the term of this government?

Mr Chandler—As part of our accounting records we would have details of amounts collected.

Senator O'BRIEN—I do not want to request you to do work that has already been done in previous PBSs. If it is not available, would the committee be able to be supplied with that? We will check, and if it is in the PBSs, we would not persist with that request.

Mr Yuile—Did you say how far back you wanted to go?

Senator O'BRIEN—For the term of this government—five years. With respect to those charges, where would I find, where applicable, the rate at which the charge has been levied over that period?

Mr Matthews—Each levy or charge is set through their own piece of legislation, regulation, determination of some other instrument. So it would be a question that we would need to put to the line areas as they move through the hearings.

Senator O'BRIEN—Perhaps I should ask for a history of the relevant charges over the period of the last five years. You could then ask the line areas for me, Mr Matthews.

Senator Ian Macdonald—Senator, I do not want to unduly curtail your line of questioning, but this is, as I say every year, an investigation of this year's budget figures. With respect to going back five years, where we can get it easily and inexpensively in order to help you, that is fine, but it is really this year's budget that we are looking at.

Senator O'BRIEN—A comparison of budgets is a valid datum point from which to make judgments. I would make the assumption that a number of these figures will be one or two movements in the period, so we are not asking for extensive detail. I hear what you say, Minister—that if it is easy to get, you can get it. I suppose the alternative is to ask the library to get it.

Senator Ian Macdonald—That is an alternative.

Senator O'BRIEN—If the department has it, it seems eminently sensible to go to the body that administers those charges.

Senator Ian Macdonald—If we are going to go back to line areas for things that occurred five years ago, that is going to involve quite a lot of work. I do not know whether there are any particular problems in doing it, but it is getting beyond, with respect, the estimates process. I am conscious of my officers' time; that is all. Perhaps we can leave it that the secretary will make an assessment of whether it is easy or difficult to get and he will refer that to me. If it is easy, we will get it for you; if it is not, you might have to pursue the matter with the library or someone else.

Senator O'BRIEN—I would appreciate knowing that expeditiously. If we need to do other things, I would like to know as soon as possible.

Senator Ian Macdonald—That is fine. We will undertake to ensure that that bit is answered quickly. All of our stuff is answered as quickly as possible but we will concentrate particularly on that one.

Senator O'BRIEN—Do Treasury or Finance provide advice, seek advice or give instruction in relation to charges generally, or any specific charge? Have they done so over the last 12 months?

Mr Matthews—About the level of charges?

Senator O'BRIEN—Yes.

Mr Matthews—No. There is no generic guidance about that.

[9.40 p.m.]

Senator O'BRIEN—Output 1.6 for the department is research and data. On page 62 of the PBS, the description of the function is:

The Department undertakes public interest research on current and emerging transport issues, and collects, maintains and disseminates data.

I see from the PBS that the cost of this service is \$5.7 million. How is that money spent? Is it all internal departmental research or does it include outsourced work?

Mr Matthews—Most of the work is done by the Bureau of Transport Economics. The overwhelming majority of it is internal. There is a small amount of research commissioned by the Aviation Division, but most of it is the BTE. The BTE does not do much outsourcing. I have not got a figure but the overwhelming proportion of their resources are used internally.

Senator O'BRIEN—What current and emerging transport issues are being researched by the department?

Mr Matthews—At the moment, the BTE is settling its work program for next year. It is consistent with what I was saying earlier: by 1 July we try to have work plans which all staff can know about from the beginning. It is bad management practice, in my experience, to not

complete your work plans until a month or two into the year, but it happens too often. This week there has been a series of discussions, including a discussion that Mr Yuile and I participated in, with the BTE to try to define the sorts of research projects that they would get themselves involved in. The work program is then issued to staff and made available to staff to guide their work. It comprises a whole series of different projects which are designed to be consistent with the corporate plan, the PBS and the general priorities of the government.

Senator O'BRIEN—So by 1 July you will know what current and emerging transport issues will be researched in the financial year 2001-02?

Mr Matthews—We will. The work program is pretty well developed now. It is being finetuned. It is not quite finalised yet.

Senator O'BRIEN—Will that information be able to be supplied to this committee?

Mr Matthews—We could make available the work plan itself from 1 July.

Senator O'BRIEN—That will tell us where the research effort has been directed?

Mr Matthews—It will tell you exactly what they are doing.

Senator O'BRIEN—I wanted to go back to that fuel excise issue for the moment. If I combined the total funding provided to CASA out of the fuel excise with the funding provided to Airservices, would I ascertain the total collection of fuel excise or is there an additional amount?

Ms Beetham—There is a small amount that goes to Treasury for the ACCC.

Senator O'BRIEN—A secret commission.

Ms Beetham—I do not think it is secret.

Senator O'BRIEN—I was joking.

Ms Beetham—It is just not part of what we collect. It is a very small amount.

Senator O'BRIEN—The percentages have obviously varied because of a retrospective allocation to CASA from the last two years and an increased allocation for the future, but could you give me the proportions of the excise that will go to CASA, Airservices and Treasury for 1999-2000 and 2000-01, next year, and—to the extent that it is known—for the outyears?

Ms Beetham—Certainly.

Senator O'BRIEN—Mr Yuile, I think you emailed the committee a long letter explaining some changes in your accounting arrangements. I have not had a chance to review that, given that I only saw it this week. Can you explain to the committee exactly what you set out in your email, so that it is on the *Hansard* record.

Mr Yuile—I thought I had signed a letter, but it has been emailed as well, has it? It picks up from a question you asked at the last hearings in relation to the ANAO report on financial accounts, this department's part in that overall report and some comments that were made in relation to cash management and access to the database, or to the SAP system. Jeremy Chandler, our chief financial officer, gave you some answers at the last hearing which were accurate at the time. We thought that we had been dealing fully and effectively with the ANAO recommendations, particularly with respect to reconciliation of accounts, including accounts in the territories, and also with respect to the broader question of access to the database and risk limitations of access to the database. We found subsequently, as ANAO

undertook some further checking, that some of the individual reconciliations on the accounts on the island—the IOTs—had not been done as we thought they had been done. This letter simply explains to you what we have done as a result of getting that further information. Our chief financial officer is taking even more of a role, in receiving a monthly—or is it weekly?—reconciliation.

Mr Chandler—It is monthly from the territories. The Canberra based accounts—the main accounts, which are under direct control—we have moved now to weekly reconciliation. At the time I last addressed the committee on this issue, it was still monthly. We have been moving that to a more timely reconciliation.

Mr Yuile—I will talk now about the financial systems controls and the question of access. In relation to a number of the access rights that were the subject of your questions last time, Mr Chandler advised that the department had subsequently reviewed these rights and has done so on three occasions since. He and the ANAO believed at that time that there was no longer an issue. Following the last ANAO audit, the ANAO observed that we had made good progress in implementing a number of those recommendations, but they also considered that there were some areas where further improvements could be made in relation to numbers of accessees and control points. In the light of that latest finding, we have undertaken some additional work on the access controls and the access rights and we are doing that jointly with Deloitte Consulting—which is the department's partner in implementing the system. That is going to be subject to a further review by our internal auditors, Acumen Alliance. We wanted to just bring you up to date, since the committee had taken a particular interest and you had mentioned in your reporting from the last hearings that we should give you as comprehensive picture as possible.

Another thing I should say is on the questions that you raised last time in relation to how we know that there had not been any untoward access to the system by anyone. We have been undertaking a progressive review of transactions to check that, to our best knowledge, there has not been any in appropriate access. We are also implementing random control arrangements for the future, so that we can randomly go into different transactions and check that it is according to Hoyle. So we have put those tightening arrangements into place, and that is what that letter is about.

Senator O'BRIEN—So there is an ability to audit past transactions against a paper trail, is there?

Mr Yuile—Yes.

Senator O'BRIEN—It would appear an enormous job to do it completely, so you are just go to audit on a random basis.

Mr Chandler—Just to elaborate, Senator, what we have done is to review all of those transactions for this fiscal year to date, from July to the present. We have reviewed all of those transactions for people having wider than normal access—for example, to process a standard account or their leave transaction for submission for authority. We have reviewed those transaction types that those people with wider access have made which have the potential to lead to fraud—anything that would initiate a payment or a change to an employee entitlement or right. We have run a test through all of those high risk transactions. We have done that, as Mr Yuile has said, with the assistance of Deloitte Consulting and in a process which has been overseen by Acumen Alliance, our internal auditors. It is not identified any inappropriate transactions at all, I am pleased to say. As Mr Yuile has indicated, we will now run that

process on a random basis, and transparently, so that those few people who have wider access are aware that that control is in place and is exercised regularly. I would expect we will get Acumen Alliance, as an independent source, to check that testing on a periodic basis.

Senator O'BRIEN—Thank you for that explanation. I am ready to go to the Aviation Division. We are not doing CASA now.

[9.54 p.m.]

CHAIR—We will do CASA tomorrow. You now want to move to the Aviation Division with Ms Beetham and her team?

Senator O'BRIEN—Yes—back again. Firstly, I want to ask some questions about the Qantas buy-out of Impulse. I assume that there was a number of discussions between the government and both companies prior to the announcement at the beginning of May. Can the committee be advised as to exactly what meetings did take place between the government and either or both of those companies with regard to the buy-out issue, who was involved in those meetings, and when they took place?

Ms Beetham—I am not aware of any particular discussions that took place between our department and the parties involved. I understand there was an application to the Foreign Investment Review Board, and the department indicated it had no comment on that. The only other involvement that I am aware of was that we did answer some questions in a questionnaire the ACCC submitted to us for comment. They related to a range of issues, including the potential impacts for regional areas, the availability of alternative supplies of transport services and so on.

Senator O'BRIEN—But there were no meetings between the department and—

Ms Beetham—Not that I am aware of.

Senator O'BRIEN—Can you check that and let us know? Is there another officer who would know?

Ms Beetham—Mr Parle, who is with me, was involved in the division at the time. He confirms that there were no meetings with the department.

Senator O'BRIEN—I had assumed that there would have been at least one meeting between the principals of both companies and the minister. Did that take place, do you know?

Senator Ian Macdonald—I certainly do not know. I will take that on notice.

Senator O'BRIEN—I understand that there was a meeting between Qantas and the Prime Minister on this matter. Is the department aware of that?

Senator Ian Macdonald—If the department were there they would be aware or otherwise; but if they were not there—and I understand they said they were not.

Senator O'BRIEN—Not necessarily, Minister. They could be aware of it without being there.

Senator Ian Macdonald—They might have read it in the paper.

Senator O'BRIEN—They might have. I did not. They might have read it in the paper but—

Senator Ian Macdonald—That is not the sort of evidence you would want.

Senator O'BRIEN—they might be aware of it through reliable information, and I am asking the question.

CHAIR—Perhaps Mr Matthews might like to take that question on notice also.

Senator O'BRIEN—He might be able to answer it now as well and save taking it on notice.

CHAIR—It would seem not.

Senator O'BRIEN—I do not know. He has not said anything yet, Madam Chair.

Senator Ian Macdonald—Senator, all we can say—I understand this is correct—is that neither Mr Matthews nor any of his officers were present at any meeting with Qantas. He may have heard around the building that there was a meeting, but that is not the sort of evidence you need. You should ask PM&C if they are aware. If you are wanting me to ask the Prime Minister I will take that on notice. I do not know whether you will get a reply but I will certainly take it on notice.

Senator O'Brien—I take your answer to mean that Mr Matthews has heard that, and I would ask you to take on notice to confirm that that actually took place.

Senator Ian Macdonald—If it has nothing to do with this department we will not do that, Senator, I am sorry.

Senator O'BRIEN—Qantas and the Prime Minister on this matter was the question.

Senator Ian Macdonald—That is a matter for PM&C.

Senator O'BRIEN—A transport matter is not a matter for this department is what you are saying?

Senator Ian Macdonald—If it is a matter that the Prime Minister is dealing with, it is a matter for PM&C. If it is a matter Mr Anderson is dealing with, it is a matter for this department. I will find out from Mr Anderson for you if he was present when—

Senator O'BRIEN—That is not the question I asked.

Senator Ian Macdonald—Okay. Then I go back to my answer, that we are not pursuing the Prime Minister's department or the Prime Minister for issues related to this portfolio.

Senator O'BRIEN—A rather strange position. Have there been any discussions at a departmental, ministerial or governmental level with Qantas and/or Impulse relating to the preservation of jobs in regional centres, given the buyout of Impulse?

Senator Ian Macdonald—I can start there. For my own part, Mr McGowan from Impulse made an appointment to see me about the Newcastle aspect of that—which is something that would more appropriately come up when we are dealing with structural adjustment packages—unfortunately, I was ill so I did not attend the meeting, but he did meet with members of my staff and assured them, as my staff, to pass on to me that—

Senator O'BRIEN—Was that the only discussion that took place or were there others?

Senator Ian Macdonald—That is insofar as I am concerned; so far as Mr Anderson is concerned, I will have to take that on notice because I have no knowledge of that. I think you asked about departmental ministerial meetings.

Senator O'BRIEN—Departmental or ministerial or government in general.

Senator IAN MACDONALD—I will take the ministerial bit and find out from Mr Anderson but perhaps Mr Matthews, or anyone else, could answer as to whether there were meetings about the employment aspects that the department was involved in. Is that a fair summary of your question?

Senator O'BRIEN—Yes.

Ms Beetham—The answer to that is no.

Senator O'BRIEN—Did the department request an opportunity to discuss the impact of the buy-out with Qantas or Impulse?

Ms Beetham—No, apart from providing the comment that we did to the ACCC in response to some questions they asked. That was a matter which we understood the ACCC was running with, and we left it with them.

Senator O'BRIEN—So there were no discussions with the department or with government involving either or both of the companies prior to the announcement of the buy-out at the beginning of May? I am summarising here on the information I have been given, subject to what has been taken on notice.

Senator Ian Macdonald—That may be an accurate summary or it may not be because, as I told you, I do not know whether they spoke to Mr Anderson or his office, and I will take that on notice.

Senator O'BRIEN—I did say subject to the matters that had been taken on notice.

Mr Matthews—We have a written assurance from Mr McGowan about the maintenance, the honouring of the obligations that apply to Newcastle, and another area of the department, which is responsible for territories, has been in touch with the ACT government about the commitments that Impulse has made in Canberra.

Senator O'BRIEN—Do you mean before the buy-out or after it? I understood there were commitments given before, when Impulse said that they would set up substantial maintenance operations here.

Mr Matthews—Yes, that is right—and the answer to your question is after—but it is that that we have a monitoring interest in, through our territories responsibilities.

Senator O'BRIEN—Mr Matthews, what you are saying is that the department has taken certain action but Impulse has not given any guarantees, subsequent to the buy-out, about maintaining a maintenance operation in Canberra?

Mr Matthews—No, I certainly did not say that.

Senator O'BRIEN—I just want to be clear on what you are saying.

Mr Matthews—The department stays in touch with the ACT government, and on this one there were contacts between the territories area of the department and the ACT government about the obvious interest that the ACT government has to look at the heavy jet maintenance facility.

Senator O'BRIEN—Has the department had discussions with Impulse and/or Qantas about the allocation of slots at Sydney airport and, if so, when did such discussion take place?

Mr Elliott—No, we have not had any discussions with either Qantas or Impulse about their slots.

Senator O'BRIEN—Have you or other officers of the department requested the opportunity to discuss the question of slots at Kingsford Smith airport with Qantas and/or Impulse?

Mr Elliott—No, we have not.

Senator O'BRIEN—None has taken place?

Mr Elliott—None.

Senator O'BRIEN—Have other operators contacted the department with regard to the issue of slots at Kingsford Smith airport arising from the Qantas-Impulse arrangements?

Mr Elliott—Not to my knowledge. There is not a particular reason to do so.

Senator O'BRIEN—Isn't the minister consulting at the moment about the new slot allocation rules?

Mr Elliott—As you will recall, we have been through a consultation process, and this committee has effectively reported on that process. The department conducted a consultation process, which is pretty well complete.

Senator O'BRIEN—The minister wrote to members of the committee early last week saying that, arising from the committee's report, there were certain issues that required further consultation. Are you saying that has been completed?

Mr Elliott—Almost completed. We are straying off the subject a bit.

Senator O'BRIEN—We are, but what I am getting at is that that was an opportunity, if there were no other, to find out if there was any concern in the aviation community which might also be of concern to the government or the department about the effect of the merger on the slot system.

Mr Elliott—There may be some concern, but I cannot say that concern about that particular issue—that is, the Qantas-Impulse merger—has been expressed to us very much in the context of the consultation we undertook on the changes to the slot scheme.

Senator O'BRIEN—Most of your consultation took place before.

Mr Elliott—That is right, and if there were a concern it would more likely have been about any impact on regional services.

Senator O'BRIEN—Virgin Blue had a strong view. You have not spoken to Virgin Blue at all about the matter, have you?

Mr Elliott—Not in the context of the slot scheme. The only view that I have seen from Virgin Blue is what I have read in the press.

Senator O'BRIEN—Does the Virgin Blue position differ from that which they put to you in your consultation process about the minister's proposed changes to slot arrangements?

Senator Ian Macdonald—Are you clear on that question?

Mr Elliott—No, I am not. I am not sure that I can recollect what Virgin Blue's position is on the slot scheme.

Senator O'BRIEN—I am just wondering why, if you saw in the media that Virgin Blue had some concerns, the department would not make sure they understood what they were.

Mr Elliott—I think Virgin Blue's concerns, as expressed in the media, were about competition. That is really a matter for the ACCC.

Senator O'BRIEN—But no-one in the department felt that it was necessary to contact Virgin Blue to make sure that is what their concerns were?

Mr Elliott—No, we have not done so.

Senator Ian Macdonald—Would you expect that Virgin Blue would contact you if they required some action from the department?

Mr Elliott—If it were in relation to the slot scheme, yes.

Senator Ian Macdonald—But they did not contact you?

Mr Elliott—No, they have not done so, Minister.

Senator O'BRIEN—So Virgin Blue make a statement in the media, the department does not follow it up and you assume that, unless they contact you, it is not a matter that the department needs to concern itself with?

Senator Ian Macdonald—Not rightly.

CHAIR—I think Mr Elliott has already answered that question, Senator O'Brien.

Senator O'BRIEN—I do not think he has, and I intend to put it until I get the answer.

Mr Elliott—All I can say is that we have not pursued Virgin Blue on the details of their concerns with the Qantas-Impulse merger. I would see those concerns, as I have seen them expressed in the media, as being matters for the ACCC rather than the department.

Senator O'BRIEN—What discussions has the department had with the ACCC about the Qantas-Impulse buy-out?

Ms Beetham—With the ACCC?

Senator O'BRIEN—Yes.

Ms Beetham—I am not aware of us having any. We received the questions that they sent to us and responded collectively from within the department, having put a consolidated response together and sent that back by mail. There were no discussions about the proposed merger.

Senator O'BRIEN—So it was a questionnaire type form?

Ms Beetham—Yes. I do not know whether they sent the same sort of form to others. Clearly, they would recognise that, having aviation interests, we may have comments of value to contribute.

Senator O'BRIEN—What view did the department put to the ACCC about the arrangements?

Ms Beetham—We did not take a position on whether or not it ought to proceed. We made some general comments about the kinds of issues the ACCC raised with us in the questionnaire.

Senator O'BRIEN—What sort of general comments?

Ms Beetham—I cannot recall them all. In one instance, we were asked about the implications of this move for what might happen to services, for example, in regional areas. We had to make the comment that that would depend very much on how Qantas chose to conduct itself if the merger went ahead. We simply were not in a position to make judgments of that kind.

Senator O'BRIEN—Was the department advised of Qantas's intentions in relation to the announcements they made today about Air New Zealand?

Ms Beetham—We had had some inkling that that announcement would be made today.

Senator Ian Macdonald—I think the question was: were you officially advised by Qantas?

Senator O'BRIEN—I did not use the word 'officially', but I did say 'advised.'

Senator Ian Macdonald—Were you advised by Qantas?

Ms Beetham—Yes. We knew late last night that we might expect this to happen.

Senator O'BRIEN—What do you understand Qantas's intentions are?

Ms Beetham—As I understand it they were putting a proposal to the New Zealand government that they might take over Air New Zealand. I have heard press speculation of how that might then continue. That was about the gist of it.

Senator O'BRIEN—And therefore Ansett?

Ms Beetham—That would be implicit in that sort of a takeover, yes.

Senator O'BRIEN—Presumably the minister was advised posthaste?

Senator Ian Macdonald—I am not sure that advice from the department to the minister is the subject for this—

Senator O'BRIEN—I would be amazed if the minister were not advised posthaste.

Senator Ian Macdonald—One would think that that would happen as a matter of course, but I do not know that that is a legitimate question for this estimates committee.

Senator O'BRIEN—Why not? It is a matter of—

Senator Ian Macdonald—It is advice from the department to the minister.

Senator O'BRIEN—It is conveying information. It is not advice. I would have thought that advice is quite a different thing from saying, 'I have just been told this is going to happen.' We know what was said. All I am asking is whether that information was conveyed to the minister expeditiously. It is not a question of advice in the context that you mean it.

Ms Beetham—The minister was told directly by a representative of Qantas.

Senator O'BRIEN—Was there a meeting or was this done over the telephone?

Ms Beetham—I suspect it was on the telephone.

Senator Ian Macdonald—Are we talking about your advice to the minister, Ms Beetham?

Senator O'BRIEN—The suggestion is that it was Qantas. Is that what you meant—that Qantas told the minister?

Ms Beetham—Yes.

Senator Ian Macdonald—Were you actually present and heard the conversation?

Ms Beetham—No.

Senator Ian Macdonald—Anything then that you say is hearsay. I do not want to be unduly prescriptive about this, but they are questions that I need to take. Unless you can guarantee that Qantas did ring the minister, which means you had to be there, you cannot say.

You might have been told that, but you might have been told a hundred things. With respect to the committee, you might ask me, 'Did the minister take advice from Qantas?'

Senator O'BRIEN—You find out from the minister. If you want to behave like that, you can find out.

Senator Ian Macdonald—I will.

Senator O'BRIEN—You will probably get asked when you walk into the building tomorrow, so you had better have the answer.

Senator Ian Macdonald—I can assure you I will not be speaking to Mr Anderson tonight. If Mr Anderson has any brains at all, he will be in bed by now.

Senator O'BRIEN—I expect he is too busy to be in bed by now.

CHAIR—Further questions on the budget estimates, Senator O'Brien.

Senator O'BRIEN—I am very happy to ask questions. In terms of the Qantas foreign ownership rules, there were some media reports earlier in the year quoting the chairperson of Qantas, Margaret Jackson, as saying that the federal government had 'principally agreed with the airline's arguments for lifting foreign ownership restrictions'. She reportedly told the *Australian Financial Review* that she thought they were well placed to have something happen this year. Are the comments attributed to Ms Jackson about the view of the government to a change in the foreign ownership rules accurate?

Senator Ian Macdonald—I will have to take that on notice and ask Mr Anderson.

Senator O'BRIEN—Has the department been asked for advice on such matters?

Ms Beetham—I am not aware of us having been asked for advice on such matters, nor are we aware of any proposed changes.

Senator O'Brien—The department was not aware of the article in the *Financial Review* that I am referring to?

Ms Beetham—My colleagues may have been but I do not recall being aware of that at that time.

Senator O'BRIEN—I would ask—obviously this will need to be taken on notice—whether there have been any meetings at a ministerial or a departmental level with Qantas about foreign ownership rules.

Ms Beetham—I think we have to take it on notice, Senator.

Senator O'BRIEN—Presumably, if such a decision is to be taken, there would need to be some public debate on the matter. Minister, could you advise us or ascertain from Mr Anderson's office how such a public debate would be carried out on the reduction in the foreign ownership requirements on Qantas.

Senator Ian Macdonald—I assume it would proceed in the same way as any other takeover occurs.

Senator O'BRIEN—With respect, I understand you might assume that. I am just asking for that to be taken on notice.

Senator Ian Macdonald—Certainly. I will take that on notice.

Senator O'BRIEN—I have some questions about the remote air subsidy scheme. How many new ports have been included in this scheme following the increased funding provided by the government?

Ms Beetham—In terms of new ports, at this point no additional ones have been introduced.

Senator O'BRIEN—At this point; so are there some which have been approved but not yet introduced? Has a decision been made to include some ports but it has not yet been introduced?

Ms Beetham—Not at this stage, Senator. What we have been doing during this financial year is going through the process of calling for tenders and reletting contracts for those who were servicing the existing ports. The next stage—and we are going through this process at the moment—is to firm up the guidelines for the admission of new ports and then to call for applications for those. We have circulated our proposed guidelines to members of industry and they have provided some quite useful comment in order to tighten them up and make them more effective.

Senator O'BRIEN—So at this stage we are operating under the old scheme?

Ms Beetham—Yes, we are, with some new contractors and some upgraded services in the sense of better quality aircraft.

Senator O'BRIEN—Which explains why the appropriation in last year's PBS was \$2.548 million but expenditure is going to be in the order of \$1.866 million.

Ms Beetham—That is correct. Those unspent funds will be carried forward.

Senator O'BRIEN—So there was an underspend of \$600,000-odd. How much has actually been carried forward?

Ms Beetham—The latest figures given to me suggest that there would be about \$278,000 carried forward into the next financial year.

Senator O'BRIEN—That is something like what the figure on page 47 of the PBS would indicate, but on the figures as I understood them from last year's allocation and the projected actual figures in this year's PBS, the difference is more like \$678,000. There is a difference of \$400,000 there, roughly. Have I got it wrong?

Ms Beetham—I will ask Mr Wade, who runs the program, to comment on those figures.

Mr Wade—The underspend for the year we are in now will be about \$700,000. That has been carried over to the subsequent three years, but equally spaced over those three years. So it is about \$230,000-odd per year for the coming year and the subsequent two years—that is, 2001-02, 2002-03 and 2003-04. The original increase in government funding for the program was over a four-year period.

Senator O'BRIEN—Yes, I see that. It starts to come down again in 2004-05. That will be interesting. When do you expect that the new ports will be in service? It looks as though it will be well into the financial year 2001-02.

Ms Beetham—Mr Wade might like to comment, but the advice I have is that the current timetable would see the new services operating from about December this year.

Senator O'BRIEN—So there will be an underspend in the coming financial year?

Ms Beetham—That will depend on how many ports we add.

Senator O'BRIEN—If you add enough to take it up for half the financial year, you will have a shortfall in the outyears, won't you?

Ms Beetham—Obviously, what we would have to fund in this year would need to be able to be funded in subsequent years. But if we were underspending this year, we could carry that money forward, so that the amount available in the subsequent years would be a bit higher.

Senator O'BRIEN—I suppose if we keep delaying, we will have an even bigger amount when we finally get it operating.

Ms Beetham—I don't think that will happen, Senator.

Senator O'BRIEN—No, I am sure it will happen eventually. I have some questions about airport matters. Firstly, with respect to the new quarantine arrangements, there is funding of \$19.4 million for airport infrastructure as part of the enhanced quarantine program, which is on page 36 of the PBS. Can you tell me exactly what new infrastructure will be required of Australian airports to accommodate these upgraded quarantine arrangements?

Mr Dolan—At this point we do not have a full picture of the range of upgrades that are required. We are currently working with AQIS and other players in discussions with the airports to determine precisely the infrastructure requirements, and because there is that lack of precision at this stage, the \$19.4 million is currently in the contingency reserve rather than actually in the budget estimates for the portfolio.

Senator O'BRIEN—When will you know what is required, let alone how much it will cost?

Mr Dolan—We are just about to undertake a series of meetings which will mean that by the middle of June we will have had a first pass with all the affected airports and have a reasonable sense of the variations that are required in airport infrastructure, and then we can take it from there.

Senator O'BRIEN—At what point in the new financial year do you think there will be a clear understanding of the airport infrastructure requirements?

Mr Dolan—I would hope by the end of June we would have a fair understanding of the requirements, and then it is a matter of implementing them as quickly as possible.

Senator O'BRIEN—Which aspect of the requirement will this department be funding? There is a customs need and there is a quarantine need. I am trying to understand what this department's role will be in the provision of airport infrastructure. Let us take KSA, for example. While you own the airport, you do not own the terminals.

Mr Dolan—The view is that, since this is a cost effectively that is being imposed, in terms of changes to infrastructure that are not driven by the business needs of the airport, we should be funding it. Our responsibility generally under the Airports Act is seen to make an appropriate home for the funding within our department. The sorts of changes that will be required will be accommodation for the various customs and AQIS offices, changes to the luggage arrangements and to the various red and green channels. There will be a range of X-ray machines to be placed and that may require some structural change as well just to allow the throughput of the passengers at the peak periods.

Senator O'BRIEN—So this department will not be paying for the X-ray machines but for physical adjustments necessary within the terminals to accommodate the changed requirements of quarantine? What about Customs and DIMA?

Mr Dolan—My understanding is Customs as well.

Senator O'BRIEN—What happens if \$19.4 million is insufficient to pay for the changes to that aspect of the infrastructure for which this department is responsible?

Mr Dolan—As I indicated earlier, that is the reason why the amount is currently in the contingency reserve for the budget. The contingency reserve is in place where there is some possibility that the estimates may be over or understated or unclear at the time. There was a recognition that \$19.4 million was the first pass at understanding the likely infrastructure costs. They may vary so it will be something that we will take up in the course of the year and have adjusted at additional estimates, if necessary.

Senator O'BRIEN—What role has the department played in making an assessment about the initial advance—or proposed amount, if you want to put it that way—of \$19.4 million?

Mr Dolan—We were consulted at the time that proposals were being put to government in the budget context.

Senator O'BRIEN—Did the department make any assessments of the adequacy of that amount before it was struck, or didn't you know what the task was?

Mr Elliott—We were not in a position to make detailed estimates. The figures were provided to us. They were gathered by AQIS in consultation with the airports. We facilitated some meetings that were held at reasonably short notice with the airports, and the airports provided some estimates to AQIS.

Senator O'BRIEN—The airports?

Mr Elliott—The airports that are likely to be affected by the changes to infrastructure—Sydney, Melbourne, Brisbane and Perth, for the most part.

Senator O'BRIEN—Doesn't Qantas own their own terminal in Sydney?

Mr Elliott—The international terminal in Sydney is operated by Sydney Airports Corporation. The domestic terminals—to which this would not apply, of course—are owned by Qantas and Ansett.

Senator O'BRIEN—In Melbourne, it is owned by the Airports Corporation.

Mr Elliott—Yes, in Melbourne, it is the same thing. The two prongs on the side, as it were, in Melbourne are each owned by the airlines. The central core is effectively a common user international terminal.

Senator O'BRIEN—By APAC?

Mr Elliott—Yes.

Senator O'BRIEN—So there are possibly going to be further discussions or negotiations—call them what you will—as plans develop and true costs are known?

Mr Dolan—Yes.

Senator O'BRIEN—On page 47 of the PBS, there is a compensation payment to Sydney Airports Corporation Ltd for the sale of Sydney airport land. It is in the current financial year and it is \$2 million. Can someone explain that expense, please?

Mr Dolan—That is money set aside in compensation for the acquisition by the New South Wales Roads and Traffic Authority for the extension of the M5 Motorway in Sydney which will pass through what is currently airport land. Negotiations are still in train to complete that

particular transaction. There will be revenue to the Commonwealth as a result of compensation from the Roads and Traffic Authority, and elements of that compensation will be passed on to Sydney Airports Corporation Ltd in compensation for that.

Senator O'BRIEN—Out of your budget. Where will the revenue go?

Mr Elliott—The revenue would come to the Commonwealth, or at least under the plan at the time as it were, bearing in mind that this is this year's appropriation. The plan was that the revenue would come to the Commonwealth and the Commonwealth would keep some of it and that the bulk of it would go to Sydney airport. There was a deal struck, as it were.

Senator O'BRIEN—Does the Commonwealth own the land?

Mr Elliott—The Commonwealth is the owner of the land. Next financial year, as you know, the sale of the airport is in prospect. The whole issue really needs to be revisited as to who gets the revenue. It is Commonwealth land, so arguably the Commonwealth should get the entire amount of revenue. So that would be an issue that needs to be revisited in the context of the Sydney sale.

Senator O'BRIEN—But in the meantime, the Sydney Airports Corporation gets to hang on to \$2 million. Is that how we should understand it?

Mr Elliott—If the transaction is completed this financial year, yes. But if the transaction is not going to be completed until the next financial year, then the whole issue arises as to whether that money or land belongs to the Commonwealth or whether it belongs to the airport which is being sold to a private interest. So we really need to revisit that whole issue of where that money goes to.

Senator O'BRIEN—In the PBS—table 2.2: operating expenses—there is another 2000-01 expenditure item identified is a payment. Under the heading 'Administered program group 2: services for industry administered on behalf of the Commonwealth', there is \$8.8 million allocated for the upgrade of Canberra airport to international wide-bodied jet standard. Was there a process for the approval of this expenditure?

Mr Dolan—It was an expenditure that was approved by the government to effect an outcome. It wished to have the capacity on a safe basis at Canberra airport to take wide-bodied jets from visiting heads of state for direct arrival at the airport. So it was a decision within government to fund this.

Senator O'BRIEN—It was initiated by the Commonwealth. Was there a request for funding from the territory or the airport operator, or was it just something initiated by the government?

Mr Dolan—I was not in the division at the time—not to my knowledge. Mr Elliott may wish to comment further.

Mr Elliott—No, it was initiated from within government.

Senator O'BRIEN—So the first you heard of it was when the decision was announced?

Mr Elliott—No. We were asked to investigate the possibilities for upgrading the airport to take wide-bodied aircraft. I am not quite sure that I can remember how it came about—who first asked us. But we were essentially asked to look at that possibility in the very early stages of the budget context.

Senator O'BRIEN—Of this budget?

Mr Elliott—Yes, and to work up a proposal for consideration by government.

Senator O'BRIEN—What was the cost benefit ratio for the project?

Mr Elliott—We did not do a cost benefit analysis. By its nature, a cost benefit analysis would be done on the presumption that the benefits would outweigh the cost. If that were the case, there would be a very clear case for the airport operator to undertake the work. This was done as a government initiative. There was no clear case for the airport operator to undertake the work because it is being done on the basis of national interest or the standing of the national capital.

Senator O'BRIEN—Was any environmental impact statement considered?

Mr Elliott—No, there has been no call for an EIS. There has not been an EIS undertaken, but there are some environmental considerations that have yet to be considered.

Senator O'BRIEN—All of them, apparently. Any that arise from the project remain to be considered. Is that what you are saying?

Mr McLucas—It would require an environmental impact statement or it would be looked at environmentally if it were a major development project. That would mean that it exceeded \$10 million or had significant impacts on the environment. In fact, the minister considered the proposal and the airport provided information about the environmental significance of the small amount of the airport that would be affected. It was determined that it was not environmentally significant. However, while it was not required to, given the minister's determination, the airport has referred the project under the provisions of the Environmental Protection and Biodiversity Conservation Act and it will be considered by the Minister for the Environment and Heritage under the provisions of that act.

Senator O'BRIEN—So the money will not be spent in the current financial year?

Mr McLucas—Not this financial year.

Senator O'BRIEN—No.

Mr Dolan—There are some contingencies. The original process involved environmental decision making under the provisions of the Airports Act. An environment strategy was in place for Canberra airport and, as a result of this proposal, a variation was agreed to that strategy which took account of a range of environmental consideration in terms of the Airports Act. That sort of approach is broadly consistent with considerations taken under the Environmental Protection and Biodiversity Conservation Act. Given that there was a range of community and other interests in the widening of the runway, Canberra airport agreed, in a belt-and-braces approach, if you like, to also refer it to Environment Australia. It is our expectation that it would not be seen as a proposal for consideration in terms of the act and so work could take place after the 20-day consideration period and the bulk of it could still be achieved this financial year. If there is a different view in the environment department, there would be no question that the expenditure would take place this year.

Senator O'BRIEN—How does equipping Canberra airport to international wide-bodied jet standards affect the ANEF pattern?

Mr Elliott—It is very unlikely that it would affect it; very unlikely.

Senator O'BRIEN—Has that point been investigated?

Mr Elliott—No, it has not been investigated, but I am 99 per cent certain that any impact would be absolutely minimal. We are talking about several aircraft a year; perhaps a few more.

Senator O'BRIEN—Well, at the moment. But once you equip it, it could provide overflow for Sydney at some stage; who knows?

Mr Dolan—The proposal the Commonwealth is funding would allow occasional landing on the airport. It is a widening of the runway, not strengthening of the runway. While the occasional landing of a wide-bodied, heavy aircraft is possible, and runway lights would no longer be blown out on take-off, the runway is not strong enough to deal with any serious level of wide-bodied traffic. A major proposal would be required to upgrade the runway to take any consistent level of wide-bodied traffic. So there is no possibility, at this stage, of anything other than occasional landing and take off.

Senator O'BRIEN—How many international wide-bodied jets would the airport be able to cope with in the context of your statement, Mr Dolan?

Mr Elliott—That would be a matter for the airport to judge on the basis of aircraft that they consider can appropriately use the runway. Bearing in mind what Mr Dolan said about the strength of the pavement, there is a judgment call that the airport operator has to make in terms of how many heavy aircraft landings they can make when the runway is not necessarily strong enough. What happens is that the pavement of the runway will actually deflect with a much heavier aircraft. Because it is a flexible pavement, it can withstand that, but you have to allow time for the pavement to recover. Some of the pavement actually deflects and then, over a period of time, it will right itself. That could take a month or a couple of months. The airport operator has to make a judgment about whether they will allow further aircraft to use the runway. All that this upgrading does is effectively to provide sufficient width on the runway. It is a relatively minimalist approach.

Senator O'BRIEN—The Commonwealth is going to spend \$8.8 million. You must have some idea of how many aircraft you think need to be accommodated, to prioritise this expenditure.

Mr Elliott—I am not sure that we are competent to answer that, Senator. There are two issues there. One is how often aircraft can use the runway, and the other is how often international VIPs would like to call. PM&C might be able to give you an idea of how often VIPs expect to visit the national capital. To my knowledge, it is no more than four or five a year. Do not necessarily hold me to that, but it is of that sort of order.

Senator O'BRIEN—Are there any other funding requests for airport upgrade or development currently being considered by the department?

Mr Elliott—Only foot-and-mouth, which we covered previously.

Senator O'BRIEN—What is the process for applying to the Commonwealth for airport upgrade funding?

Mr Dolan—There is no formal process as such, Senator. The normal arrangement for airports is through the master plan and variations to the master plan. The expectation is that in normal circumstances an airport would undertake the work based on its own business case. In Canberra, this is a particular case to deal with the national capital status and a very specific requirement. So we do not have any standard set of procedures for dealing with these issues.

Senator O'BRIEN—If the airport operator chose to use the runway for commercial landings from time to time, would the operator be required to make any payments to the Commonwealth?

Mr Elliott—There has been no provision for that, Senator. The expectation is that there is no business case for the airport operator to look to upgrade the runway for wide-bodied aircraft. During the negotiations with Canberra airport we raised that issue with them. We said, 'Are you expecting wide-bodied charters to use the airport?' The reply, if I can remember it correctly, was along the lines of, 'I'd be rapt if I got one charter a year.' So our expectation that there would be wide-bodied charters using the airport is quite low. That makes sense when you—

Senator O'BRIEN—If it happens, it is a bonus or a windfall for the operator.

Mr Elliott—It would be a windfall for Canberra airport. By the same token, the grant to Canberra airport is a limited amount and if the upgrade costs a bit more than the \$8.8 million, they are wearing the risk of that.

Senator O'BRIEN—As I understand it, the Airports Division administers the Infrastructure Borrowings Tax Offset Scheme in conjunction with the Australian Taxation Office.

Mr Elliott—That is correct.

Senator O'BRIEN—The scheme appears on page 57 of the Department of Transport's PBS under the heading 'Services for industry and economic development', and it has an annual cap for tax concessions of \$75 million.

Mr McLucas—That is correct.

Senator O'BRIEN—Has that cap been reached in recent years?

Mr McLucas—It has not. On the basis of the projects that have been approved under the program, the projections of the possible tax offset amounts go as high as about \$66 million, I think, over a couple of years. They build up, they plateau and then they tail down again. That is considerably higher than the actual tax offsets, because for big infrastructure projects it takes a considerable time to finalise the details of the project and, in particular, the financial structure and lenders. While the approval process is a two-tier one, or even a three-tier one, there is an initial approval under the conditions of the scheme.

There is then a final approval by the minister—that is, the full financial details, the financial structure, and checks that matters such as tax avoidance mechanisms and so on are not involved, which is the tax office side of things. When that is all in place and the project is in place and it satisfies to the letter the conditions of the scheme, the minister then gives an approval with tax amounts for each year of the project. Then, on the basis of that, quite quickly afterwards, there is an agreement between the Commonwealth and the project as to the details of the scheme.

Moving from the initial government approval on the basis of the first proposed details of the project to the actual finalisation of lenders and so on can take a considerable time. That is why there is the slow build-up. A number of projects are in the approval stage but have not yet reached the stage of getting final approval from the minister. We are very much in the hands of the project proponent to find the borrowers and get the project moving.

Senator O'BRIEN—I understand that the scheme is currently under review. When will the review of the scheme be completed? Will its findings be discussed with the infrastructure community before a policy position is announced?

Mr McLucas—It is under review, and indeed that review has gone a considerable way. One of the issues on which the finalisation of that review depends are two provisions of the Income Tax Assessment Act—section 51AD, and division 16D—which are to do with the attractiveness of certain sorts of infrastructure projects to private developers. Recommendations were made on those provisions in the Ralph report, and work is still being done by the tax office in consultation with the infrastructure industry on implementing or finding an accommodation for the Ralph recommendations. Ralph basically recommended that they become less restrictive than they are now. That is being discussed among Treasury, the tax office and the infrastructure industry.

The reason why finalisation of the review is dependent on the outcome of that is that, if these provisions are in some way loosened or removed, it will go to one of the key issues with the scheme—that is, whether a particular crafted scheme is necessary to achieve the government's infrastructure objectives. We are dependent on that tax consideration to finalise the review. It is essentially in the minister's hands, but consultation with the industry would be like consultation on anything.

CHAIR—I thank the officers for their attendance tonight.

Committee adjourned at 11.01 p.m.