

The Senate

Rural and Regional Affairs and
Transport Legislation Committee

Additional estimates 2005-06

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Committee Secretariat

Ms Roxane Le Guen, Secretary
Ms Jenene James, Research Officer

Parliament House
Canberra ACT 2600

phone: (02) 6277 3511

fax: (02) 6277 5811

e-mail: rrat.sen@aph.gov.au

internet: www.aph.gov.au/senate/committee/rrat_ctte/index.htm

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List of Abbreviations

| | |
|---------|---|
| AAA | Agriculture–Advancing Australia |
| ABARE | Australian Bureau of Agricultural and Resource Economics |
| ACC | Area Consultative Committee |
| AFMA | Australian Fisheries Management Authority |
| AIGN | Australian Industry Greenhouse Network |
| AMSA | Australian Maritime Safety Authority |
| AQIS | Australian Quarantine and Inspection Service |
| ASAF | Aviation Security Advisory Forum |
| ASIC | Aviation Security Identity Card |
| ATSB | Australian Transport Safety Bureau |
| AWB(I) | Australian Wheat Board International |
| AWB Ltd | Australian Wheat Board Ltd |
| BA | Biosecurity Australia |
| BRS | Bureau of Rural Sciences |
| BSE | Bovine spongiform encephalopathy |
| BTRE | Bureau of Transport and Regional Economics |
| CAC Act | Commonwealth Authorities and Companies Act |
| CASA | Civil Aviation Safety Authority |
| CEO | Chief Executive Officer |
| COAG | Council of Australian Governments |
| CTAF | Common Traffic Advisory Frequency |
| CTAF(R) | Common Traffic Advisory Frequency (mandatory carriage and use of radio applies) |
| CTFR | Counter-Terrorism First Response |
| CVR | Cockpit Voice Recorder |
| DAFF | Department of Agriculture, Fisheries and Forestry |
| DEST | Department of Education, Science and Training |
| DFAT | Department of Foreign Affairs and Trade |
| DIMA | Department of Immigration and Multicultural Affairs |
| DOTARS | Department of Transport and Regional Services |

| | |
|-------|--|
| DPP | Director of Public Prosecutions |
| EC | Exceptional Circumstances |
| FAG | Financial Assistance Grant |
| F&MD | Foot and Mouth Disease |
| FOB | Free on Board |
| FSANZ | Food Standards Australia New Zealand |
| FTA | Free Trade Agreement |
| GM | Genetically Modified |
| IRA | Import Risk Analysis |
| ITS | Inspector of Transport Security |
| MOU | Memorandum of Understanding |
| MSIC | Maritime Security Identity Card |
| NAMS | National Agricultural Monitoring System |
| NLIS | National Livestock Identification Scheme |
| NWC | National Water Commission |
| OIPC | Office of Indigenous Policy Coordination |
| OTS | Office of Transport Security |
| PBS | Portfolio Budget Statements |
| PAES | Portfolio Additional Estimates Statements |
| PIAPH | Product Integrity, Animal and Plant Health |
| RAG | Regional Advisory Group |
| RPT | Regular Public Transport |
| RTC | Rural Transaction Centre |
| RFA | Regional Forest Agreement |
| SFA | Statutory Funding Agreement |
| SPF | Specific Pathogen Free |
| SVP | Single Voyage Permits |
| VHT | Vapour Heat Treatment |
| WEA | Wheat Export Authority |

Chapter 1

Introduction

1.1 On 8 February 2006, the Senate referred to the committee the following documents for examination and report in relation to the Agriculture, Fisheries and Forestry and Transport and Regional Services portfolios:

- Particulars of proposed additional expenditure in respect of the year ending on 30 June 2006 [Appropriation Bill (No. 3) 2005–2006];
- Particulars of certain proposed additional expenditure in respect of the year ending on 30 June 2006 [Appropriation Bill (No. 4) 2005–2006];
- Statement of savings expected in annual appropriations made by Act No. 72 of 2005 (*Appropriation Act (No. 1) 2005–2006*) and Act No. 73 of 2005 (*Appropriation Act (No. 2) 2005–2006*);
- Final budget outcome 2004–05 and the Issues from the Advance to the Minister for Finance as a final charge for the year ended 30 June 2005.¹

1.2 Legislation committees were required to report to the Senate on 28 March 2006.²

1.3 The committee considered the Portfolio Additional Estimates Statements 2005–2006 for each portfolio at hearings on 13, 14, and 17 February 2006. The hearings were conducted in accordance with the agreed agenda as follows:

- Monday, 13 February – Transport and Regional Services portfolio;
- Tuesday, 14 February – Agriculture, Fisheries and Forestry portfolio;
- Friday, 17 February – Transport and Regional Services portfolio.

1.4 The committee heard evidence from Senator The Hon Ian Campbell, Minister for the Environment and Heritage, representing the Minister for Transport and Regional Services and Senator The Hon Eric Abetz, Minister for Fisheries, Forestry and Conservation, representing the Minister for Agriculture, Fisheries and Forestry. Evidence was also provided by Mr Mike Taylor, Secretary of the Department of Transport and Regional Services, Ms Joanna Hewitt, Secretary of the Department of

1 *Journals of the Senate*, No. 70, 8 February 2006, p. 1835.

2 *Journals of the Senate*, No. 71, 9 February 2006, p. 1845.

Agriculture, Fisheries and Forestry, and officers representing the departments and agencies covered by the estimates before the committee.

1.5 The committee thanks the ministers, departmental secretaries and officers for their assistance and cooperation during the hearings.

Questions on Notice

1.6 In accordance with Standing Order 26, the committee is required to set a date for the lodgement of written answers and additional information. The committee requested that written answers and additional information should be submitted by Thursday, 6 April 2006.

1.7 In his opening statements to DOTARS and DAFF, the chair expressed the committee's concern about the late submission of answers to questions on notice from the previous round of estimates. In particular, the committee was concerned that a pattern has developed where the departments do not provide answers at the estimates hearings; instead, questions are taken on notice but not answered for several months and often provided on the day before the next round of hearings. The committee finds this unacceptable and intends to monitor the situation closely.

Additional Information

1.8 Answers to questions taken on notice at the additional estimates hearings will be tabled in the Senate in separate volumes entitled 'Additional Information provided during the Rural and Regional Affairs and Transport Legislation Committee's examination of additional estimates 2005–2006'. Documents not suitable for inclusion in the additional information volumes will be available on request from the committee secretariat.

1.9 Answers to questions on notice received from the departments will also be posted onto the committee's website at a later date.

Chapter 2

Transport and Regional Services portfolio

Department of Transport and Regional Services

2.1 The committee heard evidence from the department on Monday, 13 February and Friday, 17 February 2006. The hearing was conducted in the following order:

- Corporate Services
- Portfolio Strategic Policy and Projects
- AusLink
- Maritime and Land Transport
- Australian Transport Safety Bureau
- Office of Transport Security
- Inspector of Transport Security
- Aviation and Airports
- Civil Aviation Safety Authority (CASA)
- Australian Maritime Safety Authority
- Regional Services
- Territories and Local Government
- National Capital Authority

Secretary's overview

2.2 In his opening remarks to the committee, the secretary of DOTARS, Mr Mike Taylor, gave an overview of developments within the department. He outlined key changes to senior management within the organisation, including the appointment of a third deputy secretary, Mr Andrew Tongue. He stated that a major priority for the department will be implementing new aviation security and surface transport measures, in partnership with other agencies and industry. He emphasised the department's continuing support for efforts to improve international cooperation on aviation security at overseas airports with direct flights into Australia. This includes the deployment of air security officers on flights from the Philippines, Indonesia, Thailand and Malaysia.

2.3 The committee was told that a taskforce has been established to oversee the implementation of the recommendations of the Wheeler review on airport security. The new Aviation Security Identity Card program requirements have been extended to all security controlled airports with regular public transport and background-checking

criteria have been strengthened. An interim Office of Airspace Management has been established to oversee the transition of airspace regulation from Airservices Australia.

2.4 The secretary highlighted new measures to assist the states with surface transport security, including a review of surface transport technology and the development of a national approach for closed-circuit television in the wake of the London bombings.

2.5 Under the AusLink plan, bilateral agreements with the states and territories have been completed, with work now beginning on the next stage for the preparation of corridor strategies with state transport agencies.

2.6 Achievements in regional and rural areas included the introduction of the Rural-Medical Infrastructure Fund, continuing installation of Bank@Post electronic banking facilities, agreement on a trial of the compulsory national education scheme for P-plate drivers and the continuation of the bushfire mitigation program.

2.7 The secretary explained that the needs of Indigenous communities remain a high priority for the department. As sponsor of the COAG East Kimberley trial, the secretary sits on the reference group with local and state community representatives. Its current focus is on housing, stores and youth.¹

Corporate Services

2.8 The committee began by addressing the issue of answers to questions on notice from the previous round. Only 14 out of 276 answers were received by the due date of 16 December 2005. A substantial number of answers were received on the Friday before this hearing, some arriving at 4.30 pm, and more than 50 were still outstanding on the day of the hearing. The committee expressed concern that the late provision of answers did not give senators adequate time to consider the responses and pursue follow-up questions at the current hearings. The committee tried to establish whether the delays occurred in the department or in the minister's office and requested details of when answers were sent to the minister. The department took this on notice.²

2.9 The committee sought an update on the COAG East Kimberly indigenous trial site and asked whether a postponed visit to the trial site had since gone ahead. The department stated that a visit is now scheduled for 9 March 2006 and emphasised the importance of the local communities taking responsibility for scheduling visits. The previous visit had been postponed at the communities' request. Apart from these visits, there are two departmental officers located at Halls Creek who are in daily and weekly contact with the four communities. The department also works closely with other Commonwealth agencies such as OIPC, Health and DEST and Western Australian government agencies who deliver government programs within the communities.

1 *Estimates Hansard*, 13 February 2006, pp. 3–6.

2 *Estimates Hansard*, 13 February 2006, pp. 3 and 6–8.

2.10 The committee asked the department whether performance indicators had been established for the trial site. The secretary pointed out the difficulties with performance indicators in remote communities, but explained that OIPC has been closely monitoring the changes that have taken place in the communities.

2.11 The committee referred to previous concerns about the high percentage of funding relating to departmental expenses and requested an update. The secretary explained that this was a misunderstanding of the department's role as sponsor. It does not provide program funding but is responsible for coordinating whole-of-government activity. In 2004–05 departmental expenditure on the trial was just over \$1 million. Approximately two-thirds of this was spent on salaries and operational expenses and about one-third on projects supporting planning and governance processes within the communities.³

2.12 Other matters raised by the committee included:

- Decision to create the Office of Airspace Management (*Estimates Hansard*, 13 February, pp. 8–9).
- Impact of agreements reached at the COAG meeting on Friday 10 February 2006 on the reform of road and rail regulations (pp. 9–11).
- Secretary's remuneration package, including the determination under section 61 of the Public Service Act to pay for 'temporary accommodation arrangements' and 'reunion travel' (pp. 9–11 and 95).
- Whether the secretary had any knowledge of kickbacks paid to Saddam Hussein's regime (p. 12).
- Mr Cerasani's appointment to a governance position within the department (pp. 12–13).
- Departmental staffing levels (pp. 13–16).
- Effect of the new industrial relations legislation on the department's relationship with its staff (p. 16).
- Funding for the refurbishment of the national office (pp. 16–17, 26 and 42).
- Implementation of the Uhrig recommendations on corporate governance relating to statutory authorities (p. 17).
- Departmental travel: best fare of the day policy; travel budget savings over the past five years; airline lounge memberships; travel budget expended by airline (pp. 17–20).
- Indigenous employment strategy; workplace diversity program (pp. 24–25).
- Mr Fisher's role in the department; budget for Mr Fisher's group (Strategic Projects) (pp. 25–26 and 29).

3 *Estimates Hansard*, 13 February 2006, pp. 20–24.

Portfolio Strategic Policy and Projects

2.13 The Bureau of Transport and Regional Economics (BTRE) indicated that its funding for the year is \$5.4 million which includes income from a small amount of consultancy work and statistical sales. Some of this funding has been used to conduct an analysis of the net economic benefit of increased competition on the Pacific air route, including a modelling component which was carried out by a consultancy, Access Economics. The bureau advised that it is unable to provide details at this stage as this research material is currently being considered by government ministers. However, the expectation is that its reports will normally be publicly released.⁴

2.14 The committee also heard evidence about:

- The effect of mid to long term prices of oil on BTRE's strategic planning for rail and roads (*Estimates Hansard*, 13 February, pp. 26–27).
- New research projects to commence this financial year (p. 28).

AusLink

2.15 The committee requested an update on the four pilot corridor strategies and was advised that they are nearing completion. The results will be presented to COAG first, who will decide whether to make them public. The department advised that each state and territory has signed a bi-lateral agreement with the Commonwealth government. In response to a request from the committee for copies of these bilateral agreements at the previous estimates round, the department explained that it is still in the process of checking with the minister and state governments whether they can be released.⁵

2.16 The committee sought an update on the following AusLink road projects:

- Ipswich-Logan Motorway interchange and upgrade between Gailes and Darra (*Estimates Hansard*, 13 February, pp. 30 and 31).
- Trial project to remove tolls for heavy vehicles using the Logan Motorway after 10 pm (pp. 30–31 and 51).
- Upgrade of intersection of Mains Road and Kessels Road in Brisbane (p. 31).
- Studies to examine options for the Goodna bypass to take traffic off the Ipswich Motorway (pp. 31–34).
- TransApex tunnel study (p. 34).
- Second Toowoomba range crossing (p. 34).
- Strategic planning for the Hobart to Devonport and Burnie corridor (p. 34).

4 *Estimates Hansard*, 13 February 2006, pp. 27–29.

5 *Estimates Hansard*, 13 February 2006, pp. 29–30.

-
- Upgrade to Bruce Highway immediately north of Townsville (pp. 36–37).
 - Improvements to intersection at Plainland on the Warrego Highway (pp. 37 and 51).
 - Formation of a steering committee and a working group to explore future options to upgrade the Pacific Highway in New South Wales (pp. 37–41).
 - Funding for the Peel deviation and extension of the Kwinana Freeway in Western Australia (pp. 42–43).
 - Princes Highway safety works and Pambula River bridge project (p. 43).
 - Bateman's Bay Bypass (p. 43).
 - Wyong-Warnervale link road (p. 43).
 - Bondi Beach project (p. 43).
 - Lakes Way and Dungog Road (p. 44).
 - Great Alpine Way in Victoria (p. 44).
 - Metung Boardwalk (p. 44).
 - Yan Yean Road (p. 44).
 - Bryn Mawr project in La Trobe (p. 44).
 - Tablelands road project in Queensland (p. 45).
 - River Heads Road (p. 45).
 - Bribie Island Road (p. 45).
 - Russett Park Bridge at Mareeba (p. 45).
 - Upgrade of Tasman Highway between Bridport and Scottsdale roads (pp. 45–46).
 - Sisters Hills in Tasmania (p. 46).
 - Outback Highway (pp. 46–47).

2.17 Other matters discussed included:

- Report on the independent assessment of the Tasmanian rail system (p. 35).
- Funding for planning of a rail freight upgrade north of Sydney (p. 35).
- Reallocation of funding originally committed to the Scoresby project in Victoria (pp. 41–42).
- Requirement for councils receiving Roads to Recovery funds to supply and erect Roads to Recovery signs (pp. 48–49 and 51).
- AusLink funded review of intermodal terminals (pp. 49–50).
- Rail projects funded under AusLink (p. 50).
- Rescue package for Tasmanian freight rail services (pp. 50–51).
- Model rail safety reform bill (p. 51).

Maritime and Land Transport

2.18 The committee followed-up on the review of coastal shipping policy which was raised during the previous estimates round. The department advised that after discussions with the Australian Shipowners Association, it prepared a paper containing draft changes to the guidelines which was circulated to 69 stakeholders. It received 11 submissions in response and has prepared advice for the minister which is still under consideration.

2.19 As part of this exercise, the minister had asked the department to review the rule that a vessel detained by AMSA within the last six months is unable to receive a permit. The department explained that it was found to be too inflexible, particularly in the case of vessels detained for short periods for minor problems which are easily remedied.⁶

2.20 The committee also sought information about:

- National Transport Commission's recommendation to the Australian Transport Council on the review of national heavy vehicle road charging (referred to as the third heavy vehicle price determination) (*Estimates Hansard*, 13 February, p. 51).
- National Transport Commission's work on fatigue in the transport industry (p. 52).
- The impact of the government's Work Choices legislation on safety in the transport industry (p. 52).
- Funding allocated to road safety research (pp. 52–53).
- Impact of skills shortages on the transport sector; increased costs for projects as a result of shortages in skilled personnel for the design, construction and maintenance of the transport infrastructure (p. 53).
- Meeting with Pan Shipping to discuss its proposed coastal shipping service between Melbourne and Fremantle (pp. 55–56).
- Report of the independent review of the Seacare scheme (pp. 56 and 80).
- Introduction of a new maritime crew visa (pp. 56–57).

Australian Transport Safety Bureau

2.21 The committee asked ATSB to explain how it determines which events to investigate and how resources are allocated to each investigation. ATSB responded that it has different responsibilities for rail, marine and aviation investigations. In terms of rail, it carries out investigations on the defined interstate rail network only; the states have primary responsibility for intrastate rail investigation. On the marine side, it investigates interstate and international shipping, with the states handling small

6 *Estimates Hansard*, 13 February 2006, pp. 53–55.

craft. Rail and marine investigations are prioritised based on the seriousness of the event.

2.22 The aviation area is more complex as ATSB has responsibility for general aviation as well as the large passenger aircraft and freight aircraft sectors. It must investigate accidents involving international carriers in Australia, in accordance with article 26 of the Chicago convention. The next priority is any fatal accident involving either passenger aircraft or general aviation aircraft but not sport aviation aircraft. However, there are some grey areas such as the recent crash involving fare-paying parachutists which ATSB is looking into. This is followed by non-fatal accidents and incidents not involving international aircraft. In these cases, the bureau tries to assess the safety significance of the event in terms of improving future safety. It has to manage the caseload within its budget, giving precedence to those with the greatest safety priority.⁷

2.23 The committee raised the investigation of the Lockhart River plane crash which occurred on 7 May 2005.⁸ The committee was interested in how ATSB established the findings in its interim report regarding the operator's failure to comply with its operations manual. ATSB explained that it is a regulatory requirement for aircraft to leave a load sheet at the port of departure. As a result of interviews which its officers conducted with the agent at Bamaga and other crew members, it was revealed that the load sheet was not left behind at Bamaga and it was not normal practice to do so. However, a few months earlier CASA had conducted an audit of the operator, Transair, and renewed its air operator certificate.

2.24 Members of the committee have been contacted by relatives of those who died in the crash. They are dissatisfied with the interim report as it does not address key questions such as why the plane was flying so low, why it was descending so quickly and why it was attempting to land in poor weather. In response, Mr Bills explained:

this was an interim factual report that was released on 16 December and it does not contain analysis. That is the major reason it would not have had comment on those matters. Given the extent of the destruction of the aircraft, no witnesses and the CVR not providing useful data, whether we can ultimately find all of the factors involved is an issue that we will have to consider in the fullness of time.⁹

2.25 ATSB indicated that investigations are continuing into workload issues, including whether the crew procedures were appropriate for the approach of the aircraft. It is also looking at airworthiness, management of the organisation (including the availability of resources, training and supervision), and regulatory oversight of the

7 *Estimates Hansard*, 13 February 2006, pp. 58–60.

8 *Estimates Hansard*, 13 February 2006, pp. 60–62 and 63.

9 *Estimates Hansard*, 13 February 2006, p. 61.

operator. ATSB expects to publish a report by the end of this calendar year.¹⁰ This issue was also raised with CASA.¹¹

2.26 The committee also heard evidence about:

- ATSB's internal budget and staffing levels (*Estimates Hansard*, 13 February, pp. 57–58).
- Air safety recommendations regarding the fitting of autopilots (p. 61).
- Mr Dick Smith's publication relating to air safety (pp. 62–63 and 85).
- Kowanyama incident where a plane ran off the end of the runway but was not reported to ATSB (pp. 63–64).
- Balurga station incident where a plane was bogged during taxiing (pp. 64–65).
- Horn Island Airport – alleged incident involving a problem with landing gear (pp. 65 and 85).
- ATSB's road safety activities; analysis of the Christmas road toll; most effective way for the Commonwealth to contribute to the reduction in road deaths and trauma (p. 66).
- Report on the Benalla crash (p. 66).

Office of Transport Security

2.27 The committee followed-up on the transport of high-consequence dangerous goods. At the previous estimates round the committee heard that there was no special process for issuing a permit for a foreign ship with a foreign crew to carry high-consequence dangerous goods. OTS indicated that it has reviewed processes relating to the carriage of ammonium nitrate but not the list of high-consequence goods in general.

2.28 The committee expressed concern that crew members aboard flag of convenience vessels carrying ammonium nitrate are not subject to the same controls as farmers who handle the substance on dry land. OTS explained that ships bearing other flags are not regulated by the Australian government; nor are the approximately 200,000 foreign seamen who go through Australian ports each year. The regulations only apply to Australian flagged vessels and Australians. This is part of the rationale for changes to the visa system introduced by the Department of Immigration and Multicultural Affairs.¹²

2.29 Aviation security was also an area of interest to the committee. The department discussed the review of Aviation Security Identification Cards (ASICs).

10 *Estimates Hansard*, 13 February 2006, pp. 61–62 and 63.

11 *Estimates Hansard*, 13 February 2006, pp. 103–111.

12 *Estimates Hansard*, 13 February 2006, pp. 68–69.

The ASIC criteria have been further strengthened with the introduction of a pattern of criminality test which comes into effect on 6 March 2006. This means closer monitoring of individuals with a pattern of low-level crime who have not been sentenced to a custodial sentence. They will be issued with an ASIC for only 12 months instead of the usual two years.¹³

2.30 The committee asked whether the aviation security regulations have been amended to make it an offence to leave unattended baggage at airports. OTS advised that it has been working with a number of agencies to seek a regulatory solution that captures the intent of the Prime Minister's announcement in an effective and sensible way in practice.¹⁴

2.31 Other matters discussed included:

- Ability of a person convicted of a criminal offence to apply for a Maritime Security Identification Card (MSIC) or an Aviation Security Identification Card (ASIC) (*Estimates Hansard*, 13 February, pp. 66–67).
- Staffing (p. 67).
- Administration of single and continuing voyage permits (pp. 67–69).
- Government's response to KPMG audit of coastal trading permits (p. 70).
- MSIC: numbers issued; cost of implementation; list of approved issuing bodies (pp. 70–71 and 72).
- Review of ASIC (p. 72).
- Implementation of recommendations of the Wheeler review; Counter-Terrorism First Response (CTFR) airports (pp. 72–73).
- Membership and function of the Aviation Security Advisory Forum (ASAF) (pp. 73–74).
- Allocation of funding for regional airport security (p. 74).
- X-ray screening of international checked baggage at airports (p. 74).
- Compliance with the *Aviation Transport Security Act* by Far North Queensland operators (p. 75).
- Regional cooperation to combat piracy (pp. 75–76).

Inspector of Transport Security

2.32 The committee had a short discussion with the Inspector of Transport Security, Mr Palmer. He confirmed that he is able to act only at the minister's direction. He was questioned about his role and the nature of the work he has been doing. One of his main tasks has been to conduct an assessment of surface transport

13 *Estimates Hansard*, 13 February 2006, p. 72.

14 *Estimates Hansard*, 13 February 2006, pp. 74–75.

security arrangements, which he began by consulting with stakeholders in Queensland.¹⁵

2.33 The committee expressed concern at the department's failure to provide a copy of Mr Palmer's contract as requested at supplementary estimates last November. The department explained that it had provided a written answer about the status of the contract, however, it was not clear that an actual copy of the contract was requested.¹⁶

2.34 Other matters pursued included:

- Number of days worked; type of work carried out (*Estimates Hansard*, 13 February, pp. 76–77).
- Legislation to provide for the full operation of the ITS (p. 77).
- Extension of Mr Palmer's contract (p. 78).
- Mr Palmer's place of residence; travel to Canberra; travel budget (pp. 78–79).
- Return of \$300,000 in transport security funding to the department last financial year (p. 79).
- Expenditure for the year to date (pp. 79–80).

Aviation and Airports

2.35 The committee questioned the department at length about the Perth airport lease agreement with Westralia Airports Corporation, in particular the operation of clause 24 relating to the payment of rates.¹⁷ The airport corporation has recently declined to pay just under \$1 million in rates to the City of Belmont. The department explained that it has provided advice that clause 24:

reflects current Commonwealth policy that an ex gratia rate payment in lieu of council rates should be payable on all areas in which trading or financial activities take place. The Commonwealth expects the airport lessee company to enter into arrangements with the relevant council for the payment of such rates. It is generally anticipated that in making these payments the airport lessee company could expect the councils to provide services normally funded from the rates on a similar basis to those provided to off-airport rate payers. Where it can be shown that the services normally funded through the rates are not provided at the airport lessee company we would expect that a reasonable approach by councils would be to make an appropriate adjustment to rate assessments.

However, we do not see a direct relationship between the amount of rates due and the services provided and resile strongly from the notion that the airport lessee company should only be obliged to pay local councils for the

15 *Estimates Hansard*, 13 February 2006, pp. 76–78.

16 *Estimates Hansard*, 13 February 2006, p. 78.

17 *Estimates Hansard*, 13 February 2006, pp. 82–85 and 86–89.

cost of services actually provided by them. Notwithstanding this, we believe there is scope in coming to an arrangement with councils for them to effectively discount some portion of the rates to take account of the fact that some services may not be utilised by the airport. Under the terms of the airport lease we expect that the airport lessee company and relevant councils examine these matters in good faith in order to establish a mutually acceptable outcome.¹⁸

2.36 Senator Johnston expressed the view that the department needs to be firmer in enforcing the above clause with respect to Westralia Airports Corporation and he will be keen to pursue this at the next estimates. The department's view is that it is awaiting the outcome of the negotiations between the two parties.¹⁹

2.37 Senator O'Brien said that he was advised that the council and the lessee both have advice that does not support the policy position outlined by the department above in paragraph 2.35. He requested a copy of the legal advice on which the department based its policy position. This led to questions on the wider implications of business developments on airport land and the disparity between them and businesses on non-airport land which may be disadvantaged.²⁰

2.38 Other matters discussed included:

- The proposed development of a retail complex at Hobart airport (*Estimates Hansard*, 13 February, pp. 80–82 and 86).
- Findings of the Productivity Commission's Commonwealth Competitive Neutrality Complaints Office regarding on-airport business and subleases (p. 82).
- Possible closure of Devonport airport (p. 85).
- Department's role in the review of international aviation policy, including Singapore Airlines' request to fly from Australia to the United States (pp. 89–90).
- Review of the Airports Act regulations; draft definition of 'aeronautical services' (pp. 90–91).
- Monitoring of conditions imposed on the development of the direct factory outlet at Essendon airport (p. 91).
- Proposed commercial development at Sydney airport (pp. 91–92).
- Proposed building of brickworks at Perth airport (pp. 92 and 93–94).
- Review of the privatised airport regime (pp. 92–93).

18 *Estimates Hansard*, 13 February 2006, p. 83.

19 *Estimates Hansard*, 13 February 2006, pp. 83–84.

20 *Estimates Hansard*, 13 February 2006, pp. 86–89.

- Proposed streamlining of public consultation on airport developments; proposed increase of the threshold at which approval is required (p. 93).
- Annual review of Adelaide Airport Ltd (p. 95).

Civil Aviation Safety Authority (CASA)

2.39 The Chief Executive Officer (CEO) of CASA, Mr Byron, made an opening statement highlighting recent reforms to CASA's operations. He indicated that this year's focus will be on operational areas and directing resources where they will have the most impact on aviation safety. The major changes are as follows:

- Abolition of Canberra based positions in the general aviation and air transport operations groups. New positions will be created in its field offices around Australia to support its increased surveillance plans.
- Closure of the New South Wales country field office in Canberra and the movement of management functions from Townsville to Cairns in Far North Queensland.
- Introduction of new teams of safety systems specialists with responsibility for the broad overview of safety performance of operators. This will be complemented by teams to review the safety of smaller, passenger-carrying operations, including charters which are historically at the highest risk of accidents.
- Changes to the manufacturing certification and new technologies office to align it more closely with industry activities and provide more effective oversight.
- Changes to the personnel licensing education and training group with safety educators to focus on talking to people in the field.
- Outsourcing of some of the maintenance personnel licensing functions to free up resources.
- Introduction of specific deadlines and a new approach to the management and delivery of the regulatory reform program, based on the European model.
- Development of outcome focused regulations which are shorter, simpler and easier for industry to understand.
- Establishment of a new ombudsman-style role within CASA, the Industry Complaints Commissioner, who will provide an additional avenue for reviewing decisions made by CASA.²¹

2.40 The committee was interested to know whether the above changes will lead to improved aviation safety.²² In CASA's opinion, the most effective way for it to

21 *Estimates Hansard*, 13 February 2006, pp. 96–97.

22 *Estimates Hansard*, 13 February 2006, pp. 97 and 100–101.

directly improve air safety is to increase its presence in the field and its interaction with the industry. The committee went on to explore issues relating to the above changes in greater detail:

- Abolition of 65 Canberra based positions; redundancy budget; staff morale (*Estimates Hansard*, 13 February, p. 98).
- Consultation with industry stakeholders; review of key management positions; relocation of Townsville office; functions remaining in Canberra (pp. 98–99).
- Changes to the function of the office of the CEO; lack of independence of the new Industry Complaints Commissioner; change in status of the legal services group; role of the field safety advisors (pp. 99–101).
- Cost of the reform plan; expected future savings; regulatory services fees (pp. 101–102).
- Additional checks on small regular public transport (RPT) operators and large passenger charter companies (pp. 102–103).
- Risk analysis; use of operator risk model (p. 103).

2.41 The committee raised concerns about the safety audit conducted on Transair several months before the Lockhart River plane crash.²³ In light of ATSB's findings in its interim report of longstanding breaches of the company operations manual, the committee asked whether CASA considered that its audit was adequate. CASA indicated that this was a misunderstanding of the audit process which does not attempt to learn everything about the operator and their aircraft and systems but is more like a sample check of certain elements. Mr Gemmell explained:

If we had seen it, we should have done something about it. We have, in other cases where we have seen things like that, issued a request for corrective action. It could mean that we did not see it, because we did not observe that part of operation, or it could mean that it did not happen at that particular location at that particular time.²⁴

2.42 The committee was also concerned about CASA's failure to detect that the pilot in charge had not completed human factors management training, again in breach of the company's operations manual. CASA responded that as the training was not a regulatory requirement at the time, it would not have been a high priority during the audit. However, if it had been observed during the audit, the inspectors would have had a responsibility to raise it with the operator. CASA would still encourage operators to perform over and above the minimum regulatory requirements. Mr Byron pointed to the new reforms which will address these issues, by having CASA officers spend more time in the field conducting checks. The committee sought information on the audit elements conducted by CASA which officers agreed to supply on notice.²⁵

23 *Estimates Hansard*, 13 February 2006, pp. 103–111.

24 *Estimates Hansard*, 13 February 2006, p. 104.

25 *Estimates Hansard*, 13 February 2006, pp. 104–109.

2.43 Senator O'Brien raised the issue of the cost of Mr Byron's trip to Europe in May/June 2005. At the supplementary estimates hearing in October 2005, Mr Byron had advised that he was preparing a response to a previous question on notice which included the organisations visited and a breakdown of expenses.²⁶ At this hearing, Mr Byron again assured the committee:

We have provided the answer to that, but I do not have it here in front of me. At some stage, the requirement for that has been provided.²⁷

2.44 Following the estimates hearing, the secretariat confirmed that this information had not been received by the committee. CASA responses to questions on notice from budget estimates in May 2005 and supplementary estimates in October 2005 did not provide details of the cost of the European trip. A similar question placed on the Senate Notice Paper on 24 October 2005 by Senator O'Brien also remained unanswered.²⁸

2.45 The committee was concerned about Mr Byron's failure to answer questions about the cost of his trip to Europe at two estimates hearings. It asked the committee secretary to write to him on 28 February 2006 requesting answers to Senator O'Brien's questions by 15 March 2006. Mr Byron provided a response to the committee on 7 March 2006 with a copy of his answer to Question on Notice no.1335 (tabled in the Senate on 2 March 2006).²⁹

2.46 The committee also discussed:

- Mr Dick Smith's publication relating to the control of airspace (p. 111).
- Kowanyama incident where a plane ran off the end of the runway but was not reported to ATSB because the operator thought that CASA had indicated it was not a reportable incident (p. 112).
- Horn Island Airport – alleged incident involving a problem with landing gear (p. 112).
- Aviation security policy in relation to regional areas; issuing of security identification tags (p. 113).
- Landing of jets at Hamilton Island, Armidale and Tamworth; Common Traffic Advisory Frequency (CTAF) and Common Traffic Advisory Frequency (mandatory carriage and use of radio applies) (CTAF(R)) (pp. 113–114).
- CASA's procurement guidelines; potential conflict of interest in relation to an employee of Acumen Alliance; report from Ms Yeoh on her review of market testing procurement procedures (pp. 115–116).

26 *Estimates Hansard*, 31 October 2005, pp. 74–75.

27 *Estimates Hansard*, 13 February 2006, p. 115.

28 Question on Notice no. 1335, *Senate Notice Paper* No. 71, 27 February 2006, p. 57.

29 *Senate Hansard*, 2 March 2006, pp. 92–93.

- Consultancies: KordaMentha; Kyriakidis Recruitment Services (pp. 116–117).
- Extension of the deadline to display ASICs for pilots to 31 March 2006. This only applies to pilots who have lodged an application before 31 December 2005 (pp. 117–118).
- Role of the Aviation Safety Forum (p. 118).
- Revocation of CASA instrument no. 579 of 2005 relating to the polishing of an aircraft (pp. 118–119).

Australian Maritime Safety Authority

2.47 The committee had a brief discussion with officers from the Australian Maritime Safety Authority (AMSA) about the following:

- Introduction of legislation to alter the jurisdictional basis for vessel safety regulation. Vessels above 500 tonnes will fall under the jurisdiction of AMSA and below 500 tonnes will be at the state level. (*Estimates Hansard*, 13 February, pp. 119–120).
- Implementation of new national maritime emergency response arrangements (pp. 120–121).
- AMSA's role in relation to a major oil spill following a collision between a tug and the bulk coal carrier *Global Peace* (p. 121).
- AMSA's inspection of the *Thor Hawk* which carried ammonium nitrate between Port Kembla, Newcastle and Gladstone (pp. 121–122).

Regional Services

2.48 The committee sought an update on the timing of the government response to the Senate committee inquiry into Regional Partnerships. The department advised that it is still under consideration by the government.³⁰

2.49 The department mentioned the government's announcement of a range of changes to the Regional Partnerships program in November last year and the committee was interested in the effect of these changes on the program. In the department's opinion, the most significant change was the operation of a committee which is responsible for making decisions on applications for funding under the program. Other changes, including the issuing of revised guidelines by the department, will be implemented progressively throughout the year, with the majority expected to be in place by the middle of the year.³¹

30 *Estimates Hansard*, 17 February 2006, p. 3.

31 *Estimates Hansard*, 17 February 2006, pp. 3 and 4.

2.50 The committee requested a time line for the implementation of the changes. The department undertook to provide this information on notice as its work plan is currently under consideration by the ministerial committee.³²

2.51 The committee followed-up on the additional evaluation strategy for both the Sustainable Regions and the Regional Partnerships programs. During the Senate committee inquiry, the department indicated that this would be carried out in three stages to gather performance data on the impact of these programs against their objectives.³³

2.52 The department advised that it is in the process of finalising stage 2 of the evaluation strategy for Sustainable Regions. The original reporting schedule of late 2005 was adjusted after the initial eight sustainable regions were given an additional 12 months to run. The report is currently being finalised for consideration by the government. The department stated that the public release of the report would be an issue for the minister, but agreed to take it on notice for the committee. In addition, the second stage of the Regional Partnerships review has commenced.³⁴

2.53 The budget for the Regional Partnerships program for this financial year is approximately \$111.6 million. Expenditure to 27 January 2006 was \$40.6 million. The committee queried whether the program was likely to be underspent this year. The department said it was possible, mainly because a number of the government's 40 election commitments still remain to be approved.³⁵ The Sustainable Regions program was underspent in 2004–05, with actual expenditure of \$22.6 million instead of the budgeted \$33.5 million. The committee requested the department to supply on notice the details of the individual projects which caused the underspend.³⁶

2.54 The committee sought an update on the following projects:

- Jimbour amphitheatre (*Estimates Hansard*, 17 February, pp. 4–5).
- Beadesert Rail (p. 5).
- CrocFest (p. 6).
- Payment to Primary Energy Pty Ltd for establishing the preconditions for a company to consider the construction of an ethanol plant (not for the construction of an ethanol plant per se) (pp. 6–7).
- Funding for the government's 40 election commitments (pp. 7–8).

32 *Estimates Hansard*, 17 February 2006, p. 3.

33 *Estimates Hansard*, 17 February 2006, pp. 3–4.

34 *Estimates Hansard*, 17 February 2006, p. 4.

35 *Estimates Hansard*, 17 February 2006, pp. 7 and 10–11.

36 *Estimates Hansard*, 17 February 2006, pp. 13–14.

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- Applications approved and under consideration for the rural medical infrastructure fund (p. 8).
 - Installation of Bank@Post facilities (pp. 8 and 17).
 - Mackay Science and Technology precinct (p. 8).
 - Buchanan Park Rodeo (p. 8).
 - Hinkler Hall of Aviation (p. 9).
 - Upgrade of Dalby showgrounds (pp. 9–10).
 - Eidsvold Sustainable Agroforestry Complex and RM Williams Australian bush centre (p. 10).
 - Tamworth Equine Centre (p. 10).
 - Revitalisation of the Newman town centre (p. 11).
 - Brambruk national park and cultural centre, Halls Gap, Victoria (p. 11).
 - Facility for processing goat meat in Oberon (p. 12).
 - Resource centre and office accommodation in Hopetoun, Western Australia (p. 12).
 - Due diligence checks on the financial viability of a project to purchase a dryer/separator as part of a grape seed oil venture for Coonawarra Gold Facilities Pty Ltd (pp. 12–13).
 - In-depth studies of two new sustainable regions, Darling Matilda Way and Northern Rivers North Coast (pp. 14–15).
 - Funding provided to Area Consultative Committees (ACCs) (pp. 15 and 16).
 - Average assessment time for applications under the Sustainable Regions program (pp. 15–16).
 - Funding for rural transaction centres (p. 16).
 - Findings of the national regional evaluation framework (pp. 16–17).
 - Future of the Regional Women's Advisory Council (p. 17).

Territories and Local Government

2.55 Senator Carr raised the issue of the department's failure to provide answers to questions on notice in a timely manner. The minister, Senator Campbell, indicated that this had already been canvassed by Senator O'Brien earlier in the hearings but he conceded that it was a problem and suggested that ministers based in the House of Representatives do not have an appreciation of Senate processes. He made a commitment to raise it with the minister in the House of Representatives.³⁷

37 *Estimates Hansard*, 17 February 2006, p. 18.

2.56 Senator Carr sought leave to incorporate into Hansard a table which summarised answers to questions on notice received over the last six rounds of estimates in relation to Territories. On four occasions, no questions had been answered by the due date. The committee agreed for the table to be incorporated.³⁸

Norfolk Island

2.57 The committee focussed its questioning on Norfolk Island. It sought the department's view on the administration and governance of Norfolk Island. The department advised that the government had made a series of decisions in relation to Norfolk Island which were to be announced the following week, but refused to comment on the detail of the decisions. The minister informed the committee that the decisions related to the financial sustainability of the island. However, he considered it was appropriate to wait for the government's announcement.³⁹

2.58 The committee asked a series of questions relating to the cabinet decision which departmental officers refused to answer on the basis that they could not comment on cabinet processes.⁴⁰

2.59 Senator Carr raised allegations of a leak of the cabinet decision to the editor of the local newspaper, the *Norfolk Islander*. He asked the minister to take on notice whether the Minister for Territories or the minister's staff had threatened the editor with legal action if the details were published. The minister refused to take the question on notice. However, the deputy secretary of the department indicated that she had been advised by Minister Lloyd that there had been no contact by him or his office with the *Norfolk Islander*.⁴¹

2.60 Senator Carr was interested in the department's responsibility for the appointment of public office holders on Norfolk Island. The department replied that it makes recommendations to the minister regarding appointments to statutory positions. A number of questions followed about the appointment and removal of public officials and the ethical conduct of public officials. The majority of these questions were taken on notice by the department to allow it to take advice on matters relating to the Norfolk Island legislative framework and decisions taken by the Norfolk Island government.⁴²

2.61 The committee sought information about research commissioned on the Norfolk Island taxation system. The department advised that over the past couple of years it had contributed to work commissioned by the Norfolk Island government on

38 *Estimates Hansard*, 17 February 2006, pp. 18–19 and 20.

39 *Estimates Hansard*, 17 February 2006, p. 19.

40 *Estimates Hansard*, 17 February 2006, pp. 19–24.

41 *Estimates Hansard*, 17 February 2006, pp. 21–23.

42 *Estimates Hansard*, 17 February 2006, pp. 24–28.

taxation options and its proposed introduction of a sustainability levy. The department confirmed that it had commissioned an assessment of the financial position of the Norfolk Island government by Acumen Alliance. One of its findings was that the Norfolk Island government was likely to become insolvent in the next 18 months to two years.⁴³ The committee asked whether there was a real possibility of insolvency within a shorter period of five months. The department responded:

That report was brought down in November and it is now February. The Norfolk Island government is not yet insolvent, so I think that is a fairly extreme prediction.⁴⁴

2.62 The committee sought confirmation that the Commonwealth would not allow Norfolk Island to become insolvent and asked if it was proposing to make changes to the taxation regime. The department referred to the government's forthcoming announcement on Norfolk Island and refused to comment on further details.⁴⁵

2.63 Other issues raised by the committee in relation to Norfolk Island included:

- Responsibility for the removal, registration, licensing and practice of barristers and solicitors (*Estimates Hansard*, 17 February, p. 25).
- Positions held by Dr John Walsh, known as Dr John Walsh of Brannagh (pp. 25–28).
- Positions held by Mr John Brown (p. 26).
- Code of conduct for members of the Norfolk Island Legislative Assembly and declaration of pecuniary interests (pp. 45 and 46).
- Probity auditor's reports to the Norfolk Island government; tendering process on Norfolk Island; tendering process for the airport runway, Kingston Pier and Cascade Cliff (pp. 45 and 46–47).
- Amendment to the Norfolk Island Immigration Act in relation to the authorised searches of detainees, including prohibited immigrants and deportees (pp. 47–48).
- Changes to Norfolk Island legislation relating to the regulation of child labour, contained in the Employment Amendment Act 2003 (pp. 48–49).
- Whether the department has ever recommended that the Administrator of Norfolk Island not give assent to legislation (p. 49).

43 *Estimates Hansard*, 17 February 2006, pp. 44–45.

44 *Estimates Hansard*, 17 February 2006, p. 45.

45 *Estimates Hansard*, 17 February 2006, p. 45.

Christmas and Cocos Islands

2.64 The committee sought information about:

- PRL's mining activities on Christmas Island; cost of land rehabilitation (pp. 29–30, 30–31 and 32–33).
- Proposal for an international research centre on Christmas Island (p. 30).
- Value of tourism to Christmas Island and funding for the promotion of tourism (pp. 31–32).
- Economic development strategy for Christmas Island (pp. 31–32).
- SilkAir's provision of regular flights between Christmas Island and Singapore; any other proposals for air links between Christmas Island and Asia. Questions relating to this issue were taken on notice on behalf of the Aviation and Airports Division (pp. 33 and 34).
- Whether the government intends to maintain its policy of not granting a casino licence for Christmas Island (pp. 33–34).
- Repairs to the port crane at Flying Fish Bay on Christmas Island (pp. 34–37).
- Disruption to public access to the golf course on Cocos Island due to security measures at the airport (pp. 37–38).
- Mammography service on Christmas Island (pp. 38–39).
- Proposed transfer of Commonwealth assets to the Christmas and Cocos Island shires, including West Island Cocos Club and the quarantine station (pp. 39–40).
- Contract for air services; value of the contract; annual subsidy from the Commonwealth government towards the contract (pp. 40–41).
- Scoping survey for the delivery of health services (p. 41).
- Agreement on the use of land for the space base (pp. 41 and 42).
- Commonwealth funding for the Linkwater Road project, the extension of the airport and the alternative port (pp. 41–42).
- Problems with access to water on Home Island (pp. 42–43).
- Mobile phone system on Cocos Island (pp. 43–44).

National Capital Authority

2.65 The committee raised the following issues with officers from the NCA:

- Redevelopment of blocks 1 to 5 at State Circle, Forrest (*Estimates Hansard*, 17 February, pp. 50–54).
- Statutory obligations on both the NCA and the developer to engage in consultation (pp. 52–53).

- NCA's decision not to propose a draft amendment to the National Capital Plan which would allow the ACT government to expand the settlement at Pierces Creek (pp. 54–56).
- NCA's development of a consultation protocol to ensure that developers meet their statutory obligations under the National Capital Plan in relation to works approval (pp. 56–57).
- Approval process for major types of non-residential construction works within the Parliamentary Triangle, such as improvements to the National Gallery of Australia and the construction of the National Portrait Gallery (pp. 57–58).
- Assets administered on behalf of the Commonwealth, such as Commonwealth Place (pp. 58–59).
- Expansion of the NCA's role in relation to Australia Day in the Capital events (pp. 59–60).
- Whether work being carried out on Kings Avenue Bridge will be completed before commencing work on Commonwealth Avenue Bridge (p. 60).
- Status of applications for works approval at Canberra airport (p. 60).

Chapter 3

Agriculture, Fisheries and Forestry portfolio

Department of Agriculture, Fisheries and Forestry

3.1 The committee heard evidence from the department on Tuesday, 14 February 2006. The hearing was conducted in the following order:

- Management Services and Corporate Policy
- Food and Agriculture (including Wheat Export Authority)
- Biosecurity Australia
- International
- Product Integrity, Animal (including aquatic animal) and Plant Health
- Australian Quarantine and Inspection Service (AQIS)
- Australian Bureau of Agriculture and Resource Economics (ABARE)
- Bureau of Rural Sciences (BRS)
- Rural Policy and Innovation
- Fisheries and Forestry
- Natural Resource Management

3.2 In his opening statement, the chair repeated the comments made on the first day of hearings in relation to the lateness of answers to questions on notice. No answers were received from DAFF by the due date of 16 December 2005. The majority were received on the Friday afternoon before this hearing, with the remainder sent on Monday afternoon, 13 February 2006.¹

3.3 This was also an issue during questioning of the Fisheries and Forestry division. Officers indicated that questions asked by the committee had already been answered as part of written responses to questions on notice from the previous round of estimates. However, due to the late submission of these answers, committee members did not have time to go through them. The secretary of the department expressed regret at the delay and undertook to 'do better next time'.²

1 *Estimates Hansard*, 14 February 2006, p. 3.

2 *Estimates Hansard*, 14 February 2006, pp. 124–125.

Minister's opening statement

3.4 The hearing began with the following statement by the minister, Senator Abetz:

The government has directed that officials appearing before Senate legislation committees should not answer questions directed to them on matters before the commission of inquiry being conducted by the Hon. Terence Cole into certain Australian companies in relation to the oil for food program. While examination of officials by the committees might be appropriate in the future, the government believes that it would be in the public interest for Mr Cole to be able to proceed with his inquiry and present his findings without parallel public questioning that would not assist consideration of complex issues.³

3.5 The committee questioned the minister about the basis for purporting to direct officers from a statutory authority. The minister replied that those in independent statutory authorities are under the CAC Act and therefore not subject to ministerial direction.⁴

3.6 The committee also explored the use of the phrase 'parallel public questioning' and whether the ban would still apply if the committee decided to hear this evidence in camera. The minister said that if there was a departure from the normal process of conducting estimates hearings in public, the government's position would be considered at that stage.⁵

3.7 The secretary of the department, Ms Hewitt, informed the committee that she had been made aware of the cabinet decision through a minute of cabinet. She had informed senior departmental officers of the directive at a meeting to prepare for their appearance at the estimates hearing. A short time later, Ms Hewitt corrected her evidence by recalling that a brief written instruction to staff was also issued.⁶

3.8 The chair then read out advice from the Clerk of the Senate prepared for the committee on 9 February 2006:

If a minister wishes to raise a claim of public interest immunity and decline to answer questions on the basis that the matters are before a commission of inquiry, that is the responsibility of the minister, not a matter for the chair to rule on that. If the minister persists with such a claim, the committee can only report the matter to the Senate.⁷

3 *Estimates Hansard*, 14 February 2006, p. 3.

4 *Estimates Hansard*, 14 February 2006, p. 3.

5 *Estimates Hansard*, 14 February 2006, pp. 3–4.

6 *Estimates Hansard*, 14 February 2006, pp. 4–5, 6–7 and 20.

7 *Estimates Hansard*, 14 February 2006, p. 6.

3.9 The chair interrupted proceedings to challenge the appearance of several television camera men in the room, who had not sought the committee's formal approval for their presence. They were requested to leave until formal approval was sought and granted.⁸

3.10 The department advised that it did not provide any documents directly to the Cole commission but documents were provided in response to a request from the Department of Foreign Affairs and Trade (DFAT). The secretary was unwilling to make any further comment about the nature of the documents submitted.⁹

Management Services and Corporate Policy

3.11 The committee was interested in the compensation claim lodged by Marnic Worldwide Proprietary Ltd relating to the importation of marine worms for recreational fishing. The department confirmed that a claim had been lodged with the Department of Finance and Administrative Services and it was forwarded on to DAFF for assessment. The original timeframe for assessment was 31 January 2006 but the minister has approved an extension until 28 February 2006, due to the complexity of the claim. The applicant has not yet been advised of the extension.¹⁰

3.12 Other matters raised by the committee included:

- Departmental expenditure; the difference between 'appropriation reprofiling' and 'appropriation rephasing'; revenue projections; capital expenditure for new accommodation; and exceptional circumstances payments (*Estimates Hansard*, 14 February, pp. 8–10).

Food and Agriculture - Wheat Export Authority

3.13 The committee questioned the Wheat Export Authority (WEA) at length about its knowledge of allegations relating to the Australian Wheat Board (AWB) paying kickbacks in Iraq and its role in monitoring AWB.¹¹

3.14 The committee began by referring to a question it had asked at the last estimates about whether WEA had any knowledge of the Jordanian trucking company.¹² At the time, WEA had informed the committee that it had none. In the week before this hearing, the Chairman of WEA, Mr Besley, had sent a letter informing the committee that his previous answer was:

8 *Estimates Hansard*, 14 February 2006, p. 7.

9 *Estimates Hansard*, 14 February 2006, p. 7.

10 *Estimates Hansard*, 14 February 2006, pp. 10–11 and 74. See also discussion with Biosecurity Australia at pp. 72–76 and 77–78 and discussion with AQIS at pp. 83–84.

11 *Estimates Hansard*, 14 February 2006, pp. 11–59.

12 *Estimates Hansard*, 14 February 2006, pp. 11–12.

factually incomplete. The WEA was made aware in mid 2004 from material in its possession that AWB(I) was supplying wheat into Iraq under an arrangement that included over land transport by a Jordanian trucking company.

Consistent with its function of reporting on the outcomes of the export performance of the national pool and in response to public allegations of AWB(I)/AWB Ltd paying "kick backs" in Iraq the WEA undertook to address the issue in its 2004 performance monitoring activities.¹³

3.15 The committee was interested to know how Mr Besley had failed to recall an issue that WEA had in fact been investigating in 2004. Mr Besley replied:

It is a matter of regret that I gave the answer I gave. The question you could ask is whether I am forgetful or I was improperly briefed. I do not want to speculate on either of those things...When it became clear to me, as we were providing information to the Cole commission, that I ought to revisit some of the documentation, I did so...I then finished up writing a letter to the chairman and discussing it with the minister because, in fact, the information that I did not have in my mind—you could ask why I did not and the answer would be that I just did not have it in my mind—was contained in a report we sent to the minister in about October 2004, which did refer to the Jordanian trucking company...¹⁴

3.16 The committee then raised a number of issues with WEA, including those in the following list. A summary of WEA's answers is reported in paragraphs 3.17 to 3.27:

- Whether WEA had reported to the minister on its investigation into the rumours of kickbacks and included references to the Jordanian trucking company (*Estimates Hansard*, 14 February, pp. 12–13).
- Whether WEA's investigation went beyond asking AWB if they were paying kickbacks (pp. 12–13).
- WEA's interpretation of AWB's corporate governance charter (pp. 13–14).
- Whether its investigation had been reported in WEA's growers report to the shareholders and farming community (p. 14).
- The reason why WEA did not use its compulsory powers to carry out an investigation (p. 14).
- WEA's role in monitoring AWB (pp. 13, 15, 32, 34–35, 41–42, 48–49 and 53).

13 Letter from MA (Tim) Besley, Chairman, WEA to Senator Bill Heffernan, Chair, Senate RRAT Committee, 7 February 2006. See also discussion of Mr Besley's letter in *Estimates Hansard*, 14 February 2006, pp. 11–12, 26–29 and 35–37.

14 *Estimates Hansard*, 14 February 2006, p. 12. Mr Besley's recollections at the previous estimates round were also discussed at pp. 35–37.

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- Legal interpretation of WEA's role (pp. 48 and 56–57).
 - The scope of WEA's investigation and whether it carried out a full audit of AWB's books or was confined to checking a sample of 17 contracts (p. 15).
 - The purpose of WEA's investigation (pp. 47–49)
 - Who made the decision to conduct the investigation into AWB and when it was made (pp. 17 and 32).
 - Whether the minister's office was advised of this decision (pp. 17–18).
 - How the request for information was communicated to AWB (p. 19).
 - Whether AWB provided WEA with complete files on the 17 contracts or just part of them (pp. 19–22).
 - Whether WEA saw information relating to contracts only or a wider range of documents (pp. 23–24 and 32).
 - How and when WEA became aware that AWB had engaged a Jordanian trucking company (pp. 24–29).
 - Whether WEA looked into the cost of transport (pp. 33 and 43–44).
 - Steps taken by WEA to assess the implications of the payment of kickbacks on the pool both in financial and legal terms (pp. 14, 32, 45 and 47).
 - Whether WEA had seen the Volcker inquiry report and took any action as a result (pp. 29–31, 34 and 47).
 - Whether WEA had been provided with a copy of the 2003 report prepared by the US Defense Contract Audit Agency on its investigation of contracts awarded under the oil for food program, as stated by Mr Vaile in parliament (pp. 16–17, 18 and 43).
 - The terms of reference for the 2004 Williams review which examined AWB(I)'s management arrangements relating to the single desk (pp. 37–40).
 - The reason why an out-of-performance bonus payment was made to AWB in 2002–03 (pp. 15–16 and 50).
 - The role of the export consent arrangements working group (pp. 51–52).
 - Material provided by WEA to the Cole inquiry; material provided to other government agencies (pp. 31, 33–34 and 45–46).
 - WEA's value for money to the wheat growers (pp. 54–55).

3.17 All of the committee's questions were answered by WEA or taken on notice, with only one attempt to restrict the scope of questioning. Senator O'Brien asked if WEA had investigated the payment of kickbacks in the context of its effect on AWB(I)'s tax liability. The chair stated that the question impinged on the Cole

inquiry. Senator O'Brien pursued his question and Mr Besley replied that WEA had not investigated the issue.¹⁵

3.18 In relation to WEA's investigation, the committee was advised that:

- WEA is required to report to the minister each year on the results of its monitoring of AWB's management of the pool. The last performance review report, sent to the minister in October 2004, also reported on WEA's investigation into the media allegations and referred to the use of a Jordanian trucking company.¹⁶
- WEA first became aware of allegations of kickbacks through the media and it decided to investigate. This decision was taken at a joint board meeting between WEA and AWB in February 2004.¹⁷
- A senior WEA officer examined 17 contracts at AWB International's offices in August 2004. Later in the hearing, WEA clarified this further by saying that the essential elements of the contracts were presented in a folder to the WEA officer to check. It was not known whether the complete contracts were seen as the officer has since retired. The WEA officer made a file note recording what was viewed in the documents. WEA undertook to provide this information on notice.¹⁸
- Mr Besley later clarified that the WEA officer did not only see information relating to 17 contracts. The annual report to the minister also mentioned that WEA had examined various records, certification of export details and authorisation letters from the United Nations. The WEA officer also met face-to-face with two officers from AWB.¹⁹
- In its examination of the contracts, WEA focussed on checking that the FOB (free on board) costs, which are charged to the pool and affect the pool price, were correct and consistent with previous information.²⁰
- During the investigation, AWB denied any wrongdoing and stated that if the price of wheat seemed higher than the benchmark, this was because it included the high cost of transportation up country. WEA did not inquire into the cost of transport. WEA also looked at AWB's corporate governance charter which included a requirement that any agency payments were required to be approved and reported. WEA checked AWB's record of agency payments and there were none registered for Iraq. On the basis of these

15 *Estimates Hansard*, 14 February 2006, p. 54.

16 *Estimates Hansard*, 14 February 2006, pp. 12 and 47–48.

17 *Estimates Hansard*, 14 February 2006, pp. 12–13 and 17.

18 *Estimates Hansard*, 14 February 2006, pp. 12, 19–22, 32–33 and 42.

19 *Estimates Hansard*, 14 February 2006, pp. 23–24 and 32–33.

20 *Estimates Hansard*, 14 February 2006, pp. 13, 32, 45 and 47.

investigations, WEA was satisfied that it was not impacting on the price of the grain pool.²¹

- When WEA asked AWB if it was paying kickbacks and AWB denied any wrongdoing, WEA did not pursue the issue further as it believed it had developed a good working relationship of trust with AWB.²²
- WEA's annual report to the minister is a confidential report. Information about the investigation was not included in WEA's growers report to the shareholders and farming community as it was regarded by AWB as part of its commercial negotiations which it preferred not to have publicly disclosed. WEA has an arrangement with AWB not to disclose commercial-in-confidence information or information that WEA has acquired through the use of its compulsory powers.²³
- WEA did not feel that it was necessary to use its compulsory powers to carry out the investigation as AWB had been cooperative with its inquiries.²⁴
- WEA first became aware of the Jordanian trucking company when it was mentioned in a short briefing document from AWB in May 2004 which outlined their approach to doing business in Iraq.²⁵

3.19 WEA also advised the committee that:

- It did nothing specific as a result of the publication of the Volcker report.²⁶
- The CEO, Mr Taylor, was responsible for overseeing the collation of material for the Cole inquiry. He checked for every reference that the WEA had, in any record, to AWB(I) wheat sales to Iraq. It was a very broad request covering a vast range of material, including hard copies, electronic copies, copies of data files and briefing material from AWB.²⁷

3.20 The committee questioned WEA extensively about its role and powers under the Wheat Marketing Act. WEA explained that it has no power to investigate what is done with the wheat once it is shipped from Australia.²⁸ In relation to WEA's role, Mr Besley commented:

Let me clarify our role. Our role is to monitor—monitor, not regulate—the performance of the AWB as the manager of the pool in the interests of

21 *Estimates Hansard*, 14 February 2006, pp. 12–14, 22, 32, 33 and 43–44.

22 *Estimates Hansard*, 14 February 2006, pp. 12 and 32.

23 *Estimates Hansard*, 14 February 2006, p. 14.

24 *Estimates Hansard*, 14 February 2006, p. 14.

25 *Estimates Hansard*, 14 February 2006, pp. 24–29.

26 *Estimates Hansard*, 14 February 2006, pp. 30–31.

27 *Estimates Hansard*, 14 February 2006, p. 31.

28 *Estimates Hansard*, 14 February 2006, p. 13.

growers. It is not our role to get into their commercial operations or the way they run their business or, indeed, how they operate as a board. That is a matter for them, their directors, ASIC, ASX and all of that. That is not where our role lies at all.²⁹

3.21 In response to a question from the committee about the action taken by WEA to inquire into the trucking contract, Mr Besley stated:

Can I just clarify that we are not a policing organisation. I do not hold with kickbacks or anything like that personally and I do not think any of us do, but our role is to monitor the performance of AWB(I) as it manages the grain pool. Once wheat leaves this country, charges of freight, insurance and so on are costs to the buyer. They do not impact on the pool, so we had no reason to go there.³⁰

3.22 Mr Besley went on to explain that WEA's primary purpose in carrying out the investigation was to make sure there was nothing that was impacting on the grain pool:

One thing you could say is: if they were paying bribes, was that a disadvantage to the growers, with the pool paying them? As it turned out, even if they were paying bribes—and that is for Cole to decide—that money came out of an escrow account and had no effect whatever on the pool costs.³¹

3.23 WEA did not consider it was responsible for investigating corruption within AWB(I).³² In response to further questioning about its powers, Mr Besley informed the committee that WEA does not scrutinise AWB Ltd—its role is to monitor how AWB(I) manages the single desk for the benefit of growers. WEA investigated AWB(I) in 2004:

For the purpose of finding out, if they were [paying kickbacks], what impact if any it was having on the pool—not for the purpose of pursuing that issue itself.³³

3.24 The committee expressed the view that WEA's monitoring of AWB(I) was inadequate. Senator O'Brien remarked:

But, in this case, having decided to investigate kickbacks; to not inquire—apparently—about the value of the trucking contracts, which were an unusual arrangement; and to not inquire as to what sort of financial transactions were taking place completely; how could you possibly have had a proper insight into whether kickbacks were being paid? And do you

29 *Estimates Hansard*, 14 February 2006, p. 15.

30 *Estimates Hansard*, 14 February 2006, p. 32.

31 *Estimates Hansard*, 14 February 2006, p. 32.

32 *Estimates Hansard*, 14 February 2006, pp. 34 and 48.

33 Mr Tim Besley, *Estimates Hansard*, 14 February 2006, p. 41.

seriously ask us to believe that you were happy to accept, given the allegations that were about, that a simple denial from AWB International was sufficient?³⁴

3.25 The committee challenged WEA's explanation for not looking further into the kickback allegations that its only responsibility is the impact of issues on the grain pool. Senator Siewert asked whether the negative publicity surrounding the allegations and the Cole inquiry was not ultimately impacting on the pool. Mr Besley responded that it was 'an issue which I cannot answer'.³⁵

3.26 The committee requested advice sought by WEA on a legal interpretation of its role to be made available to the committee. WEA agreed to provide it to the committee, subject to the minister's approval.³⁶

3.27 The committee was interested to know whether Mr Besley and Mr Taylor had discussed their forthcoming evidence to the committee with the Minister for Agriculture, the minister's office or the department. Mr Besley responded that he had not, but the minister at the table, Senator Abetz, clarified that Mr Besley had been present in his office when he discussed with DAFF officials the government directive not to answer questions relating to the Cole inquiry (referred to above in paragraph 3.4). Senator Abetz added that he had indicated that the directive did not apply to Mr Besley and Mr Taylor, who as the Chairman and CEO of an independent statutory authority could answer questions as they saw fit.³⁷

Food and Agriculture – other issues

3.28 The committee requested an update on the implementation of the Sugar Industry Reform package. The department advised that:

- The second tranche of the sustainability grant, \$73 million, was paid in September 2005. This followed advice from the industry oversight group that the process of reform had advanced sufficiently to warrant payment.
- The industry oversight group is finalising its strategic plan which will go to the minister soon.
- One round of payments for regional community project grants has been made and the second round is under consideration.
- Out of the original allocation of \$444 million, \$227 million has been spent as at 3 February 2006.

34 *Estimates Hansard*, 14 February 2006, p. 44.

35 *Estimates Hansard*, 14 February 2006, p. 47.

36 *Estimates Hansard*, 14 February 2006, pp. 56–57.

37 *Estimates Hansard*, 14 February 2006, p. 57.

- It is possible that some of the funding for re-establishment grants may remain unspent as it is subject to demand from farmers.
- There have been 642 applications for the \$100,000 exit grant to leave the sugar industry, with 368 approved and 175 rejected to date. This grant is available to the end of this financial year and then it will drop to \$50,000 for the next financial year.³⁸

3.29 In response to a request from the committee for copies of the regional advisory group plans at the previous estimates hearing, the department provided an abridged public version of the seven plans. The committee asked why the detailed plans were not made available. The department explained that the plans are owned by the regional advisory groups (which include local community groups and businesses) who had concerns about releasing sensitive commercial-in-confidence information.³⁹

3.30 The committee was critical of the plans as they did not appear to meet the criteria originally specified by the industry oversight group in terms of setting targets and other benchmarks that could be used to measure progress. Senator O'Brien commented:

Unfortunately, not all the concise plans do provide details of benchmarks or targets. In some cases, even those which do provide targets are so vague as to be next to useless.⁴⁰

3.31 The committee also heard evidence about:

- Money provided to South Johnston mill (*Estimates Hansard*, 14 February, p. 63).
- Introduction of new country-of-origin labelling laws for food (pp. 63–64).
- Strategic planning for the production of biofuels and bioenergy (pp. 64–65).

Biosecurity Australia

3.32 The committee was interested in Biosecurity Australia's (BA's) draft policy for the importation of mangoes from Taiwan which is being treated as an extension of the existing policy allowing mangoes to be imported from the Philippines. BA explained that where there is an existing policy that presents a similar pest and disease risk to the commodity under assessment, it determines whether to carry out a policy review rather than starting from scratch and doing a complete import risk assessment. In this case, the issues relating to Taiwanese mangoes are substantially the same as Filipino mangoes.

38 *Estimates Hansard*, 14 February 2006, pp. 59–63.

39 *Estimates Hansard*, 14 February 2006, p. 61.

40 *Estimates Hansard*, 14 February 2006, p. 61.

3.33 The proposed requirements are vapour heat treatment (VHT) to kill fruit flies, orchard registration, pest control programs for other insects, and general good hygiene in the management of the orchard, as well as AQIS inspections on arrival. The committee expressed concern that mangoes could be imported into Australia from orchards in Taiwan that have fruit flies, provided the fruit itself is treated with VHT.⁴¹

3.34 The committee sought information on the impact of restrictions by Taiwan on the Australian fruit industry. This follows the government's recent announcement that Taiwan will now only accept fruit exports from Tasmania and the Riverland of South Australia on the basis that these areas are fruit fly free. BA advised that the ban has directly affected crops grown outside of the two fruit fly free areas that are currently in season such as cherries and stone fruit. However, other crops may be affected as they come into season. In the short term, Tasmanian fruit exports have also been affected as they are still awaiting administrative approval from Taiwan.⁴²

3.35 BA outlined the steps it has taken to put an export protocol in place since Taiwan listed Queensland fruit fly as a prohibited pest in April 2005. The secretary indicated that it has been given a very high priority by the department and the minister who are actively seeking a resolution.⁴³

3.36 The committee asked whether there was a connection between Taiwan's refusal to accept fruit containing Queensland fruit fly and BA's decision to fast-track an importation policy for Taiwanese mangoes carrying fruit fly. BA responded that it stresses to other countries who request market access that it does not do 'tit-for-tat' deals. Because of Australia's quarantine regime, all decisions are made on a scientific basis. However, BA also recognises that for Australia's market access requests of other countries to be advanced, we need to be seen as making progress on their requests, without committing to any particular result.⁴⁴

3.37 The committee raised concerns about BA's contingency policy for the importation of Specific Pathogen Free (SPF) chicken eggs. BA explained that these eggs are used in vaccine production and to produce sentinel chickens for quarantine purposes. Australia currently has one SPF egg producer who supplies all of the eggs for Australia. After one of their two flocks broke down with a disease, there was great concern that no SPF eggs would be available if the other flock broke down. In the event of such a contingency, BA has developed a policy to source eggs from overseas. The committee expressed the view that it might be imprudent to rely on imported eggs in the event of a worldwide disease outbreak such as bird flu and would like consideration given to creating another egg farm in a separate location in Australia.⁴⁵

41 *Estimates Hansard*, 14 February 2006, pp. 67–70.

42 *Estimates Hansard*, 14 February 2006, pp. 70–71.

43 *Estimates Hansard*, 14 February 2006, p. 71.

44 *Estimates Hansard*, 14 February 2006, p. 72.

45 *Estimates Hansard*, 14 February 2006, p. 77.

3.38 Other matters raised by the committee included:

- Update on the draft uncooked chicken meat import risk assessment (*Estimates Hansard*, 14 February, p. 65).
- Timetable for completion of the Philippine's banana import risk assessment (p. 65).
- Import risk assessment for apples from New Zealand (pp. 65–66).
- Permit for the export of Tasmanian devils to Denmark for a christening present (pp. 66–67).
- Government review of options for dealing with any future BSE cases (p. 70).
- Background to compensation claim lodged by Marnic Worldwide Proprietary Ltd (pp. 72–76 and 77–78. See also discussion at pp. 10–11 and 83–84).
- Prawn import risk assessment and monitoring of the disease risk presented by imported prawns (pp. 78–79).

International

3.39 The committee held a brief discussion with officers from the International Division about:

- Funding for Keniry technical cooperation assistance committed as part of the negotiation of MOUs on live animal exports with several countries in the Middle East (*Estimates Hansard*, 14 February, pp. 79–80).
- Department's role in the development of a free trade agreement (FTA) with China (p. 80).

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

3.40 The committee requested information on lessons learned from Exercise Eleusis which was staged in November 2005 to test Australia's preparedness to deal with an outbreak of bird flu.⁴⁶ The department advised that a draft report on the exercise was completed at the end of January and is under consideration by the ministerial council and its standing committee. Mr McCutcheon stated:

The exercise was considered to be highly successful in both demonstrating Australia's capacity to deal with a zoonotic animal disease outbreak. It also served its other main objective of being a very good training program for all the officials and other participants in the exercise.⁴⁷

3.41 The department explained that experience gained from a previous exercise which dealt with a simulated outbreak of foot-and-mouth disease, Exercise Minotaur, influenced the factors that were focussed on. Exercise Eleusis demonstrated:

46 *Estimates Hansard*, 14 February 2006, pp. 82–83.

47 *Estimates Hansard*, 14 February 2006, p. 82.

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- The need for a clear national policy to be in place to assess the risk to human health;
 - The need to consider personal protective equipment and additional medical measures such as antiviral prophylaxis;
 - Good working relationships between the agriculture and health agencies through information sharing and placing officers from each department within the emergency management arrangements of the other;
 - The level of resources needed in the area of public communications;
 - The vast quantity of information generated;
 - The need to keep disease response strategies up to date; and
 - The need for very clear national objectives in terms of managing the emergency and making sure links have been established within government, between departments, and more broadly between government, industry and the wider community so that everyone has a clear understanding of the disease strategy.⁴⁸

3.42 The committee also discussed:

- Increase in receipts from the agricultural and veterinary chemical levy due to the easing of the drought (*Estimates Hansard*, 14 February, p. 81).
- Update on the national livestock identification schemes for sheep, pigs and cattle (p. 81).

Australian Quarantine and Inspection Service (AQIS)

3.43 The committee asked about sample testing conducted by AQIS on 97 items of imported horticulture.⁴⁹ A press release by the minister claimed the results demonstrated that imported horticultural products are safe, however, two products were found to contain pesticide residues and 14 contained *E. coli*. Ten of the 14 detections of *E. coli* came from one importer from Fiji. The rest were from China. Pesticides were found in garlic (fenvalerate) and sun-dried tomatoes (procymidone).

3.44 AQIS responded that the detections were referred to the competent food safety authority in Australia, Food Standards Australia New Zealand (FSANZ), for advice. The action taken depends on the level of detection and whether that is considered to be harmful to human health. The findings have not led to any changes in AQIS' border regime for testing imported food but have resulted in further survey work of horticultural products, targeting *E. coli* 157. AQIS will provide the survey results to FSANZ for it to determine whether additional testing is required as part of the normal testing regime.

48 *Estimates Hansard*, 14 February 2006, p. 82.

49 *Estimates Hansard*, 14 February 2006, pp. 84–86.

3.45 AQIS' normal testing regime for imported agricultural product varies depending on the commodity. Generally, pesticide screens are applied to vegetables, with additional tests for processed vegetables.

3.46 The committee questioned the need for this promotion of imported horticulture and the purpose of the minister's press release. AQIS explained that it was a response to concerns raised in the media about imported food. AQIS wanted to be satisfied that its sampling arrangements were adequate and provide reassurance to the Australian public.

3.47 The committee sought an update on the citrus canker outbreak in the Emerald district in Queensland. AQIS advised that it is still under investigation by its compliance and investigations unit. Discussions are continuing with the Director of Public Prosecutions (DPP) who will advise whether it can be taken further. The committee will hold a follow-up hearing for the citrus canker inquiry on 1 March 2006.⁵⁰

3.48 Other matters discussed included:

- Further information on the compensation claim lodged by Marnic Worldwide Proprietary Ltd relating to the importation of marine worms for recreational fishing (*Estimates Hansard*, 14 February, pp. 83–84. See also discussion at pp. 10–11, 72–76 and 77–78).
- Protocol for the export of Australian tripe to China (p. 86).

Australian Bureau of Agriculture and Resource Economics (ABARE)

3.49 The committee was again interested in the discussions between ABARE and the National Water Commission in relation to ongoing water research. ABARE advised that it has tried to develop a close working relationship with the commission, providing regular advice to the commission on the National Water Initiative through publications, seminars and meetings.⁵¹

3.50 The committee asked for ABARE's outlook for major rural commodities. There is expected to be a decline in prices for beef due to lower exports to Japan and Korea following the potential return of the US to the North Asian market. Sugar prices are expected to rise quite strongly in the next year as a result of much of the sugar production in Brazil being directed to the ethanol industry instead of being exported. Cotton prices are expected to ease due to high production out of India, China and Pakistan. Demand for lamb remains strong in the US and Asia with some price increases expected.⁵²

50 *Estimates Hansard*, 14 February 2006, p. 87.

51 *Estimates Hansard*, 14 February 2006, pp. 87–88.

52 *Estimates Hansard*, 14 February 2006, pp. 89 and 90.

3.51 There has been a fundamental shift in demand for wool. The longer term trends in apparel and competition from other fibres have contributed to the decline in demand. In addition, there does not seem to be a strongly growing market for wool in China, the largest potential market.⁵³

3.52 In relation to crops, wheat prices are expected to increase because of lower production or yields coming from China, Russia, the Ukraine and the US. Production of canola was very strong last year due to good seasonal conditions, particularly in Canada. Demand is very strong and is expected to increase as Canadian production falls back after a return to normal growing conditions.⁵⁴

3.53 The committee was concerned about allegations raised in a recent *Four Corners* program about the undue influence of Australia's largest energy users on the government's climate change policies, including allegations that ABARE is part of this so called 'climate-change mafia'. ABARE responded that it was not aware of the existence of a group known as the mafia, however, it was aware of the Australian Industry Greenhouse Network (AIGN). ABARE does not have a formal relationship with the AIGN but may consult with members of the AIGN as part of its normal broad consultation process.⁵⁵

3.54 The committee was interested to know whether ABARE receives any funding from members of the AIGN. ABARE was unfamiliar with all of the member companies, so took the question on notice. A number of other questions relating to ABARE's projections for greenhouse emissions were also taken on notice.⁵⁶

3.55 The committee inquired about ABARE's sources for funding for the modelling on climate change, emissions abatement and energy use. ABARE advised that its funding is principally from the Department of Industry, Tourism and Resources and DAFF.⁵⁷

3.56 The committee also discussed ABARE's forecasts for:

- China's economy (*Estimates Hansard*, 14 February, p. 88).
- US economy (p. 88).
- Australian economy (pp. 88–89).
- Demand in the minerals and energy sector (p. 89).

53 *Estimates Hansard*, 14 February 2006, p. 90.

54 *Estimates Hansard*, 14 February 2006, pp. 89–90.

55 *Estimates Hansard*, 14 February 2006, pp. 90–91.

56 *Estimates Hansard*, 14 February 2006, pp. 91–92.

57 *Estimates Hansard*, 14 February 2006, p. 93.

3.57 The committee followed-up on ABARE's work on the cost effectiveness of the environmental water flows for the Murray-Darling. ABARE provided the committee with a copy of its report.⁵⁸

Bureau of Rural Sciences (BRS)

3.58 The committee sought an up-date on the national agricultural monitoring system (NAMS).⁵⁹ Dr Ritman explained that it is:

on target for a draft website by April this year and a final by June-July this year...it is a jointly funded exercise between the states and the Commonwealth to produce information that will assist in drought exceptional circumstance assessments. It covers only the dryland and broadacre areas in its first production in June-July. There will be investigation as to the more intensive agricultural areas in irrigation, as a next step.⁶⁰

3.59 NAMS is being developed to improve both the speed of assessment for exceptional circumstances (EC) applications and the objectivity and consistency of the information available to the National Rural Advisory Council in carrying out assessments.⁶¹

3.60 The committee also raised the following matters:

- National social data study (*Estimates Hansard*, 14 February, p. 93).
- Water 2010 project (p. 95).

Rural Policy and Innovation

3.61 The committee questioned why expenditure for Farm Help has been revised down from \$42.5 million to \$15 million. The department explained that there has been a reduction in demand which is largely drought related. Many farmers have applied for income support under drought exceptional circumstances assistance instead of Farm Help and the availability of other assistance such as the sugar reform package has also affected demand.⁶² At the same time, additional funding has been provided to meet increased demand for the Agriculture—Advancing Australia (AAA) Rural Financial Counselling Service.⁶³

3.62 The committee also discussed:

58 *Estimates Hansard*, 14 February 2006, p. 93. ABARE's report is tabled document no. 8.

59 *Estimates Hansard*, 14 February 2006, pp. 93–95.

60 *Estimates Hansard*, 14 February 2006, p. 94.

61 *Estimates Hansard*, 14 February 2006, p. 94.

62 *Estimates Hansard*, 14 February 2006, p. 96.

63 *Estimates Hansard*, 14 February 2006, p. 96.

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- Requirement for the minister to table a statement that he is satisfied that Dairy Australia is fully compliant with the terms of its statutory funding agreement (*Estimates Hansard*, 14 February, p. 96).
 - Update on areas in receipt of exceptional circumstances assistance (p. 97).

Fisheries and Forestry

3.63 The committee was particularly interested in the steps being taken to deal with illegal fishing in north western Australian waters. The committee noted it has been well established that existing Navy and Customs patrol vessels intercept a minute fraction of illegal fishing vessels plundering the Australian fishing zone.⁶⁴ The committee focussed their questioning on deterrence of illegal foreign fishing vessels and crews who have been intercepted.

3.64 The committee sought information about:

- Penalties for illegal fishing;
- Whether penalties apply to crew, skipper and/or owner;
- Ability to pay fines;
- Steps to prevent crews reoffending;
- Purpose of the automatic forfeiture provisions of section 106A of the Fisheries Management Act 1991;
- Difference between automatic forfeiture and apprehension and the numbers of each over the past year;
- The reason why every illegal foreign fishing vessel is not apprehended and destroyed;
- Destruction of vessels at sea;
- Commonwealth government's prosecution policy relating to illegal foreign fishermen; and
- Difference between Western Australian state laws and federal laws in relation to apprehending and charging illegal fishermen.⁶⁵

3.65 The department advised that penalties are determined by the courts and range up to a maximum of \$625,000. However, penalties for Indonesian fishermen are usually significantly less. Between January and December 2005, 384 people were charged with penalties ranging from good behaviour bonds of \$750 to fines of up to \$130,000. Of these, 182 were crew and 202 were skippers. Usually the skipper is charged, but crew members are also charged if they can be identified as recidivist offenders. In reality, there is very little chance of large fines being paid. The deterrent

64 *Estimates Hansard*, 14 February 2006, p. 98.

65 *Estimates Hansard*, 14 February 2006, pp. 98–106.

for crew members is a short period of detention and then they are sent back to Indonesia with no money.⁶⁶

3.66 The committee expressed the view that this was not much of a deterrent, with fishermen free to return to Australian waters within a few days on another ship. The department agreed, with Mr McLoughlin stating:

I think that is the operational reality for us. The other approach that we are taking in conjunction with colleagues from DAFF and other agencies is really what is going to be the longer term and more difficult, in some respects, approach: which is education, communication and Indonesian government support for trying to stop these people coming to Australia to fish in the first place. That is a really longer term investment and approach.⁶⁷

3.67 The committee heard that vessels can be seized under the Fisheries Management Act for 30 days, pending appeal. If there is no appeal, they are automatically forfeited to the Commonwealth. In 2005, in northern Australia, 280 vessels were apprehended and a further 327 vessels were sent home after forfeiting their gear and catch only. Forfeitures are often used when Customs or the Navy are targeting a larger vessel and they encounter smaller vessels on the way. An increasing trend over the last couple of years has been the appearance of larger numbers of smaller Indonesian boats called bodhis which only carry two or three crew.⁶⁸

3.68 The committee disagreed with the department's view that it is having an effect because it is catching increasing numbers of Indonesian fishing vessels. The committee expressed the view that greater numbers are being apprehended because there are far more incursions. The committee does not regard these measures as successful or sufficient to deter illegal fishermen from reoffending.⁶⁹ In response, the department explained that judgments are being made on a daily basis about the best use of available resources to make the greatest impact on illegal fishing.⁷⁰

3.69 The minister agreed that the situation is unacceptable and a more cooperative approach between state and Commonwealth governments is required, along with an increase in resources and greater deterrents in the way of penalties. The minister also raised the issues of disease and security.⁷¹

66 *Estimates Hansard*, 14 February 2006, pp. 98–99 and 103.

67 *Estimates Hansard*, 14 February 2006, p. 99.

68 *Estimates Hansard*, 14 February 2006, pp. 99–100.

69 *Estimates Hansard*, 14 February 2006, p. 100.

70 *Estimates Hansard*, 14 February 2006, p. 101.

71 *Estimates Hansard*, 14 February 2006, pp. 104–105.

3.70 The committee was interested to hear about work being carried out on a regional management approach to fisheries.⁷² The department's Mr McLoughlin advised that he met with his counterpart in Indonesia for two days in October last year. They agreed on the principles and main headings of a shared stock management plan between Australia and Indonesia for the red snapper fisheries, which refers to half a dozen species of highly valued commercial fish, including saddletails and emperors. It was also agreed that the management plan would utilise Australia's policy approach to sustainable fisheries rather than Indonesia's.

3.71 Fisheries officials in Indonesia were keen to learn how fisheries are managed in Australia and they saw the shared plan as an opportunity to have a greater impact with their own fisheries management in regional areas. They will travel to Canberra in April to do further work on the plan before it is presented to respective ministers for consideration.

3.72 The committee requested an update on the fisheries structural adjustment package.⁷³ The following issues in relation to the package were discussed:

- Proposed expenditure for this financial year on the business exit tender (to buy concessions from fishers) and business planning assistance (to assist fishers to decide whether to stay in or exit the fishery) (*Estimates Hansard*, 14 February, p. 112)
- Tender process to allocate funds (pp. 112–113).
- Grants for fishers to seek professional financial planning (p. 113)
- Public consultation on proposed marine protected areas (pp. 113–114).
- Fishing community grants programs (pp. 114–116).
- Grants for skippers and crew who lose their jobs (pp. 115–116).
- Northern prawn fishery (pp. 110–111, 116 and 117–118).

3.73 Fisheries officers indicated that the government has laid down general principles for these programs and the department has been working out the structural detail. It has been negotiating with each individual fishery to find the best way to do this. Once the structure of the package has been finalised, it will go to the minister for approval and the tender documents will then be released.⁷⁴

3.74 The tender process to allocate funds for the fishing concession buyout is an area that is still being finalised. There are a number of complex elements to be taken into account including the different fisheries concessions of each fishery and the

72 *Estimates Hansard*, 14 February 2006, pp. 106–107.

73 *Estimates Hansard*, 14 February 2006, pp. 111–118.

74 *Estimates Hansard*, 14 February 2006, p. 115.

development of marine protected areas, which are the responsibility of state governments and other Commonwealth departments.⁷⁵

3.75 Mr Quinlivan stated that the objective of the program:

is to solve the problem of overfishing and also improve the structure of the fishing industry and provide people who are currently struggling with a dignified way of leaving the fishery.⁷⁶

3.76 The target fisheries are the southern and eastern scalefish and shark fishery, the eastern tuna and billfish fishery, and the Bass Strait central zone scallop fishery. The species in those fisheries have been assessed as being overfished and their allowable catch for next season and the future has been quite significantly reduced. The other fishery that is a target for the package is the northern prawn fishery, on the basis that it has been very close to being overfished in recent times.⁷⁷

3.77 The department is aiming to provide fishermen with a clear idea of likely catch levels and management strategies that will be applied in the future so they can make an informed decision about whether to stay in the fishery or offer the business up as part of the tender and buy-out process.⁷⁸

3.78 The committee also sought information about:

- Incursions by large vessels of Chinese, Taiwanese, Korean and Thai origin (*Estimates Hansard*, 14 February, pp. 101–102).
- Size of the illegal fishing take in Australia's northern fisheries (p. 107).
- Increase in AFMA's budget by \$1.8 million to provide additional funding for border protection; establishment of Horn Island facility; extra expense of vessel destruction; use of Willie Creek centre (pp. 107–108).
- Marine pests carried by illegal fishing vessels; possible risks to shore based fisheries and the pearling industry (pp. 108–109).
- What happens to the illegal catch after it has been confiscated (pp. 109–110).
- Why the illegal catch is usually dumped at sea or destroyed; why some is offered for tender for removal from Australia for sale in export markets; treatment of apprehended shark fin (p. 110).
- Restrictions on mud crabbing in north Queensland (p. 118).
- Extent of closure in the fishing industry in the Great Barrier Marine Park over the last 10 years (p. 119).

75 *Estimates Hansard*, 14 February 2006, p. 112.

76 *Estimates Hansard*, 14 February 2006, p. 115.

77 *Estimates Hansard*, 14 February 2006, p. 116.

78 *Estimates Hansard*, 14 February 2006, p. 117.

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- Department's role in determining the boundaries for marine parks (p. 119).
 - Department's intention to no longer use state based contracted Fisheries officers to carry out foreign compliance work (p. 120).
 - Agreement between Australia and Indonesia to work on shared stocks; agreement between surveillance agencies to work together (p. 120).
 - Bilateral fisheries forum (pp. 121–122).
 - Consideration given to the effect on fisheries in other countries by the reduction of the fishing capacity in Australia (pp. 121–122).
 - Joint investigation study into the illegal fishing trade (p. 122).
 - Darwin detention facility (p. 122).
 - Eden Regional Adjustment package for the forestry industry; Matilda's Bakery; Boydtown Pty Ltd (pp. 122–124).

Natural Resource Management

3.79 The committee had a brief discussion with officers from Natural Resource Management about:

- Department's work on water rights issues in Queensland (*Estimates Hansard*, 14 February, pp. 125–126).
- Budget for the Natural Resources Management Account; funding for the National Landcare Program (p. 127).
- Budget for the National Action Plan for Salinity and Water Quality (p. 127).
- Budget for Tasmanian water infrastructure; Meander Dam project (p. 127).

Senator the Hon. Bill Heffernan
Chair

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