



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT
LEGISLATION COMMITTEE

ESTIMATES

(Additional Estimates)

TUESDAY, 15 FEBRUARY 2005

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SENATE
RURAL AND REGIONAL AFFAIRS AND TRANSPORT LEGISLATION
COMMITTEE

Tuesday, 15 February 2005

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

Senators in attendance: Senators Allison, Bartlett, Mark Bishop, Buckland, Ferris, Heffernan, Hogg, McGauran, McLucas, O'Brien and Stephens

Committee met at 9.01 a.m.

AGRICULTURE, FISHERIES AND FORESTRY PORTFOLIO

In Attendance

Senator the Hon. Ian Macdonald, Minister for Fisheries, Forestry and Conservation

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

Departmental

Ms Joanna Hewitt, Secretary

Mr Don Banfield, Deputy Secretary

Mr Bernie Wonder, Deputy Secretary

Ms Meryl Stanton, Deputy Secretary

A. Management Services and Corporate Governance

Mr Bill Pahl, Chief Operating Officer

Mr Allan Gaukroger, Chief Financial Officer

Mr Peter Moore, Manager - Budgets

B. Food and Agriculture (including Wheat Export Authority)

Mr David Mortimer, Executive Manager, Food and Agriculture

Mr Richard Souness, General Manager - Food Policy and Safety

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

Ms Sally Standen, A/g General Manager - Meet, Wool and Dairy

Mr Tim Besley, Chairman - Wheat Export Authority

Mr Glen Taylor, Chief Executive Officer – Wheat Export Authority

C. Biosecurity Australia

Mr John Cahill, Interim Chief Executive - Biosecurity Australia

Dr David Banks, Principal Scientist - Biosecurity Australia

Dr Brian Stynes, General Manager - Plant Biosecurity

Dr Robyn Martin, Acting General Manager - Animal Biosecurity

D. Market Access

Mr Paul Morris, Executive Manager - Market Access

Mr Craig Burns, General Manager - Trade Policy

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

Dr Dennis Gebbie, Chief International Agricultural Adviser

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

Dr Gardner Murray, Executive Director - PIAPH

Mr Steve McCutcheon, Executive Manager - PIAPH

Dr Bob Biddle, Australian Deputy Chief Veterinary Officer - PIAPH

Mr Dean Merrilees, General Manager - Animal and Plant Health Policy

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

Ms Lois Ransom, A/g Manager - Office of the Chief Plant Protection Officer

Dr Mike Nunn, General Manager - Animal Health Science

Mr Laury McCulloch, Australian Plague Locust Commission

F. Australian Quarantine and Inspection Service

Ms Meryl Stanton, Executive Director - AQIS

Mr Greg Read, Executive Manager - Exports

Dr Narelle Clegg, National Manager - Animal Program

Ms Jane Parlett, Manager - Biological Unit

Ms Louise Van Meurs, National Manager - Plant Program

Mr Mike Robbins, Manager - Plant Programs

Ms Cathy Cox, National Manager - Business Strategy Group

Mr Peter Cook, Chief Financial Officer - Business Strategy Group

Mr Tim Carlton, National Manager - Food Information Operation Group

Dr Ann McDonald, General Manager - Market Maintenance

Mr Bob Murphy, National Manager - Cargo Management Group

Dr Andy Carroll, National Manager - Border Programs

Mr Greg Fullam, Manager - Strategic Initiatives Team

Mr David Finlayson, Manager - Public Relations

G. Australian Bureau of Agricultural and Resource Economics

Dr Brian Fisher, Executive Director - ABARE

H. Bureau of Rural Sciences

Dr Peter O'Brien, Executive Director - BRS

Dr Colin Grant, Deputy Executive Director - BRS

Ms Sharon Field, Program Leader - Executive and Business Management

I. Rural Policy and Innovation

Dr Cliff Samson, Executive Manager - Rural Policy & Innovation

Mr David Williamson, A/g General Manager - Rural Support & Adjustment

Mr Brian Jones, General Manager - Science & Economic Policy

Mr Matthew Koval, A/g General Manager - Drought Task Force

J. Fisheries and Forestry

Mr Daryl Quinlivan, Executive Manager - Fisheries & Forest Industries

Mr Glenn Hurry, General Manager - Fisheries and Aquaculture

Mr John Talbot, Acting General Manager - Forest Industries

Mr Richard McLoughlin, Managing Director - AFMA

Mr Les Roberts, General Manager - Fisheries - AFMA

Mr Paul Murphy, General Manager – Operations – AFMA

K. Natural Resource Management

Mr Ian Thompson, Executive Manager - NRM

Mr Mike Lee, General Manager - NRM

Mr Gerry Smith, General Manager - NRM

Mr Charles Willcocks, General Manager - Landcare and Sustainable Industries

Mr Ross Dalton, General Manager - Water and Murray Darling

Ms Libby Bie, Manager, Murray-Darling Basin Policy and Programs

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

Secretariat

Ms Julie Hicks, General Manager - People and Planning

Ms Melanie Williams, People and Planning

Mr Chris Badelow, People and Planning

Mr Jason Vickery, People and Planning

Observers

Ms Caroline Martin, Senior Advisor - Market Maintenance Group - AQIS

CHAIR—I declare open this public hearing of the Senate Rural and Regional Affairs and Transport Legislation Committee. On Thursday, 10 February 2005 the Senate referred to the committee the particulars of proposed additional expenditure in respect of the year ending 30 June 2004 for the portfolio area of agriculture, fisheries and forestry. Today the committee will commence its examination of additional estimates for the Department of Agriculture, Fisheries and Forestry. The committee is required to report to the Senate by Tuesday, 15 March 2005. I propose to call on the estimates according to the format adopted in the printed program, although there may be some consolidation of that. The committee has authorised the recording and rebroadcasting of its proceedings in accordance with the rules contained in the order of the Senate dated 23 August 1990.

I welcome Senator Ian Macdonald, Minister for Fisheries, Forestry and Conservation, representing the Minister for Agriculture, Fisheries and Forestry. Senator Macdonald is accompanied by Joanna Hewitt, Bernie Wonder, Meryl Stanton, Don Banfield and other officers from the Department of Agriculture, Fisheries and Forestry and related agencies.

Officers are reminded that the Senate has consistently decided by way of continuing resolution that there are no areas in connection with the expenditure of public funds where any person has a discretion to withhold details or explanations from the parliament or its committees unless the parliament has expressly provided otherwise. Further, I draw your attention to the continuing resolution relating to claims of commercial confidentiality. Under the resolution, a claim to withhold information on the basis that it is commercial-in-confidence can only be made by a minister and must include a statement setting out the basis for the claim, including a statement of any commercial harm that may result from the disclosure of the information.

Officers are also reminded that an officer of a department of the Commonwealth or of a state shall not be asked to give opinions on matters of policy and shall be given reasonable opportunity to refer questions asked of the officer to superior officers or to the minister. Finally, witnesses are reminded that the evidence given to the committee is protected by

parliamentary privilege. I also remind you that giving false or misleading evidence to the committee may constitute a contempt of the Senate. Minister, do you or Ms Hewitt want to make an opening statement?

Senator Ian Macdonald—Thank you, Chair. Ms Hewitt does wish to make some opening comments. I particularly welcome her to this estimates committee in her very new role as secretary of our department. Chair, I look forward to an efficient and productive estimates session this time, as always. I appreciate that you do read a series of rules and regulations prepared by the Clerk. You do that perhaps as a formality, and as a formality I always respond. I indicate that officers will not be giving information about cabinet dealings, which is quite clear, nor will they be giving information about commercial-in-confidence issues.

As always, I interpret the Senate rules to mean that this is an inquiry into the estimates, into the budget processes of the government, and the officers are here, of course, to explain everything within their power in relation to that. I do indicate that where questions relate to things that happened years ago I have a general rule to instruct officers not to become involved in those. We are looking at the current estimates. I only say that in an effort of cooperation and goodwill, just to let the committee understand, as we understand, the committee's role. Perhaps Ms Hewitt might like to make some statement.

Ms Hewitt—Thank you very much for the opportunity just to say a few brief words before we begin the process in full today. I know some of you from my previous work with the DFAT portfolio and look forward very much to working with the committee in my new capacity. I thought I would just make a couple of brief remarks about some changes that have been made to the department structurally and administratively and touch on a few of the high-priority activities we are engaged in at the moment. As you are aware, Chair, I did write to your committee secretariat outlining a few details of performance of the department in the second quarter of the 2004-05 financial year, so I will not go into any of that.

I understand you have the copies of the report before you and also that you have received the PAES, the portfolio additional estimates statement, which was tabled on the 10th of this month. That document has been prepared in accordance with the slightly altered government guidelines. As a consequence of the changes that have been made to the finance department template, there is a little bit less detail this time around. We are obviously conforming with what has been requested by the department of finance. But there will be a little bit less detail on specific measures than has been the case in the equivalent document previously. So I just want to say that of course officers of the department will be pleased to elaborate on the measures in response to any of your particular questions.

On the structural change side there are two points to note, I think. One is that, as a result of changes in the administrative arrangements orders after the federal election, the Plant Breeders Rights office has been transferred from our department to IP Australia, which is in the ITR portfolio. So you will see that an adjustment has been made to give effect to that change. The second one relates to Biosecurity Australia and its recent establishment under the Financial Management and Accountability Act as a prescribed agency. That took place on 1 December last year. So in a financial sense Biosecurity Australia is now separate from the department while remaining within the portfolio. It is represented in part D of the additional estimates statement. The interim Chief Executive Officer of Biosecurity Australia, Mr John

Cahill, whom some of you will have seen last week at one of your specific Senate committee hearings, will be happy to go into further detail on Biosecurity Australia's new arrangements.

In addition to these structural changes, I thought I would touch on a couple of minor adjustments that I have made to the structure of the department some three months after taking up my role as secretary. These are not radical changes but some minor shifts of roles and responsibility that I have made in order to place us better to focus on priorities and challenges we see coming up. The main point that I draw your attention to is that, as well as biosecurity risk assessment work which is done in Biosecurity Australia, I am very conscious of a really pressing workload we have as a department, and indeed as a country, in the plant and animal health area. I cite as evidence the growing concerns we have about the emergence and re-emergence of some very serious disease threats, such as avian influenza, BSE and foot-and-mouth disease. In a related area, we need to give increasing concern and attention to the animal welfare issues, as well as a lot of technical issues emerging in the international trading environment.

To place us better to handle those very significant issues, I have asked Dr Gardner Murray, the government's chief vet, to work more closely with me and the executive management team in the department. While he continues to have the responsibility for overseeing the Product Integrity, Animal and Plant Health Division in the department, he is no longer responsible for the day-to-day administrative and financial management of PIAPH. That responsibility has been assumed, in an acting capacity for the moment, by Mr Steve McCutcheon. Gardner Murray, while retaining his Chief Veterinary Officer responsibility, has been liberated to spend more of his time providing leadership and high-level input on some of these very important issues. I note that change.

The only other thing I will refer to is a slight readjustment of responsibilities between two of the deputy secretaries, Mr Bernie Wonder and Mr Don Banfield. Bernie Wonder will be continuing to oversee the work of Fisheries and Forestry and the Natural Resource Management Division, but he is working on a special project with me and a group of officers from right across the department at the moment. We have undertaken to do a bit of an analytical stocktake of the food and agricultural sector, looking at its productivity and recent performance and some of the structural changes that have occurred in recent times. We are having a look at the big issues on the horizon and those which we think are going to be very important for the sector's future competitiveness and sustainability. In taking on that work, I have transferred the responsibility Mr Wonder previously had for the Market Access Division's oversight to Mr Don Banfield.

I will not go into further detail. There is no shortage of big, demanding and challenging issues for us in the department: drought policy; a national R&D review; some very challenging work ahead of us in the trading environment, both on the WTO and the bilateral and regional FTA agenda; the water issues; some of the fisheries management questions—the list goes on. But, rather than going into any further detail at this point, I am sure you would prefer the opportunity for committee members to pose particular questions to us as a department. With those remarks, I conclude my opening comments.

CHAIR—Explain to me what Gardner Murray used to do that he will not do now.

Ms Hewitt—In addition to being a member of the executive management team, in the past Dr Murray also had the day-to-day responsibility for handling all the staffing and administration.

CHAIR—When did he lose that?

Ms Hewitt—At the beginning of this year I made that change.

CHAIR—Is that why he did not know about that Brazilian meat import until after it happened?

Ms Hewitt—Perhaps you need to raise that question directly with Dr Murray.

CHAIR—I will.

Senator O'BRIEN—Welcome to the area. I want to ask a question about a Hewitt matter but not one relating to you.

Ms Hewitt—Absolutely not, I can assure you! But I know where you are headed.

Senator O'BRIEN—In this respect, I hope it is the last time we deal with this particular Hewitt matter. At budget estimates last year, Mr Pahl told us that the Hewitts had accepted the government's offer of \$7.649 million to settle the matter. Can you confirm that this amount has now been paid to the Hewitts?

Mr Pahl—I can confirm that that amount has been paid.

Senator O'BRIEN—When?

Mr Pahl—It was paid in April, I think, but I would have to go back and check the exact date.

Senator O'BRIEN—April 2004?

Mr Pahl—Yes.

Senator O'BRIEN—You told us that the administrative costs relating to the matter totalled around \$200,000 at the time of budget estimates last year. This figure could well be up to \$220,000 to \$225,000. I am assuming you have the final figure for us.

Mr Pahl—We do have the final figure. At the time, if I recall our conversation, I think I mentioned that I was unsure as to whether there were any outstanding invoices for legal or similar costs. The final cost was \$185,486, which is slightly under the \$200,000 that we mentioned at the last estimates.

Senator O'BRIEN—When you say 'final', is that the end of the matter?

Mr Pahl—That is the end of the matter.

Senator O'BRIEN—Do I take it that it is not anticipated that there would be any further action at all in relation to the Hewitts' claim?

Mr Pahl—That is correct. As part of the scheme under which they made their claim, the applicants were required to sign a release and indemnity form to the Commonwealth.

Senator O'BRIEN—Thanks for that. Proceeding to another matter, having finalised the Hewitt matter, can the department provide details of advertising campaigns run by the department so far this financial year. I would like to know how much has been spent so far

this financial year on advertising and the details of any campaigns planned for the rest of the financial year.

Mr Pahl—Certainly, but before I take that question could I make a correction to the PAES document that you have before you? I want to get this on the record before we go any further. On page 14 of the PAES, in part C, is table 1.4, Summary of staffing changes. There is an error in the 2004-05 revised number. Basically the transfer out of 42 ASL to Biosecurity Australia is not reflected in those numbers. The correct number for 2004-05 in the revised column is 3,796, which makes a variation of zero, and, obviously, that translates into the total as well.

Senator O'BRIEN—According to the chart on page 4 of the PAES, Biosecurity Australia fits within the source structure of outcomes for the portfolio, but their staffing has been separated.

Mr Pahl—If you look at part D of the document on page 39, you will find a similar table for Biosecurity Australia staff, and that will reflect the 42.

Senator O'BRIEN—Given that Biosecurity Australia would have been within this—

Mr Pahl—The 2004-05 budget number of 3,796 would have included the department as well as Biosecurity Australia. The revised figure is now net of the 42 that are in part D of the document.

Senator O'BRIEN—So there is no change to Biosecurity Australia, but there is an additional 42 for the department?

Mr Pahl—Overall, for the department—yes, that is correct.

Senator O'BRIEN—And the advertising?

Mr Pahl—I refer you to appendix 4 of the 2003-04 annual report, which sets out in considerable detail expenditure on advertising for the 2003-04 financial year. I will not go through that, because it is quite an extensive list. In terms of the current financial year, for the quarantine matters awareness campaign we were expecting to spend \$2.568 million. For the avian influenza awareness campaign—the bird flu campaign—we expect to expend \$737,000. I do not have the expenditure to date for those two campaigns in particular, but, if you look through that appendix for the previous financial year, they are the bulk of the advertising expenditure apart from some NHT and NAP advertising campaigns which were quite large last financial year. When we get to the natural resource management section of the hearing, I am sure that colleagues will be able to give you details of expenditure on similar programs in the current financial year.

Senator O'BRIEN—You cannot give that to me now?

Mr Pahl—I do not have it with me, I am sorry. I will make sure that, by the time we get there, they are able to give that to you.

Senator O'BRIEN—If you could make sure that they are prepared to volunteer that at the start, that would be helpful.

Mr Pahl—Sure.

Senator O'BRIEN—I note from the PAES that the department is proposing a reduction of \$24.873 million in administered and departmental appropriations compared with the PBS figure.

Mr Pahl—I might just have Mr Gaukroger come to the table. He is our chief financial officer, and he will be able to assist with questions about the numbers in the PAES.

Mr Gaukroger—There is a reduction of almost \$25 million between the PAES document and the original portfolio budget estimates. The major area where that reduction occurred was in the bill 4 'administered'. It went from \$464,986,000 in the portfolio budget statements to \$417,914,000, which is an overall decrease of \$47 million. The major area in that reduction was with the exceptional circumstances area. The take-up rate was lower than expected, so the estimates reduced accordingly.

Senator O'BRIEN—Can you point me to where I will see that figure in the PAES.

Mr Gaukroger—Page 22 of the PAES. Down at the bottom, you have the 2004-05 budget, which is the portfolio budget statements, the first column, \$464,986,000. That reduces down to \$417,914,000. That is where there is the decrease of \$47 million. If you travel further up the top to 'Exceptional Circumstances' under 'Output 2', there is a net decrease of \$33 million. Within that \$33 million, there are newly declared areas of \$38.695 million which are outlined on page 10 of the PAES. But we have also revised down the estimates by \$71,930,000 for existing declarations. On top of that, the other major variation is the national action plan. There have been moneys from 2004-05 rephased and reprofiled into future years.

Senator O'BRIEN—And that is the \$32,655,000 that has been rephased?

Mr Gaukroger—That is correct. It has been rephased into future years. I refer you to page 11 of the PAES document. Within the table 'Other variations to appropriations' there are our appropriation rephasings. In the \$23 million, there is \$32.655 million from the NAP. That has been rephased and reprofiled into 2005-06, \$8.983 million; 2006-07, \$18.088 million; and 2007-08, \$16.166 million.

Senator O'BRIEN—What was the figure you gave for 2006-07?

Mr Gaukroger—The figure for 2006-07 was \$18.088 million.

Senator O'BRIEN—Not in the document I have.

Mr Gaukroger—In the document you have, there are several rephasings and reprofiling in that particular figure. NAP is one of them. There are several others that are included in those numbers.

Senator O'BRIEN—So there is \$17.796 million. That is one. Where are the others?

Mr Gaukroger—For the New Industries Development Program, there is the reprofiling between 2005-06 and 2006-07. In 2006-07, there is a minus \$292,000. So, when you take that figure away from the \$18.088 million, you will get the \$17.796 million.

Senator O'BRIEN—And where is the new industries figure? I do not see it.

Mr Gaukroger—It is under appropriation rephasings. That includes all the rephasings, so there is not a breakdown there.

Senator O'BRIEN—You have given me a figure of 18 point something million dollars. I am still only seeing \$17.796 million. Forgive me for not understanding your answer.

Mr Gaukroger—If you look in the column for 2006-07 at the top of page 11, you have \$17.796 million. That number comprises NAP, \$18.088 million, less NIDP of \$292,000. So, when you take one from the other, you will get the \$17.796 million at the top there.

Senator O'BRIEN—And that \$292,000 does not appear anywhere else in the PAES?

Mr Gaukroger—That actually appears under 2005-06 within that \$9.275 million for the New Industries Development Program. It will not appear anywhere else in the PAES because we are talking about the single year. This is just talking about the forward years. So the NIDP is within forward estimates.

Senator O'BRIEN—So under outcome 1 for 2004-05, revised, there is \$136 million and some hundreds of thousands of dollars down. Then the next three years show increases totalling \$50-something million. Do I understand that correctly?

Mr Gaukroger—Most of it is not rephasing between years. The only rephasing is that you have—

Senator O'BRIEN—But it is showing a variation to appropriations.

Mr Gaukroger—Yes. There is an initial decrease of \$136 million in 2004-05, and that is predominantly appropriation rephasings of \$23 million. You have revised estimates related to drought exceptional circumstances. That \$111 million comprises a component of special appropriations, as well as bill No. 4 annual appropriation—my recollection is that there is \$39.2 million of special appropriations there that has been revised downwards.

Senator O'BRIEN—So, in the \$111 million, the \$39 million is special appropriations revised downwards?

Mr Gaukroger—That is correct.

Senator O'BRIEN—And what is the rest of the \$111 million?

Mr Gaukroger—Sorry. In fact, \$39.2 million is special appropriations and \$71.930 million is bill No. 4 annual appropriation. That gives you a total of \$111,130,000.

Senator O'BRIEN—What did you describe the \$71.93 million as? I am sorry; there was a bit of background noise here.

Mr Gaukroger—That is bill No. 4 annual administered appropriation. The \$39.2 million is the special appropriation component of that.

Mr Banfield—I might be able to help. The welfare component of exceptional circumstances is paid out of a special appropriation, which is the \$39 million that Mr Gaukroger referred to. The \$71.9 million refers to bill No. 4—the interest rate subsidy component of exceptional circumstances. The two components are paid out of separate appropriations.

Senator O'BRIEN—So they are not carried forward anywhere—they are not rephased?

Mr Banfield—The special appropriation is a standing appropriation which is demand driven for the welfare side; there is no rephasing for those.

Senator O'BRIEN—If I understand the outcome 1 variations, the reduction for this financial year is \$136 million and some \$53-odd million increases over the three out years. Those are my rough maths without a calculator. What does the line 'reforecast of special appropriation estimates' mean?

Mr Gaukroger—Those are adjustments that we do as part of the additional estimates. When we put together the portfolio budget statement for estimates, we put in estimates of all our special appropriations, a lot of which are volume driven, based on changes to production volumes and the like. We then reforecast the special appropriations. What that is saying is that there is an extra \$7.570 million revised upwards for the estimates for the special appropriations which are included in the table of special appropriations on page 18.

Senator O'BRIEN—Where do I get the \$7.570 million from on page 18?

Mr Gaukroger—The \$7.570 million is all the special appropriations except for the revised estimates for exceptional circumstances. So within that table, under the exceptional circumstances, there are two numbers: one is the revision down of \$39.2 million which I mentioned earlier, plus the newly declared areas of \$37.527 million. When you add \$37.527 million—which is under your measures table on page 10—you deduct the revised estimates on page 11 of PAES of \$39.2 million, and you add the \$7.570 million, you get a net figure of \$5.897 million, which matches up to page 18 of the PAES document.

Perhaps I could assist you a little bit more, Senator. On page 18 under the 'Farm Household Support Act'—which the exceptional circumstances funding is under, on the special appropriation—you have a net decrease of \$1,673. As I mentioned earlier, that comprises the \$37,527 million, which is listed as part of page 10 of PAES, less the revision downwards of existing declarations on page 11 of PAES of \$39.2 million. When you take the two figures away, you get minus \$1,673; and when you add the \$7,570, which is also on page 11 of PAES, the net difference is \$5,897. It is just separating the exceptional circumstances from all the other revisions in the estimates for special appropriations.

Senator O'BRIEN—The table on page 11 lists a saving of \$1.2 million for the Tasmanian Wheat Freight Scheme. I presume this is a correction related to the discrepancy that was found at the time of the budget between the figures for the scheme given by the DOTARS and the DAFF PBS—is that correct?

Mr Gaukroger—I am sorry, I did not quite hear the question.

Senator O'BRIEN—The \$1.2 million for the Tasmanian Wheat Freight Scheme—is that the correction of an error in the original PBS?

Mr Gaukroger—No. DOTARS are now administering the Tasmanian Wheat Freight Scheme.

Mr Pahl—That figure reflects the transfer between portfolios for the Tasmanian Wheat Freight Scheme. If you looked in the DOTARS documentation, you would find a similar amount as an incoming amount, as they have taken over the administration of the scheme.

Senator O'BRIEN—There was no money in the out years in the DAFF PBS?

Mr Gaukroger—No, there was not. The \$1.2 million finished in 2004-05.

Senator O'BRIEN—You talked about price adjustments of estimates on page 11. Can you explain that again?

Mr Gaukroger—The price adjustments of the estimates is the impact of indexation on the estimates for the forward years.

Senator O'BRIEN—So that is inflation. What about the 'Transfers to Departmental SIRP'?

Mr Gaukroger—That is the Sugar Industry Reform Program. They were costs which were transferred to departmental to help towards the Centrelink delivery costs. We were under in that area, so there was a transfer from departmental. If you look further down on page 11, you will see a corresponding amount under 'Administered'. This covers not only 2004-05 but also the forward years, so there is the transfer of funding across four years from that particular figure.

Senator O'BRIEN—Further down, under 'Variations in departmental appropriations', a saving of \$270,000 is listed as 'Comcover—Reduction of supplementation'. What does that refer to?

Mr Gaukroger—Comcover is the Commonwealth insurer. The department pay an insurance premium for insurances other than workers compensation as part of that Comcover insurance cover. When Comcover was first established, we received baseline funding based on what the insurance conditions were at the time. There had been some significant increases in premium over the last several years and, from recollection, we received supplementation in 2003-04 to help fund the increased costs, for which we did not receive original funding. In this current financial year, we expect a decrease in premium on Comcover. Accordingly, the amount of supplementation that we originally got in 2003-04 has been reduced accordingly.

Senator O'BRIEN—How did you come to that expectation? Was it from some information you have had from Comcover?

Mr Gaukroger—Comcover provides that information, but it is supplied to the Department of Finance and Administration and we are advised of the reductions in supplementation.

Senator O'BRIEN—You may have touched on this, but the line under that, 'Appropriation Reprofiting', has money in the out years.

Mr Gaukroger—That is the departmental portion of the NAP. There is some reprofiling from 2005-06 and 2006-07 into 2007-08 to provide departmental funding to enable delivery of NAP in 2007-08.

Senator O'BRIEN—Reductions in 2005-06 and 2006-07, a net gain—

Mr Pahl—We are just checking to see whether there is another out year for that reprofiling.

Mr Gaukroger—I suspect there is another out year there, which we will chase up this morning and we will get back to you.

Senator O'BRIEN—Table 3.7 on page 25 of the PAES shows a decrease in the value of assets held by the department.

Mr Gaukroger—That amount refers to the difference between what was reported in the portfolio budget statements of 2004-05 and what is currently reported in the PAES document. There are two major areas that account for that: the Murray-Darling Basin Commission, which is a write-down of the Commonwealth's 20 per cent share as a result of a fundamental error in the books of the Murray-Darling Basin Commission in 2003-04; and Dairy Australia, which was incorporated in 2004-05 and therefore removed from the investments of the Commonwealth. Those variations are shown on pages 353 and 351 of the annual report.

Senator O'BRIEN—At this point I want to ask about a matter related to the Productivity Commission's inquiry into the pork industry. I note that Australian Pork Ltd put out a media release on 7 February this year, saying that APL had sought the assistance of Mr Truss's office in interceding with the Treasurer to gain an extension of the inquiry's time frame. Is the department able to tell me what happened as a result of that request?

Mr Banfield—That is a matter more appropriate for the Food and Agriculture division, so it might be best to hold that question for the next division on the program.

Senator O'BRIEN—The executive does not know about that?

Mr Banfield—Yes, we do but it might be more appropriate to hear it from the divisional officers who have been directly involved in this matter. I am sure they would be happy to answer your question under food and agriculture.

Senator O'BRIEN—Those are all the questions I have for this group.

CHAIR—We will move to program B, Food and agriculture, including our good friends from the Wheat Export Authority. Is this the right group to ask about wool access to markets? Senator Bartlett is a pretty big fan of PETA and all those people. He would like to ask some questions about wool. Which would be the appropriate group?

Mr Banfield—Certainly the best division to ask about the PETA campaign against the wool industry is Product Integrity/Animal and Plant Health. There is a group of people who have been working with the industry and within government on those issues.

CHAIR—Thanks for that. I might actually tie him up so that he does not get here, or handcuff him!

Senator Ian Macdonald—That would be very helpful!

CHAIR—I might get jailed in the process, but that does not matter! Junee jail is quite an attractive place.

Senator O'BRIEN—I wanted to first ask about the Australian Pork Ltd media release of 7 February saying that they had sought the assistance of Mr Truss's office in interceding with the Treasurer to gain an extension of the inquiry's time frame. Can officers advise the committee what has happened as a result of that request?

Mr Mortimer—The Productivity Commission inquiry was established, I think, on 31 August of last year and proceeded with its activities. The initial reporting date for the inquiry has been extended essentially because Australian Pork Ltd believed they needed more time to provide their submissions and prepare their case to put to the Productivity Commission. Australian Pork Ltd approached the government through the Parliamentary Secretary to the

Treasurer, who has responsibility for such matters. The Treasurer has responsibility for the Productivity Commission. The parliamentary secretary consulted with Minister Truss in terms of Minister Truss's views on the matter. Minister Truss agreed with the Parliamentary Secretary to the Treasurer that an extension would be desirable in light of the case put by the industry, and that was subsequently agreed and announced.

Senator O'BRIEN—So what is the new time frame?

Mr Mortimer—The reporting date is now 18 March.

Senator O'BRIEN—So do you know when APL had to have their submission in by?

Mr Mortimer—APL have made a number of submissions, I understand. I think they have made two or three, and I think all three are now in. Is that the case?

Ms Standen—Yes, that is my understanding.

Senator O'BRIEN—On the question of sugar, can the committee receive an update on the revenue from the sugar tax?

Mr Mortimer—I will ask Mr Pittar to come to the table.

Mr Pittar—The total collected by the sugar levy as at 31 January was \$26 million.

Senator O'BRIEN—Is that for this financial year or in total?

Mr Pittar—That is the total amount collected. The levy revenue for this financial year of 2004-05 is \$9.7 million.

Senator O'BRIEN—At the time of the budget the expectation was for \$15 million this financial year. Is that still the expectation?

Mr Pittar—The portfolio additional estimates statement indicates that the forecast is for \$22 million in collection for 2004-05.

Senator O'BRIEN—I want to turn to the minister's recent announcement that payment of the second tranche of sustainability grants will be delayed. Can you confirm that the amount in question is \$73 million?

Mr Pittar—The second tranche amount was \$73 million.

Senator O'BRIEN—Are media reports saying that this translates to an average of around \$7,000 per grower roughly accurate?

Mr Pittar—I do not have the figures with me to talk about average amounts.

Senator Ian Macdonald—Do you know how many growers there are?

Mr Pittar—There are about 6,500.

Senator Ian Macdonald—Senator, if you have your calculator divide 73 by 6½ and you will get the answer.

Senator O'BRIEN—I thought it was more complex than the equation that you gave me.

Senator Ian Macdonald—It would not be beyond you, Senator. I am sure your adviser has done the arithmetic, and if he has told you it is \$7,000 per grower that would probably be close to right. I will do the calculation myself.

Senator O'BRIEN—My back-of-the-envelope calculation corrects down to 65 into 730,000, which is a bit more than \$10,000.

Senator Ian Macdonald—My point to you, Senator, is that this information is within your knowledge. A simple calculation will give you the answer.

Senator O'BRIEN—Is 6,500 roughly the correct number of growers?

Mr Pittar—That is approximately right.

Senator O'BRIEN—Do you have a precise number?

Mr Pittar—I do not have the precise number in front of me, but that is the top of the head figure we use when we are considering the scale of, or the number of growers in, the industry.

Mr Mortimer—I point out that, when the calculations are made, clearly exact numbers need to be brought in, as was the case for the payment of the first tranche. When the second tranche comes due, we will use the number supplied by the mills. We will add all that data together and that will reflect the number of growers operating at that point in time.

Senator O'BRIEN—The minister is quoted as saying that the reason for the delay is that the draft regional plans submitted by the regional advisory groups did not demonstrate sufficient evidence of reform. Does that mean that the regional plans were just not up to scratch?

Mr Mortimer—No, Senator. I do not think that is what the minister is saying at all. He made that comment and if you read a few paragraphs down that press release he went on to say that the plans needed to be 'practical, achievable, substantial and qualitative and demonstrate paths formed towards a sustainable and profitable industry'. The minister was not making any comment about the quality of the regional advisory groups, he was simply commenting on the material in front of him.

Senator O'BRIEN—So which of the criteria did the plans not meet?

Mr Mortimer—Essentially a judgment was formed about the quality of the plans against a range of those matters and we cannot say in terms of one as opposed to another where they were. A matter of judgment was formed by the minister.

Senator O'BRIEN—So the department does not know on what basis the minister took the view that the draft regional plans did not demonstrate sufficient evidence of reform? Was it just a general view of the minister?

Mr Mortimer—No. The minister operated with the benefit of advice of the industry oversight group which was established to oversee the process and to work with the regional advisory groups. The industry oversight group gave the minister advice and the minister considered that advice in coming to his view.

Senator O'BRIEN—So was it the view of the industry oversight group that the plans did not demonstrate sufficient evidence of reform?

Mr Mortimer—The industry oversight group qualified their view on the extent to which the plans met the government's criteria and indeed, if you look at the press release, that is referenced in the sixth paragraph where the minister refers to the fact that the industry oversight group had provided the advice along those lines.

Senator O'BRIEN—What is the date of that press release? I do not have it in front of me.

Mr Mortimer—It is 2 February 2005.

Senator O'BRIEN—Just remind me of the process used to determine eligibility for the sustainability grant tranche payments, particularly including the regional advisory groups and the industry oversight group and their roles.

Mr Mortimer—Essentially that is set out in the statement of intent that was signed by the industry on behalf of government last year. You might remember that when the package was put together last year and the government consulted the industry on it, a statement of intent was signed which set out what the different parties would do towards assisting the industry to become more competitive. The industry agreed to a range of things and the government said that 'in recognition of the above' it would 'authorise first payment of a sustainability grant which will help industry through a transition phase.' The statement of intent refers to a range of assistance measures that the Commonwealth will put in place. It went on to say that the Australian sugar industry recognises that payment of the second instalment of the sustainability grant scheduled for January 2005 would occur once the Australian government was satisfied with progress on industry reform including the development of regional plans.

Senator O'BRIEN—I do not have in front of me the document you are referring to. Does it refer to the roles of the regional advisory groups and the industry oversight group in that process?

Mr Mortimer—I am sorry, I will refer to that. The regional advisory groups were established with one in place for each region in the sugar industry along the Queensland coast and in New South Wales. They were established to develop plans that would take the industry forward with restructure and reform in those regions on the basis of activities that they could put in place. Those regional advisory group activities and plans were to be overseen by the industry oversight group, which was to provide high-level advice and steer, at the top level, activities consistent with the government's broad objectives. The industry oversight group was asked to report to the minister on the progress of the regional advisory groups on those matters and to advise the minister on progress against the payment of the second tranche.

Senator O'BRIEN—I understand the composition of the regional advisory groups was not completed until the end of August—is that right?

Mr Mortimer—That is right.

Senator O'BRIEN—When was the industry oversight group formalised?

Mr Mortimer—I do not have the exact date. I think it was a bit earlier than that.

Senator Ian Macdonald—It was.

Senator O'BRIEN—So they were announced in April but some time elapsed after the announcement for the groups to—

Mr Mortimer—You have been given the date for the establishment of the regional advisory groups, yes. Mr Pittar advises that the IOG was established on 5 August.

Senator O'BRIEN—Were all the appointees appointed by that time, Mr Pittar?

Mr Pittar—Yes—the IOG was established at that time.

Senator O'BRIEN—The people on the regional advisory groups, I take it, are engaged on other activities—they are not full time?

Mr Mortimer—Yes, the members of the regional advisory groups are local business people and farmers and such like. However, they do have the support of a dedicated what is called sugar executive officer in each region, who is employed by that regional advisory group to help them develop their plan, and there is also a secretariat in DAFF which interacts with the regional advisory groups as well as the industry oversight group to help them take their activities forward.

Senator O'BRIEN—During estimates, Mr Mortimer, you told the committee that \$7.5 million had been allocated for the industry oversight group, the regional advisory groups and the sugar executive officers but you could not then provide a breakdown between those groups that you had funded. Can you do so now?

Mr Mortimer—We do not have the breakdown of that \$8 million with us. We are happy to take that on notice.

Senator O'BRIEN—Is it \$8 million, not \$7.5 million?

Mr Pittar—The total allocation for IOGs, the IRG and RAGs is \$8 million.

Senator O'BRIEN—But you cannot give me a breakdown between those?

Mr Mortimer—There is a budget for that but we do not have it with us.

Senator O'BRIEN—So you will provide a precise breakdown on notice?

Mr Mortimer—Yes, Senator.

Senator O'BRIEN—Can you provide—and I am sure you will need to do this on notice—a list of the regional advisory groups that have actually been established and their jurisdiction, if I can put it that way.

Mr Pittar—That is covered in media releases issued by the minister during August last year, but we would be happy to provide those to you. It is available on the web.

Senator O'BRIEN—I am taking it that the sugar executive officer is someone who is attached to a particular regional advisory group—is that right?

Mr Pittar—That is correct—attached to a particular region.

Senator O'BRIEN—Who selected the person appointed to that position in each case? Was it the group, the department or someone else?

Mr Pittar—I think we touched on these issues at the last estimates hearing as well. The actual process of engaging and selecting the sugar executive officers resides with the area consultative committees in the respective regions. They are contracted by this department essentially to engage and provide administrative support for those sugar executive officers.

Senator O'BRIEN—So it is the area consultative committee, not the regional advisory group.

Mr Pittar—No, because the sugar executive officers were actually in place before the regional advisory groups were established.

Senator O'BRIEN—Were the area consultative groups all in place at the time of the announcement in April?

Mr Pittar—The area consultative committees are a function that has been there for some time. They are essentially part of—

Senator Ian Macdonald—You might recall that they report to DOTARS. I think we took them over, in name at least, from the previous government, much against my opinion.

Senator O'BRIEN—Apart from the sugar executive officer, what support does a regional advisory group get?

Mr Mortimer—I think I mentioned that earlier. There is a secretariat in the department that provides assistance and helps provide connections between the regional advisory group and the industry oversight group to facilitate communications and understanding of issues there.

Senator Ian Macdonald—And, as a matter of practice rather than form, most of the regional groups contain people who are associated with local mill supplier committees, canegrower executives or millers. I am conscious that there is a considerable input from the industry through those organisations as well. I do not think they are paid for that by the government, but there is quite clearly a substantial industry input into the regional advisory groups.

Senator O'BRIEN—The regional advisory groups are required to submit a plan to the IOG, as I understand it.

Mr Mortimer—That is correct.

Senator O'BRIEN—They made an assessment and a recommendation—on each plan?

Mr Mortimer—That is right.

Senator O'BRIEN—Not generally, but on each plan?

Mr Mortimer—That is right.

Senator O'BRIEN—Did they assess each plan to be inadequate—not up to scratch, whatever the terminology is—or were there some that passed and some that failed?

Mr Mortimer—In broad terms, the IOG was of the view that the plans needed to go further to achieve the structural change and reform needed in the industry. It made its own particular comments on particular plans, but came to the conclusion that there is more work to be done.

Senator O'BRIEN—On each of the plans?

Mr Mortimer—Yes.

Senator O'BRIEN—Would it have been possible to make payments in some regions on the basis that they had submitted adequate plans and to have held back payments for the rest?

Mr Mortimer—The IOG was of the view that sufficient progress had not been made, and the minister accepted that view.

Senator O'BRIEN—That is not the question I am asking; I am asking you whether, had they been of the view that some plans were adequate—up to scratch, pass, whatever the appropriate terminology is—and others had not met that test, it would have been possible to make payments in some regions but not others.

Mr Mortimer—That is a matter that the minister and the government would have had to decide.

Senator Ian Macdonald—I think, as Mr Mortimer advised, the original arrangement was with the industry as a whole and required industry reform. I think the MOU or the agreement was with the industry as a whole. The letter which also contained details was an industry wide thing. This was something that the industry was engaged on as an industry, not as individual parts of the industry.

Senator O'BRIEN—Minister, I am taking your answer to mean that it is the government's view that all groups had to provide an adequate plan before a payment could be made?

Senator Ian Macdonald—No, the government had to be satisfied that the industry was reforming in accordance with its undertaking, and according to the IOG that was not the case.

Senator O'BRIEN—Is the government's position that all regions had to be reforming at at least an acceptable level for the payments to be made and that payments could not be made if all groups had not reached that standard?

Senator Ian Macdonald—The industry is the industry and—

Senator O'BRIEN—Yes, but regional advisory groups are regional advisory groups and they submitted separate plans.

Senator Ian Macdonald—Yes, but the agreement for reform was made on behalf of the industry as a whole; it was being oversighted by the industry-wide organisation. That was the arrangement that was made. Mr Truss gave a very good interview when this was announced, which you would find on the ABC website and which explains a lot of this.

Senator O'BRIEN—I am just trying to be clear in these proceedings today in understanding the answers. It appears to me that no regional advisory group's plan could be taken in isolation and payments made on the basis of it. Rather, all of the plans had to be submitted; they all had to meet an acceptable standard before payments were made to anyone in the industry. Do I understand that position to be correct?

Mr Mortimer—I would like to make a comment, Senator. I think the sort of distinction, the line you make, is unreasonably hard and fast in the sense that it was not a matter of making sure that everything was spot on and on the line and that one was going to be assessed or judged against the other. The proposition was to get a broad satisfaction on the government's behalf that the plans in themselves and together, collectively, took the industry forward—

Senator O'BRIEN—Individually and collectively.

Mr Mortimer—With emphasis on 'collectively'—that they took the industry reform forward, and that is where the judgment came out. What you are getting to is a hypothetical question.

Senator O'BRIEN—Can I be clear on something. You when you say 'collectively', you could have plans that had varying standards, but overall it might be argued that the industry was moving in the right direction. What I am trying to understand is if some plans went in the right direction and some did not go far enough in that direction—

Mr Mortimer—The upshot was that none of the plans, on the advice of the IOG, came to the full satisfaction and the group as a whole did not meet the government's requirements so the minister and the government made the decision that they did.

Senator O'BRIEN—So have the regional advisory groups been given any particulars of areas in which it is suggested additional reform be pursued?

Mr Mortimer—Yes, indeed, Senator. The industry oversight group has written to the regional advisory groups providing both general and specific advice on the regional plans.

Senator O'BRIEN—When is it expected that the next tranche of the sustainability grants will be paid?

Mr Mortimer—The next tranche of sustainability grants will depend on the minister and the IOG's consideration of the next drafts of those plans. The minister has asked that they be provided by the end of February and they will be provided to the IOG then. Then the IOG and the minister will make their judgment on them.

Senator O'BRIEN—Turning to the exit provisions of the sugar package, at the time of the budget, Mr Mortimer, you told the committee the department had estimated that about 614 people would leave the industry in 2004-05, which would result in payments of \$62.6 million in re-establishment grants. That is correct, isn't it?

Mr Mortimer—I do not have the *Hansard* with me, but I believe that is correct.

Senator O'BRIEN—Does the department still believe that 614 farmers will leave the industry in 2004-05, and that the full \$62.6 million will be spent this financial year?

Mr Mortimer—In light of the time that has passed and experience of change in the industry, I would have to say that that is not likely now.

Senator O'BRIEN—Do you mean the experience since the budget?

Mr Mortimer—Since the budget, and from observing the response of sugar farmers to the exit grant.

Senator O'BRIEN—How many farmers have applied for the exit grant?

Mr Pittar—As of 4 February 2005, for the re-establishment grant, there have been 48 applications granted.

Senator O'BRIEN—How many applications were made?

Mr Pittar—Two hundred and forty-eight applications have been received.

Senator O'BRIEN—How many were processed?

Mr Pittar—Eighty-seven have been rejected, so a number are obviously still in the process of being assessed—further information is being gathered, and that sort of thing.

Senator O'BRIEN—And 113 are still being assessed? That is my rough mathematics.

Mr Pittar—On rough mathematics it looks about right.

Senator Ian Macdonald—I would agree with your mathematics, Senator.

Senator O'BRIEN—I am pleased. I hope that does not mean I should check my figures.

Senator Ian Macdonald—I recommend, Senator, that next time you bring a calculator and we can shorten the hearing considerably.

Senator O'BRIEN—Look, I have not got room for a calculator.

CHAIR—Don't take the bait!

Senator O'BRIEN—Can you give us a breakdown by region of the 48 successful applicants?

Mr Pittar—I do not have that information with me. I just have an aggregate amount.

Senator O'BRIEN—Can you get us a breakdown by region of the 248 applicants, the 48 successful applicants, the 87 rejected applicants and the 113 applicants with pending applications?

Mr Pittar—I will have to take that on notice.

Senator O'BRIEN—Is it possible for further applications to be made for re-establishment grants other than the 248 received?

Mr Pittar—Absolutely. The facility stays open for three years.

Senator O'BRIEN—How many farmers are expected to avail themselves of re-establishment grants in each of the out years?

Mr Mortimer—That is something that we re-examine from time to time. Clearly, the experience to date has been that the grants have not been taken up to the extent that was anticipated. It is possible that there are a few reasons for that including movements in sugar prices, the fact that income support has been available and farmers might be wishing to avail themselves of that while it is there before they come to the next decision about whether they stay in the industry, and farmers might make decisions based on the fact that the quantum of the exit grants is provided on a sliding scale, which reduces for each year over the three years. It is something that we reappraise regularly. It is a very difficult one to pick. Clearly, our earlier projection was incorrect, and so we have to modify it as we go along.

Senator O'BRIEN—Is the answer, no, you have not really done one, because it is very difficult to make that assessment?

Mr Mortimer—We make the best assessments we can.

Senator O'BRIEN—I am asking what they are.

Mr Mortimer—We do not have the figures for an assessment with us.

Senator O'BRIEN—You do not have them here, or you do not have them at all?

Mr Mortimer—Mr Pittar advises me that we do not have them here.

Senator O'BRIEN—Could we have those figures on notice, please. Has there been any calculation or estimate as to the percentage of sugar farmers for whom the farm is no longer the main source of income?

Mr Pittar—We do not have that data. We are conscious that there is a significant proportion of the industry that is generating income from sources other than sugar, be that through off farm income or through diversifying into other enterprises, but we do not have the specific information.

Senator Ian Macdonald—Would ABARE have that sort of material? Someone has it. I know the organisations have it.

Mr Pittar—Our understanding is that the organisations have that information but ABARE does not, because the industry has not participated in farm surveys.

CHAIR—Have sugar farmers been subject to farm build-up? Do you know that sort of information? Or are they still trying to make a quid off the same area that grand-dad did, which obviously does not work?

Mr Pittar—The elements of the package allow farmers to make decisions about whether they increase the size of their holdings. There is support available to assist with those sorts of things if that suits the individual manager.

Senator Ian Macdonald—There has been a consolidation over the years, driven more by the market than anything else I think.

Senator O'BRIEN—I was partially distracted when you gave me that last answer. Do I understand you to be saying that the department does not have access to the information which would give you an understanding of how many sugar growers are primarily reliant on income from their sugar enterprise?

Mr Mortimer—It is a difficult one to deal with because to be accurate it requires a census to ask people questions about how they are investing their assets and where they get their income from. Short of going to the tax office, I am not sure where you would get that information.

Senator O'BRIEN—What about the applications for income support?

Mr Mortimer—Yes, the applications for income support provide a fair amount of information. But they are a subset of the industry as a whole. They do not give you the whole industry picture.

Senator O'BRIEN—How many sugar producers are currently receiving income support?

Mr Pittar—As of 4 February there were 1,605 growers receiving income support.

Senator O'BRIEN—And the provision of income support ceases on 1 March this year?

Mr Pittar—Correct.

Senator O'BRIEN—I assume this means that those families who have been in receipt of support will be looking for other ways to sustain themselves. What other options are available for these families?

Mr Pittar—The other elements of the package are available to assist sugar enterprise families. There are a range of measures, including the farm-restructuring grant. There is also support for business planning, which allows farmers to look at how they can change their

enterprise to be more viable in the longer term. If, on the other hand, families decide that their viability is not strong, they have access to the re-establishment grant as well.

Senator O'BRIEN—As I understand it, \$7 million was provided in the package for retraining. How much of this \$7 million has been spent to date?

Mr Pittar—At this stage, the retraining grants have not been expended so we would anticipate that growers would be looking at those options more seriously as we see the rate of re-establishment grants—

Senator O'BRIEN—So no-one has sought to access those funds? Is that how I should understand your answer?

Mr Mortimer—That is entirely right, Senator.

Senator Ian Macdonald—Do any of the regional plans that anyone knows about have proposals for retraining?

Mr Mortimer—I personally have not seen any of the regional plans and I cannot comment on whether those sorts of things are in them.

Senator O'BRIEN—Can the committee see copies of the regional plans?

Mr Mortimer—That is a question for the minister.

Senator O'BRIEN—Could you take that on notice?

Mr Mortimer—Yes.

Senator O'BRIEN—Could you seek a response for us please? Is there any reason why the regional plans should be confidential?

Mr Mortimer—Essentially they are plans that are advised to the minister for specific government purposes but I am sure that the minister will look at that and make a judgment.

Senator O'BRIEN—You say that they are advice to the minister. Aren't they the proposals for the reform of the industry on a national basis, dealt with region by region?

Mr Mortimer—In a broad sense that is right.

Senator O'BRIEN—They are not advising the minister how he should deal with the plans.

Mr Mortimer—Sorry, that was misinterpreted. They are not advice to the minister in the sense that the department provides advice to the minister; rather they are the industry's proposal on where they want to go and how to reorganise their affairs but clearly they are advising the government on how they see that being done.

Senator O'BRIEN—It is a very broad use of the word 'advising'. They are proposals, aren't they?

Senator Ian Macdonald—Anyhow, we will simply take it on notice. I think you could probably ring a regional group yourself and ask them if they were prepared to give it to you. However, we will take it on notice and if they are available—

Senator O'BRIEN—I am sure they would be keen for an understanding of their proposals to be considered in the context of the spending of public money for their regions.

Senator Ian Macdonald—We cannot answer it any more. We are taking it on notice.

Senator McLUCAS—My understanding was that the regional plans were intended to provide the structure for the restructure of the industry. You are saying that they have not been published.

Mr Mortimer—They are owned, if you think about it in a broad sense, by the regional advisory groups. Senator Macdonald made the point that if the groups are approached they can make a decision in consultation with the minister.

Senator McLUCAS—It is my understanding that it is not possible for the regional advisory groups to provide me, for example, with a copy of the regional plan.

Mr Mortimer—Sorry, could you repeat that. I did not hear the last part.

Senator McLUCAS—I have been advised that it is not appropriate for regional advisory groups to provide people like me with a copy of the regional plan.

Senator Ian Macdonald—That probably means that they do not want to give it to you and, if that is the case, that is their decision.

Senator McLUCAS—No, it doesn't, Senator Macdonald; it does not mean that at all.

Senator Ian Macdonald—We cannot take this any further. We have indicated that it is not within Mr Mortimer's power or my understanding so we have indicated that we will ask Mr Truss and let the committee know as soon as possible.

Senator McLUCAS—Rather than me ask for the regional plan, is it not appropriate that the sectors of the industry in those regions have an understanding of what has been advised to the department so they can get on with the business of restructuring in those regions? The department and the minister are saying that there has not been the level of reform shown to this point in time and therefore moneys that should have been paid in January were not paid. How can the industry restructure itself when the plans that are meant to direct that restructure (1) have not been made public; (2) apparently have not been agreed by the minister and the department; and (3) nobody knows what the plans for the future are? You have made the industry work with one hand.

Senator Ian Macdonald—Unfortunately you were not here when we went through all this previously.

Senator McLUCAS—I accept that.

Senator Ian Macdonald—We have been through all of this, but if the committee has the time we can go through it all again. An arrangement was made between the industry and the government that they were going to reform. Part of the process was that regional groups would put up their reform plans and the industry oversight group would assess them and give advice to the minister. The industry oversight group has the opinion, which they have advised to the minister, that the reforms are not in accordance with what the industry agreement indicated. That is a brief précis of what has been said before which you will see in *Hansard*. We have been through that and that is the broad summary.

Senator McLUCAS—It sounds extremely secretive that the broader industry does not have the opportunity to have a look at both the regional plans and the industry oversight group's plans.

Senator Ian Macdonald—Again we went through this and the question was asked: do the regional groups know what is wrong with their plans? In summary, the answer was that the industry oversight group has been in touch with the regional groups and indicated where they need to address issues, what is required and how the original agreements could be progressed.

Senator O'BRIEN—Does that mean that the regional advisory groups are having meetings with their area growers and consulting them in the preparation of these plans? Is that what is happening?

Mr Mortimer—Yes, those sorts of consultations are happening.

CHAIR—I regret to inform everyone that it is morning teatime.

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

Senator O'BRIEN—I would like the officers to provide the committee with details on the uptake of the intergenerational transfer provisions of the sugar package.

Mr Pittar—I will start by making the comment that the intergenerational transfer side of things is actually managed by another portfolio. On the information that we have at this stage, there have been two applications granted for intergenerational transfer.

Senator O'BRIEN—The cost to the Commonwealth, mainly in forgone revenue, has been estimated at \$23 million over four years. Has that figure been revised?

Mr Pittar—No, not to my knowledge.

Senator O'BRIEN—So there is no new estimate of the cost of this provision?

Mr Pittar—Not at this juncture.

Senator O'BRIEN—When is it expected that the figure will be revised?

Mr Mortimer—We expect it will be done in advance of the finalisation of the upcoming budget.

Senator O'BRIEN—Do you know how many intergenerational transfer events were estimated in the estimation of the \$23 million?

Mr Pittar—I think we need to take that question on notice.

Mr Mortimer—I would also comment that a number of intergenerational transfer applications are being assessed. The briefing indicates that, of 41 applications that have been received, two applications have been granted. It appears that the Department of Family and Community Services is still assessing a number of these applications.

Senator O'BRIEN—Have any been rejected?

Mr Mortimer—No, not on the advice to us.

Senator O'BRIEN—Turning to the regional and community projects, I understand that applications for funding in round 1 of the regional and community projects closed on 5 November last year. Is that right?

Mr Pittar—That is correct.

Senator O'BRIEN—The process is that applications for funding under this program are initially assessed by the regional advisory groups and then the IOG, which makes a recommendation to the minister. Where in the process are we up to with round 1?

Mr Pittar—The proposals that have been assessed and that the IOG has considered are currently being considered by the minister.

Senator O'BRIEN—How many proposals?

Mr Pittar—A total of 70 applications were received. The minister is in the process of considering the applications that were made in that first round.

Senator O'BRIEN—So they have all been through the RAGs and the IOG?

Mr Pittar—They have been through the RAG-IOG process.

Senator O'BRIEN—Did they go to the minister as a group or individually over a period of time?

Mr Pittar—They went as a group.

Senator O'BRIEN—When was that?

Mr Pittar—I am not precisely sure, but I believe it was early this calendar year.

Senator O'BRIEN—Is there any possibility of varying the process, or do they all have to go through the RAG-IOG filter before they get to the minister?

Mr Pittar—The assessment processes outlined in the regional and community project guidelines point to the RAG-IOG process.

Senator O'BRIEN—There is no way to circumvent that process?

Mr Pittar—That is the process that the guidelines spell out.

Senator O'BRIEN—There are no unpublished guidelines with these guidelines, are there—strategic or otherwise?

Mr Pittar—The guidelines are available on the web, and they speak for themselves.

Senator O'BRIEN—All guidelines are available and all procedures?

Mr Pittar—Are all guidelines available on all procedures?

Senator O'BRIEN—No, all guidelines and all procedures. I am asking whether there is anything that is not published which impacts on the process of dealing with these applications.

Mr Pittar—I would answer that by saying that the minister obviously takes into account the views of the IOG and the RAGs when forming his view. That is what the guidelines currently say, and I cannot comment beyond that.

Senator O'BRIEN—The reason I am asking is that there is a very public circumstance where a set of guidelines appeared on a department's web site—DOTARS—but subsequently it was discovered that there were procedures which effectively provided a loophole, if I can categorise it that way, to those guidelines, called the SONA procedures. I am asking whether there is any equivalent, or anything similar, in the case of the regional and community projects process.

Mr Mortimer—We can give you an assurance that there is not something equivalent.

Senator Ian Macdonald—The guidelines are published and they will be followed. Asking these officers to make comparisons with other programs in other departments might be not appropriate to this committee. But we can assure you that the guidelines, as published, will be followed. It will require an understanding of the English language to read the guidelines.

Senator O'BRIEN—There are no procedures which provide the ability to modify the guidelines?

Senator Ian Macdonald—I will ask the officers to correct me if I am wrong—I do not have the guidelines in front of me unfortunately, but perhaps someone has and I can read them and interpret them—but my understanding is it is quite clear the minister will make the decision and he will do that on the basis of advice that both the department and the IOG will give him. I ask the officers to correct me if that is wrong.

Mr Pittar—That is correct, Minister Macdonald. Again, the guidelines at section 12 outline how successful projects will be determined. They talk about the process.

Senator O'BRIEN—There is no way around that determination, is there? Is there any way of circumventing what the guidelines say as to how a successful project will be determined?

Mr Pittar—There is nothing in the guidelines.

Senator O'BRIEN—No, there is nothing in the guidelines; I am asking if there is anything else. The reason I am asking is that there is a very well-known case where there was a specific something else which was not known to applicants and to the public generally which provided another way of achieving success where an application might not fit the guidelines. All I want to know is: can we rule that out in this case?

Senator Ian Macdonald—I find the question quite insulting, but that is beside the point.

Senator O'BRIEN—I do not know why you would, because I am talking about something where your government presided over just such a circumstance. If you find it insulting, you must think it is an insulting—

Senator Ian Macdonald—That is what you say, Senator.

Senator O'BRIEN—No, it is a matter of fact.

Senator Ian Macdonald—Not according to my understanding of the issue.

Senator O'BRIEN—I will send you some copies of the *Hansard* to read then.

Senator Ian Macdonald—Allegations by Labor Party members are not facts.

Senator O'BRIEN—*Hansard* records evidence and I will send it to you if you are not aware of the SONA procedures or the regional partnership guidelines which were published on DOTARS' web site in July 2003.

Senator Ian Macdonald—You send me what you like. I am telling you there is a clear statement of what the guidelines are. The officers will follow that. What you are suggesting to me is that not the officers, and this is where I take some umbrage on their behalf—

CHAIR—Graciously intervene.

Senator Ian Macdonald—Graciously intervene, absolutely; you have picked me in one, Mr Chairman. They will follow the processes and these are the processes under which they will operate. If you are suggesting to me—

Senator O'BRIEN—I am asking questions.

Senator Ian Macdonald—If you are asking is there anything else, the answer is: these are the guidelines; that is what the officers will follow. If you are asking me is some minister going to do something dishonest, that is what I also take umbrage at and it is clearly not the way this government operates.

Senator O'BRIEN—It may not be this department.

Senator Ian Macdonald—If you read the guidelines we would not have to go through this. It really goes through it quite clearly when it says:

In the first instance and at the local level, Regional Advisory Groups have responsibility for assessing project proposals and making recommendations to the overarching Industry Oversight Group, including endorsement, against their agreed regional priorities for reform. The Australian Government's Sugar Executive Officers network provides ... support—

et cetera—

All applications will be forwarded to the overarching Industry Oversight Group for further consideration.

It then goes on to say quite clearly what they will do with it:

Upon assessment, the Industry Oversight Group will present their recommendations and endorsement ... to the ... Minister ... for possible ... funding.

The assessment process ... is designed to provide a filtering process for project proposals, ensuring that the Minister ... considers those project proposals that are considered to be of the greatest regional significance, highest priority ...

It goes on quite clearly:

The Minister for Agriculture, Fisheries and Forestry will make the final decision on all applications.

It should be noted the *Regional and Community Projects* is a discretionary grants program. For [the projects], this means that the Minister ... has discretion in determining whether or not a particular applicant receives funding ...

It cannot be clearer than that. You can have your view on whether you think that is the right thing, but these are the guidelines that have been out. Everyone who has applied knows what the guidelines are and what the rules are. They are all there. It goes on.

Senator O'BRIEN—I am sure it goes on. The purpose of my question was not to see whether those would be applied but to find out whether there were any other unpublished procedures, guidelines, criteria which would be applied to applications. I ask the question because another department, notwithstanding that they had published guidelines on the web site, had a set of procedures which allowed applications to be treated differently. That is the reason I asked the question. If the department is assuring me that there are no such circumstances in this case, I am happy to move on.

Senator Ian Macdonald—Let us move on. I have already assured you of that. I just state in passing that I have not bothered to watch the DOTARS estimates hearings, but I do not know that the officers would agree with your summation of the facts of that. I just put that on the record. Here are the guidelines. These are being followed. I do not think they can be much clearer. You might not like the fact—

Senator O'BRIEN—It has got nothing to do with that.

Senator Ian Macdonald—that the minister has the final say on these, but they are the guidelines that the government promulgated well before the last election and they are the guidelines under which every applicant has applied. They know the rules and they know how it is going to be handled.

Senator O'BRIEN—I am happy that you have given that assurance on behalf of the government. In this case you should expect, in view of what has occurred in the DOTARS case, that they are the sorts of questions that will be asked about other guidelines. But let us move on.

Senator Ian Macdonald—I appreciate that, but the minister is going to make the decision. Let there be no misunderstanding.

Senator O'BRIEN—Presumably he will make it in accordance with the criteria contained in the guidelines. That is what we would understand.

Senator Ian Macdonald—Yes, absolutely. As always.

Senator O'BRIEN—That is fine. I am merely asking questions to be clear that that is where the matter starts and ends.

Senator Ian Macdonald—As always.

Senator O'BRIEN—If only that were so. Where an application is unsuccessful, will the applicant be provided with reasoning or feedback as to why their project was not successful?

Mr Pittar—We would expect that to be the case. I am just seeing whether in fact the guidelines even touch on that. We would anticipate that that feedback will be necessary to provide to applicants whose projects are ultimately unsuccessful.

Senator O'BRIEN—What about the role of the regional advisory groups and the IOG? Is it expected that they will be feeding back to applicants about their views on the application?

Mr Pittar—The IOG interacts regularly with the RAG on a range of matters.

Senator O'BRIEN—What about the RAG to the applicant?

Mr Pittar—We would expect that to be the case, too.

Senator O'BRIEN—So the applicant would be aware as to whether the RAG and the IOG saw merit in their proposal?

Mr Pittar—That would be the normal course of events in granting programs where applications are made.

Senator O'BRIEN—Do you know when we can expect announcements regarding the projects that will be successful in gaining funding in round 1?

Mr Pittar—All I can do is go back to what I mentioned earlier, that they are currently with the minister for consideration.

Senator O'BRIEN—So you do not know of any expected time line for concluding the dealing of those applications by the minister?

Mr Mortimer—I expect the minister to deal with them as soon as possible.

Senator O'BRIEN—That is the case. The question I asked was whether you are aware of the time line.

Mr Mortimer—We have no specific date to offer.

Senator O'BRIEN—That means you are not aware of the time line.

Mr Mortimer—As soon as possible. The minister makes the decision based on his consideration, and there is nothing much more we can say about that.

Senator O'BRIEN—When can we expect future rounds to be initiated?

Mr Pittar—That will also be something which the minister will consider. We would anticipate that he will consider future funding rounds in the context of consideration of, and any announcement in relation to, the first funding round.

Senator O'BRIEN—Turning to the business-planning component of the package, I understand that all growers and harvesters in receipt of income support also received assistance valued at \$2,500 each to develop a business plan and that those in industry who do not receive income support are able to access assistance valued at \$1,500 each to develop a plan. Is that a correct understanding?

Mr Pittar—That is correct.

Senator O'BRIEN—How many sugar growers and harvesters not in receipt of income support have made use of this assistance to develop a business plan for their operations?

Mr Pittar—I do not believe I have that precise information with me. I only have information relating to the total uptake of the business-planning component.

Senator O'BRIEN—Do you mean in dollar numbers or the number of applicants?

Mr Pittar—The number of successful applicants.

Senator O'BRIEN—How many successful applicants have there been?

Mr Pittar—We have 870 as of 4 February.

Senator O'BRIEN—Do you know how many were in receipt of income support?

Mr Pittar—No, I do not have that specific information.

Senator O'BRIEN—Can we get a breakdown of the successful applicants who were in receipt of income support and the number of successful applicants who were not in receipt of income support? I would also like to know how many sugar mills and cooperatives, if any, are able to access \$100,000 each for business planning. Is that the correct figure?

Mr Pittar—That is right, for mill business planning.

Senator O'BRIEN—So we can get a breakdown of those?

Mr Pittar—A breakdown of the number of applicants?

Senator O'BRIEN—Applicants and successful applicants.

Mr Pittar—I have some information on the mill business planning. At this stage of the game, we have six applications from eligible mills. At this stage, four applications have been approved for funding under mill business planning.

Senator O'BRIEN—And those four got \$100,000 each?

Mr Pittar—That is correct—up to \$100,000. The information I have is that they have been granted \$100,000 each.

Senator O'BRIEN—Am I correct in making the assumption that no such assistance was provided to Bundaberg Sugar's Fairymead mill, which is expected to be shut down?

Mr Pittar—It is not one of the four that have been granted funding.

Senator O'BRIEN—Are you aware of how many workers will be affected by the closure of that mill?

Mr Pittar—We are aware of the numbers that have been reported publicly.

Mr Mortimer—Bundaberg Sugar issued a press release on 3 February, which I think said that the potential job reduction would be approximately 150 persons who were involved in transport, milling and services for Fairymead mill. That was the number of people involved. The company went on to say that it was working with its employees to deal with this issue. It said that there was sufficient work within the region for Fairymead full-time employees up to the start of the 2005 season and that seasonal employees would be encouraged to apply for positions within the company's other mills, as there are normally vacancies at the commencement of each crushing season.

Senator O'BRIEN—Will mill workers and transport workers who lose their jobs as a result of the closure of this mill have access to the retraining component of the sugar package?

Mr Pittar—Displaced workers would have access to retraining assistance through the measures available through FaCS and Centrelink.

Senator O'BRIEN—What work is the department doing? What other government action is the department aware of to assist displaced mill workers?

Mr Mortimer—A range of government programs is available for people who become unemployed for whatever circumstance, and any workers from Fairymead who, in the end, are displaced will be able to access those.

Senator O'BRIEN—Subject to the normal criteria?

Mr Mortimer—Yes, the normal criteria.

Senator O'BRIEN—There is no special criteria for these workers?

Mr Mortimer—No, the broad range of government programs will come into play.

[11.11 a.m.]

Senator O'BRIEN—Thanks for that. I will ask some questions about dairy matters.

CHAIR—I want to ask some questions about meat. You are here about meat as well, aren't you?

Mr Mortimer—Yes, a number of aspects of meat are dealt with by this business.

CHAIR—I ask your General Manager, Meat, Wool and Dairy: when did you first learn that there was meat from Brazil in Australia?

Ms Standen—That is not an issue for the Food and Agriculture Division; it is something that our Market Access and Biosecurity areas of the department were meant to answer.

CHAIR—Were you aware of the issue? You are the General Manager, Meat, Wool and Dairy.

Mr Mortimer—Different parts of the department have responsibility for different issues. The issues relating to when and how meat from any country might enter Australia is not something that comes, in the first instance, to the Food and Agriculture Division. That is dealt with through Biosecurity Australia, as it now is, and Market Access.

CHAIR—I just asked the question as to when you found out about it. Did you read about it in the paper?

Mr Mortimer—I think it is fair to say that I knew about it before it was mentioned in the paper.

Senator O'BRIEN—I want to ask about the story that appeared in the *Australian* on Monday this week about the government's dairy industry restructuring package. It referred to a document obtained by that newspaper through FOI, which seems to have been—

Senator O'BRIEN—That story in the *Australian* referred to a document obtained under FOI. It seems to be advice provided last year by this department to the Department of the Prime Minister and Cabinet. Can you confirm that such a document was prepared last year within the Department of Agriculture, Fisheries and Forestry or one of its agencies?

Mr Mortimer—I think that is self-evident. It was prepared by the department.

Senator O'BRIEN—Now that the document is effectively in the public arena by fact that it was obtained under FOI by the *Australian*, could the committee be provided with a copy of it?

Mr Mortimer—Yes, I think we can readily do that. It has been provided to the newspaper, and they have not used all of the document, but I think that is reasonable.

Senator O'BRIEN—The extracts from the article refer to a recent evaluation of the dairy restructuring package program. Can you give us details of the evaluation? Who commissioned it?

Ms Standen—It was commissioned by the department to evaluate the effectiveness of the Dairy Structural Adjustment Program, the Supplementary Dairy Assistance Measures and the Dairy Exit Program.

Senator O'BRIEN—I do not have the document. Can you tell me who carried it out?

Ms Standen—It was carried out by the South Australian Centre for Economics.

Senator O'BRIEN—When was it carried out?

Ms Standen—In the second half of 2003. It was finalised and provided to the government in December 2003.

Senator O'BRIEN—Are the key findings of the evaluation largely as reported in the *Australian* article?

Mr Mortimer—Can I comment here. That evaluation was made public last year. Ms Standen can tell me when. It has been in the public domain and indeed has been on the department's web site for some time.

Ms Standen—It appeared on the web site in early February I think, but certainly in February 2003.

Senator O'BRIEN—If I had a computer in front of me and I wanted to look it up, what would I type in?

Ms Standen—You would go to the departmental web site and go into industry development and dairy. There is a link there to the document.

Senator O'BRIEN—Is the document described in a particular way on that link?

Ms Standen—It is called the 'Evaluation of the Dairy Structural Adjustment Program and Supplementary Dairy Assistance Measures'. There are two separate evaluations. The Dairy Exit Program was done separately from the other two.

Senator O'BRIEN—When this was placed on the web site, was any advice provided to the parliament about the availability of the document? Was it tabled in parliament?

Ms Standen—No, it was not tabled in parliament. The minister did announce at a dairy conference in Shepparton that the evaluation had been undertaken, it had been provided to the government and it was now publicly available. That was in February last year.

Senator O'BRIEN—Will we find the minister's speech from that conference somewhere on the department's web site?

Ms Standen—If you look up the minister on the web site, there is a section there for speeches.

Senator O'BRIEN—I am assuming that the report accurately says that the dairy package was much more successful in stimulating appropriate restructuring of the industry in Victoria and Tasmania than in New South Wales and Queensland. Is that right?

Ms Standen—I do not think the evaluation specifically does say that. What the evaluation did show was that the majority of farmers in Victoria and Tasmania claim to have used the adjustment payments for productivity improvements, increasing herd sizes, increasing farm sizes and so forth. That was less predominant in the areas of New South Wales and Queensland.

Senator O'BRIEN—Can you tell me what action has occurred as a result of this evaluation of the dairy package?

Ms Standen—Generally the evaluation of the dairy package, DSAP and SDA, indicated that the package has been well implemented by the Dairy Adjustment Authority: that there was an almost 100 per cent uptake of the package by eligible entities, that it was progressing

well and that generally the package had been used for adjustment assistance throughout the industry—to assist the industry to adjust to deregulation.

Senator O'BRIEN—The article in the *Australian* quotes the document as saying:
... “there are lessons that can be applied to ongoing sugar industry assistance”.

Can tell you what they are and whether they have been applied?

Mr Mortimer—I am not sure that the evaluation would have said that—

Ms Standen—No.

Mr Mortimer—because I do not think the evaluation was done before the sugar assistance package was prepared. Essentially, the article is referring to the departmental document which was, as you are aware, released under FOI. The situation was that the department was reflecting and drawing on its experiences with adjustment programs in developing the package of adjustment and other support programs for the sugar industry, which happened early last year. That was essentially part of the suite of information that was drawn on, in consultation with industry, in preparing possible measures for consideration by the minister and the government.

Senator O'BRIEN—So this report was part of the material which the minister would have drawn on in constructing the sugar package?

Mr Mortimer—I do not believe the minister saw that particular evaluation—rather officers in the department, when they were engaged in considering how to approach sugar industry assistance and adjustment, were drawing on experience with similar programs. That is entirely reasonable given that many of the same sorts of instruments are used. Indeed there was clearly discussion, which that newspaper report picks up, within the department about how those programs are travelled.

Senator O'BRIEN—I think you just said the minister would not have seen the evaluation—

Mr Mortimer—Sorry, he saw it earlier but I do not think it went to him again in terms of preparing the sugar package. He clearly saw it earlier.

Senator O'BRIEN—You said that he advised it was available, and if he released it then I presume he would have seen it.

Mr Mortimer—That is right. That was a year earlier to when preparations started on the sugar industry assistance package.

Senator O'BRIEN—So the issues raised in that paper would have been familiar to the minister?

Mr Mortimer—I expect so.

Senator O'BRIEN—And were there any particular lessons from that evaluation which can be seen to have been transparently applied to the sugar package?

Mr Mortimer—Essentially what the comment on the dairy package is indicating is that farmers will use funding provided for assistance in a number of ways. As indicated, some farmers might decide to stay in the industry and expand—either through buying land,

expanding their production or improving productivity—and others might use it for retiring debt and suchlike. Essentially, that will be driven by a range of factors. In the dairy industry it seems to have been driven by regional factors. I guess part of that is the fact that there is varying competitive advantage, if I can use that term, for dairying across different parts of Australia plus the support arrangements that were taken away by the states would have impacted differently on different regions and different farmers. For example, if a farmer in Queensland had a high level of debt which was predicated on a very valuable quota, he could support that debt. However, if the state based support arrangements were taken away, he would obviously need to deal with that debt, and that seems to be what has happened.

In terms of sugar, we cannot do any one-for-one comparisons there because the sugar industry arrangements were considered on their merits. Clearly the issues of how farmers adjust, the factors driving adjustment and what they take into account were factored in. In some of the different measures, for example in the sugar package, there were different eligibility criteria around the exit grant which we discussed previously. Also in the sugar industry package there is a specific program called restructuring grants which are available to farmers for on-farm productivity improvements and such like. They are the kinds of lessons that came out of the consideration of all the issues, in a broad sense, which the department was able to feed into that consideration.

Senator O'BRIEN—Did the report deal with the issue—and it seems to have done so in some ways—where the states which did not rely on market milk quotas seemed to have been more successful in stimulating restructuring than states like New South Wales and Queensland?

Mr Mortimer—I do not have the details in front of me, but I am not sure whether the report said that. I think the report was more likely to have concluded that because of the regional differences, adjustment happens in different ways. You will see farmers in different regions adjusting differently and adopting different strategies for adjustment. You will also see a different pattern of production and output emerge at the end of that process, which is essentially what we are seeing in dairy with a strong concentration of dairy farming in Victoria.

Senator O'BRIEN—I just thought that the self-evident point that might have been dealt with in the report—and as I have said I have not read the report—was that in the states where there was a guaranteed price for milk which was well above the prices obtained in Victoria and Tasmania without a market milk system, restructuring appears to have been less successful.

Mr Mortimer—It is a question of success. Without having the report in front of me, there are a number of ways of thinking about that. The nub of the issue was that the states had differential but more or less interlocking arrangements for supporting dairy production in the sense that they were all focused on market milk albeit providing different numbers and levels of that assistance. Because they all operated in the broader context of the economics of location and travel, they were broadly mutually supporting in terms of carving out state-based markets.

Senator O'BRIEN—You did not mention cost of production, which seems to be the key in a dairy market where parts of the market had a guaranteed price for some of their milk which could have underpinned a higher cost of production than in other parts of the country—which may or may not be relevant to sugar. It would be very difficult to apply the experiences of the dairy industry in New South Wales and Queensland to the sugar industry, which does not have such an underpinning.

Mr Mortimer—You are quite right, Senator, and I would have come to that. As I think I mentioned earlier on dairy, there are varying competitive advantages which are reflected in costs of production. Those underlying economic factors have emerged as the restructuring has happened in the dairy industry and it is driving the structure of the industry that we are seeing now.

Senator O'BRIEN—I want to ask some questions about citrus canker. Is this the right area?

Mr Mortimer—Yes. We might have to share that with officers from the plant product integrity area in terms of the emergency management arrangements but we can call someone to the table if that is the case.

[11.35 a.m.]

Senator O'BRIEN—Table 1.1 on page 10 of the PAES list an item entitled 'Citrus canker eradication' with amounts of \$3.5 million for 2005-05, \$1.3 million for 2005-06 and \$0.7 million for 2006-07. How is that money to be spent?

Mr Banfield—While Ms Ransom is checking the numbers, my understanding is that that is basically part of the national eradication campaign for citrus canker. There are national consultative and management arrangements for the eradication of the disease. There is an agreed national plan for the eradication of citrus canker. That is managed by the Queensland government, but the cost of that is actually shared between the Commonwealth and the states and that is the Commonwealth's component. In fact, as you might be aware, the Commonwealth pays 50 per cent of the cost of the eradication.

Ms Ransom—The numbers that you have before you are the Commonwealth component of the agreed emergency response program for citrus canker. As Mr Banfield said, that is a product of the considerations and recommendations of a consultative committee on emergency plant pests. The response is based on the technical process of eradication of citrus canker from the Emerald area. The budget is put together by the operating state through the consultative committee and is then shared on a 50-50 basis by the Commonwealth and the states, the state component being made up of pro rata production numbers. The budget is then endorsed through the Primary Industries Ministerial Council.

Senator O'BRIEN—I assume that funding for the provision of assistance to affected growers is not included in those amounts?

Ms Ransom—That is right. This deals only with the technical eradication component.

Senator O'BRIEN—In an interview on 9 February Minister Truss said that the \$1.5 million Commonwealth package on offer for assistance to growers was based around interest rate subsidies, yet in an answer to a question on notice received yesterday the minister

referred to cash grants. Can you provide the committee with details of exactly what was on offer from the Commonwealth?

Mr Pittar—I will endeavour to answer that question. There are two measures that are part of the assistance adjustment package. One measure is income support and the other is the interest rate subsidy you mentioned. The subsidy would be provided by way of a grant into the account carrying the debt to provide that subsidy for interest rates.

Senator O'BRIEN—So there is an up-front payment to subsidise the provider. Is that how I should understand that?

Mr Pittar—There is a payment into the farmer's account to subsidise the cost of the farmer's interest rate payments.

Senator O'BRIEN—Would it be correct to categorise the Queensland government's package as being based around interest-free loans?

Mr Pittar—Our understanding of the Queensland package as announced is that it will provide interest-free loans within the plant quarantine area around Emerald.

Senator O'BRIEN—And the Commonwealth is providing an amount of money to offset interest payments on loans for growers in that area?

Mr Pittar—Correct, bearing in mind that growers in that area may well already have commercial loans they are paying interest on and, for example, the Commonwealth package would be something which could defray the interest costs on new and existing borrowings from growers in that plant quarantine area.

Senator O'BRIEN—The Queensland government would allow for loans to be taken out interest free to offset existing loans?

Mr Mortimer—We have to be guided by the material in front of us in that public statement from Queensland, which Mr Pittar has set out. But, yes, the Queensland Premier in that press statement essentially said the growers in the Emerald pest quarantine area may apply for interest-free finance for up to two years. So there is a relatively small group of growers in that area who will be able to get loans without having to pay any interest whatsoever.

Senator O'BRIEN—How does that differ from the Commonwealth package?

Mr Mortimer—The Commonwealth is essentially providing interest up to a specified amount—as Mr Pittar mentioned, \$100,000—that farmers can apply for against their existing debt or a new debt that is related to this matter.

Senator O'BRIEN—In the affected areas?

Mr Mortimer—Yes.

Senator O'BRIEN—So are we talking about different areas between the state and the federal?

Mr Pittar—The Commonwealth package also is available to growers outside of the plant quarantine area who can demonstrate a reduction in income as a result of citrus canker.

Senator O'BRIEN—How many growers outside of the affected area would fall into that category?

Mr Pittar—We do not have that information at this stage. Obviously Centrelink is in the process of taking registrations of intent to claim and will assess individual applications on a case by case basis.

Senator O'BRIEN—Does the Commonwealth assistance depend on the Queensland government making any changes to its assistance package or is it completely independent?

Mr Mortimer—It is independent.

Senator O'BRIEN—When will Commonwealth assistance start to flow to affected growers?

Mr Mortimer—The access is available now. The guidelines for the assistance are being finalised with Centrelink, which will be administering the program. I think growers are already ringing in on a number that has been made publicly available to inquire about the assistance that is available.

Senator O'BRIEN—What is the total cost of the new assistance package? Can I get a breakdown?

Mr Pittar—The overall amount of the Commonwealth package is \$1.5 million. In broad terms, by element, up to \$100,000 would be available to assist with market development or opening up alternative markets for citrus products, and the balance would be available for the income support and interest rate subsidies.

Senator O'BRIEN—Is there a breakdown between the two categories of income support and interest rate subsidies?

Mr Pittar—I do not have the precise breakdown in front of me, but we would expect the majority of the residual to be for interest rate subsidies.

Senator O'BRIEN—Is there an estimate of how many growers are likely to take up the Commonwealth offer?

Mr Pittar—I do not have the specific details, but we do have those estimates, which we can take on notice.

Senator O'BRIEN—Thanks for that. You are intimating that it will not go to growers just in the Emerald district. I am interested to know which districts might benefit.

Mr Pittar—The package is available to all citrus growers in Queensland who can demonstrate an impact as a result of the citrus canker.

Senator O'BRIEN—Which areas now claim an impact?

Mr Pittar—There are a number of areas other than the Emerald PQA. There is an area known as the Gayndah Mundubbera Management Zone, where there are technical restrictions, if I can characterise it that way, in place, and the remaining areas of Queensland also in the early stages of the outbreak were constrained in terms of the markets they could provide their fruit to.

Senator O'BRIEN—If a grower was constrained as to the market to which they could provide their fruit, are they eligible for assistance under this package?

Mr Pittar—Providing they can demonstrate a reduction in their income directly attributable to—

Senator O'BRIEN—What level of reduction?

Mr Pittar—In the vicinity of 30 per cent.

Senator O'BRIEN—Is it claimed that there are regions where such a reduction has been incurred other than Emerald?

Mr Pittar—We anticipate that there will be producers who will be in a position to demonstrate a 30 per cent reduction in income—for example, through not being able to sell their fruit, having to potentially destroy fruit on their property—and they will be assessed as part of the application and consideration process by Centrelink.

Mr Banfield—The Commonwealth's package also extends to citrus production nurseries—and I understand there are several in the areas that have been adversely affected by it—so it is not only growers but also citrus production nurseries that could demonstrate an adverse effect.

Senator O'BRIEN—Not only in the area of—

Mr Banfield—As Mr Pittar said, the package as a whole applies to Queensland. It applies to all those in the existing Emerald pest quarantine area plus any grower and citrus production nursery outside of the Emerald pest quarantine area who can demonstrate a decline in income on account of citrus canker.

Senator O'BRIEN—Would the Citrus Canker Eradication Program be dealt with here or when we are talking with AQIS?

Mr Mortimer—It is dealt with by Product integrity, animal and plant health. Ms Ransom is from that area and can deal with questions now, if you have them.

Senator O'BRIEN—Can you outline the roles being played by the Commonwealth and the Queensland governments in this eradication and tell me who has overall responsibility for the program?

Ms Ransom—The role of the Commonwealth in the eradication program is as chair of the consultative committee and as chair of the national management group to which the consultative committee makes recommendations, which then, on budget issues, would flow through to the Primary Industry Ministerial Council.

The consultative committee, which is made up of state and national plant health managers, is responsible for the oversight of the technical eradication processes—issues related to the containment and eradication of the citrus canker. It also has involvement and liaison with the operational state, which in this case is Queensland, to ensure that surveillance programs, ongoing monitoring and actual eradication procedures—tree eradication—are appropriate and likely to lead to a successful eradication.

As I mentioned, Queensland is the operating state. They have responsibility for the mechanics of the eradication under their own state plant health legislation. They are the

responsible body for implementing their legislation to its extent to undertake the mechanics of the eradication under the oversight of the consultative committee.

Senator O'BRIEN—By chairing those committees, what responsibility does the Commonwealth take on?

Ms Ransom—The Commonwealth ensures that all parties are involved in the process, that there is accountability in all sectors—that includes not only the operating state but also other states and territories that are also contributors to the program—and that their views are heard, that measures that are put in place are likely to lead to successful eradication and that they are within the parameters and obligations we have for the sanitary and phytosanitary agreement. This is so that the measures that are taken are reasonable, that there are not unfair trade practices put in place and that the operation itself is scientifically justified and based on scientific procedures. It has an oversight role, but obviously we also have a role in protecting the Commonwealth's investment in the eradication program.

Mr Banfield—It is worth making the point that this is a national response. The Commonwealth obviously has an interest as part of a national group, but all of the states and industry are represented in this process. The Commonwealth chairs it obviously, as it does many bodies where there are national responses prepared, but decisions are taken, by consensus, by the relevant Commonwealth and states. We happen to chair the national management group and the consultative committee, but I would not want to imply a role to the Commonwealth other than as part of this national response strategy.

Senator O'BRIEN—We have dealt with the Commonwealth's financial contribution and the states are making contributions in kind in the process of matching that. Is that how I should understand it?

Ms Ransom—I understand there may be contributions in kind, but there are also financial contributions directly on the basis of the pro rata production in each state. Some states are paying only a small amount, whereas other states that have large citrus production are contributing more.

Senator O'BRIEN—Can you give us the figures of contributions by each state?

Ms Ransom—I do not have those with me.

Mr Banfield—I might be able to help out there. These are the percentage figures of the costs associated with eradication. The Australian government pays 50 per cent; the Queensland government pays, on the number I have, 9.85 per cent; Victoria, 9.85 per cent; New South Wales, 13.75 per cent; Western Australia, 0.8 per cent. Hopefully that adds up to 100 per cent.

Senator O'BRIEN—I will have to ask the minister to do my calculations for me.

Mr Banfield—I will run through it in a different order: the Australian government, 50 per cent; South Australia, 15.75 per cent; New South Wales, 13.75 per cent; Queensland, 9.85 per cent; Victoria, 9.85 per cent; Western Australia, 0.8 per cent. Hopefully that gets us there.

Senator O'BRIEN—It is going to be pretty close. There has been some concern from industry about the method being used in this program. How is this program being carried out on the ground? For example, I understand there are bans on the movement of fruit out of the

affected areas and out of the state of Queensland. How would those bans have been imposed under this program?

Ms Ransom—The pest quarantine area was established under Queensland legislation and is enforced by the Queensland Department of Primary Industries and Fisheries. As soon as the disease was confirmed, a quarantine area was placed around the Emerald area. That has subsequently been reviewed following surveillance. That restricts or prevents the movement of any citrus material out of the PQA, except where an exemption is granted by a Queensland inspector.

Senator O'BRIEN—What is the PQA?

Ms Ransom—The pest quarantine area. The eradication program is based on information and experiences in Florida in the US and has been applied. The philosophy that has been followed is that following the detection and confirmation of an outbreak of citrus canker a 600-metre buffer zone is established around that outbreak and those trees are removed and destroyed. This has been proven through research in Florida to be effective. In the absence of any other information, that was the approach that was taken. It is consistent with considerations that have been made by Biosecurity Australia in some of the risk analyses that they had completed.

CHAIR—What variety of oranges was it discovered in?

Ms Ransom—The first detection on the first affected property was in a Cara Cara navel orange.

CHAIR—Are they an imported species? Someone seems to think they have brought it into the country. Is that evident by the variety of orange that it appeared in?

Ms Ransom—All production citrus in Australia have come from offshore, so they are going to have to have been imported at some stage.

CHAIR—Was it a new variety?

Ms Ransom—No, it is a variety that has been in Australia for a number of years.

CHAIR—For many years?

Ms Ransom—No, not many years; it is a relatively new variety, but certainly had legitimately been brought into Australia through the normal post-entry quarantine processes.

CHAIR—So this variety is in orchards all through Australia?

Ms Ransom—There are a number of orchards growing this. It is a variety that has been multiplied through the Australian citrus industry propagation scheme.

Senator O'BRIEN—Are there still bans on moving citrus fruit out of Queensland?

Ms Ransom—The restrictions on the movement of fruit have been lifted for an area that is designated 'rest of Queensland'. That excludes the Gayndah Mundubbera Management Zone and the pest quarantine area.

CHAIR—What is the no-go zone application of the buffer zone around the oranges—are you allowed to walk across it, blow across it, fly across it? Can the weather carry it across it? What are the restrictions in the area which is the buffer zone?

Ms Ransom—The pest quarantine area that is established around Emerald?

CHAIR—Yes.

Ms Ransom—The restriction applies to the movement of citrus material, and that would be material taken by people. Obviously it is difficult to restrict the movement of anything that might move through air currents.

CHAIR—Can this spread by a means other than by a bit of fruit.

Mr Banfield—I am sure Ms Ransom will do her best to answer the question, but the onground application of the surveillance and the eradication technique is undertaken by the Queensland government. So questions of detailed nature—

CHAIR—But surely someone in your department would know the answer, wouldn't they?

Mr Banfield—Ms Ransom will endeavour to answer the questions.

CHAIR—If she doesn't, she bloody well should.

Mr Banfield—I am saying that, if we get into a level of detail about the application—

CHAIR—The point I am trying to make, Mr Banfield, is it is one thing to say you have a buffer zone; it all depends on what you do in the buffer zone. If you do not know what the protocols are, you bloody well should.

Mr Banfield—We have a good idea what the protocols are.

Ms Ransom—The movement restrictions are regulated by the Queensland authorities. Obviously the movement that they can regulate is for the movement of material that is picked up and taken by people. It also regulates the movement of people who have an association with infected properties or within that pest quarantine area. If you have, for instance, fruit pickers or people involved in orchards, there is regulation of their movement between the areas and within the pest quarantine area.

CHAIR—Can it travel in your clothes, on your boots, in the wind, in the water?

Ms Ransom—It can.

CHAIR—What do you do when it is on the side of a hill and there is a downstream flow effect—do you put a bank in and catch the water?

Ms Ransom—The movement of the bacterium in water is not well documented. It moves in the plant material. So by limiting the movement of the plant material into waterways or physically between areas you are also regulating the movement of that organism.

CHAIR—If I were to go to where this is all happening, on the downhill side I would see something to catch all the rubbish and stuff that washes off, would I?

Ms Ransom—The floor of the orchard is managed in such a way that there is vegetation that is kept low. That would provide a trap for any material that might happen to drop off the tree.

CHAIR—But if there were six inches of rain it wouldn't?

Ms Ransom—It would not, and it might move into waterways, but, there again, the organism stays within the leaf material; it is not something that will wash into and live of its own in a water body.

CHAIR—In other words, the buffer zone is not an eternal guarantee. It is a process which minimizes but does not guarantee—

Ms Ransom—That is right.

CHAIR—Is someone standing there to vet people that come and go to prevent someone from stumbling in there in the middle of the night drunk and getting lost in the orchard?

Ms Ransom—The orchardists themselves have put measures in place to ensure that they do not have people coming on and off their properties and a number have also established their own hygiene measures to minimise the risk of somebody coming in and inadvertently spreading the disease. It is worth remembering that this area has had significant intensive surveillance. The disease, if it is present, is at extremely low levels—it is certainly not dropping off trees—so the likelihood of it being moved around, even through inadvertent entry, is really quite minimal.

Senator O'BRIEN—Is there an expected time when the bans on movement of fruit will be lifted?

Ms Ransom—This would be out of the pest quarantine area?

Senator O'BRIEN—Yes.

Ms Ransom—It is difficult to say prescriptively because it really does depend on the disease situation as it is established through surveillance and monitoring. From discussions with the consultative committee it is very clear that the movement of fruit under quarantine arrangements to minimise the risk of movement will allow trading of fruit some time in advance of the final bacterium being declared eradicated from that area. Where a risk in the movement of fruit or the disease with the fruit can be undertaken through quarantine measures then I would expect that the fruit should be able to move before the pest quarantine area itself is lifted to indicate the eradication of the organism.

Senator O'BRIEN—So judgment will be made that the movement of fruit poses very little or no risk?

Ms Ransom—That is right—at a time when that risk can be put in the perspective of the overall disease situation in the pest quarantine area. That is based on the ongoing surveillance and monitoring that has been undertaken by the Queensland department.

Senator O'BRIEN—Are we satisfied that this is not a disease of the variety but rather of particular trees?

Ms Ransom—The disease has a wide host range within the citrus production species so it is not going to be limited just to particular varieties, although some varieties are more susceptible and will show the disease more easily than others. It is a disease that is affecting the pest quarantine area rather than a particular variety within that area.

Senator O'BRIEN—So it is likely that there has been a source of infection after the trees were planted rather than the infection being within the stock that was planted.

Ms Ransom—I believe that in the broader area that would be the case. We really do not have sufficient information to indicate the origin of the disease. That is something that the Queensland department may be able to indicate to us at some time in relation to the tracing work that they have done.

Senator O'BRIEN—Can you provide some details of the impact that the citrus canker outbreak has had on the export of citrus fruit from Australia?

Ms Ransom—The impact has really been quite minimal. New Zealand imposed some additional measures on fruit moving from Australia to New Zealand, which were consistent with existing export practice—some chlorine in the wash water and certification by AQIS for that export. From Queensland there was some disruption to some of the smaller Pacific island exports that were to go as mixed consignments. There was some disruption to Europe for the pest quarantine area but other areas outside of that were allowed to export on the basis of orchard surveys. The same applies to some of the countries in the Middle East, where they also follow the European protocols. Queensland did not have access to the United States so there was no disruption to that market.

Senator O'BRIEN—Would it be fair to say that some of the market previously filled from the affected areas would have been taken up by other areas in Queensland?

Ms Ransom—I do not believe there would have been a lot of market disruption. This disease is endemic through South-East Asia and north Asia so there was no disruption to existing markets in Japan, Korea, Indonesia, Malaysia, Singapore and Hong Kong. A lot of those existing markets that are serviced by Queensland were already in place.

Senator O'BRIEN—But I meant what if there was fruit sourced from the affected areas where you could not move fruit out of the affected area?

Ms Ransom—There was an arrangement fairly soon after the confirmation of the disease for fruit in the Emerald pest quarantine area to be treated, inspected and certified to allow it to move to the border in Brisbane, where it was exported. So there was really quite minimal disruption to exports.

Senator O'BRIEN—I am just trying to find out if the impact on the Emerald district led to a positive aspect for some other districts.

Ms Ransom—That is possible but I have no information on that.

Mr Mortimer—Can I make a comment about the availability of the dairy evaluation for the benefit of Senator O'Brien. Because of the bulk of the evaluation document the executive summary was put on the web site. We are happy to provide you with a copy of the full document either in hard copy or email, according to your preference.

Senator O'BRIEN—I would be happy if it is capable of being emailed.

Mr Mortimer—Okay, we can email it to you then. We will do that.

Mr Banfield—While other colleagues are coming to the table, Mr Pahl wants to provide an update on some of the questions that he was answering earlier this morning.

Mr Pahl—You asked for the date of the Hewitt payment. It was made on 30 April 2004. You also had a question about page 11 of the PAES document. I think it was in regard to the

appropriation reprofiling where there was an apparent \$445,000 that you could not see. In fact, that \$445,000 is in 2003-04, which does not have a column in this document. If you add that \$445,000 to the \$291,000 reprofiled from 2005-06 and to the \$1.209 million reprofiled from 2006-07, you will come up with \$1.945 million in 2007-08.

Senator O'BRIEN—I did not bring my calculator so I will take your word for it.

Mr Pahl—I brought mine and I can assure you that is the case. That is where the \$445,000 was.

[12.17 p.m.]

CHAIR—I welcome witnesses from Biosecurity Australia. Does anybody want to make an opening statement?

Mr Wonder—We do not plan to give an opening statement.

CHAIR—It is a busy time for Biosecurity Australia. Mr Wonder, when did you first discover that we had imported fresh meat from a country from within whose borders there is foot-and-mouth disease, even though they are a foot-and-mouth zone? When did you first find out we had done that?

Mr Wonder—I had that brought to my attention while I was acting secretary of the department, which was in the week before Christmas.

CHAIR—When were the licences—or whatever you call them—issued?

Mr Wonder—I will defer to Mr Cahill and Dr Banks. Although we did not have an opening statement for the organisation in total, following your invitation—

CHAIR—I understand you might have a chronology of events.

Mr Wonder—Yes. I was not sure whether you were heading straight into questions concerning this matter or not. That is why I answered the way I did. Now that you have actually started questioning us in respect of this matter, we do see merit in your suggestion that we make some opening remarks to put the events in context. I will pass to Mr Cahill.

CHAIR—That will be your context, not mine.

Mr Cahill—We thought it might help by providing a short factual statement on the circumstances surrounding the importation of beef from Brazil. The policy to accept imports of red meat from a zone declared by the World Organisation for Animal Health, the OIE, to be free of FMD was developed in 1998 and came into force in 1999. The cattle and red meat industries were fully consulted on that occasion and subsequently.

The first permit to import fresh frozen meat from Brazil under this policy was not issued until September 2003 and a further four permits were issued in 2004. One of those permits was used to import a consignment of approximately half a tonne of beef trimmings for quality testing in November 2004. This comprised 20 cartons of frozen beef, 13 of which were held at a cold store in Melbourne. Five were distributed to individual companies manufacturing smallgoods and two were sent to a processing plant in Wagga Wagga for testing.

On 24 December, Biosecurity Australia became aware of a suspected but unconfirmed report of foot-and-mouth disease on a property in Brazil on the border with Paraguay and

within the zone declared as free of FMD by the OIE. The permits that had been issued were immediately suspended and quarantine authorities placed into quarantine the 18 cartons of imported beef that were still in cold storage. The policy under which the import permits were issued was also suspended pending a review. Precautionary measures were also put into place at the Wagga Wagga plant where the two cartons had been opened and tested, as well as at the municipal tip where they had been discarded and buried as waste under the conditions for industrial waste regulated by the New South Wales government.

On 7 January, the Brazilian government formally notified Australia that subsequent testing had shown that the suspected outbreak had been a false alarm caused by the recent vaccination of animals on the suspect property. Notwithstanding that, the import policy and the import permits issued under that policy remain suspended. Biosecurity Australia, together with the Australia Quarantine and Inspection Service, the product integrity animal and plant health division of the department, an FMD specialist and a state chief veterinary officer are scheduled to assess the effectiveness of the FMD-free zones as well as food safety systems in place in Brazil. We expect that visit to occur in late March or early April.

Although the 18 cartons in cold storage remain under quarantine control, we understand that the importing company has decided to destroy them. That destruction will take place under quarantine supervision. We expect that to occur today.

CHAIR—Good on you. I would have thought that this was a bloody no-brainer. What sort of process allows the first importation of meat into Australia, from a country within whose borders there is foot-and-mouth and about which we know nothing to speak of their internal controls, without an import risk analysis and then allows it to finish up in a municipal tip? Do you think that it is regrettable that it happened?

Mr Cahill—I might ask Dr Banks to outline a bit more of the process associated with the development of the policy that you are talking about.

CHAIR—Whoever ticked it off needs their head taken off below the shoulders. This is cuckoo-land stuff.

Mr Wonder—You asked about the process, perhaps an officer can answer that question.

Dr Banks—We have had a policy for the importation of red meat into this country since about 1989. However, it was reviewed in 1998 and as Mr Cahill has read out in the statement in consultation with the beef and red meat industries a new policy was formulated. That was based on changes which had occurred, first of all as part of us joining the World Trade Organisation, the SPS agreement, which requires us to consider zoning and regionalisation, and also to the Quarantine Act, which also required us to look at the possibility of zoning. The decision was made in 1999 that we would, as a country, accept the OIE defined zones of countries where the OIE had formally proclaimed them as such. That answers the first part of your question; could you repeat the second part?

CHAIR—We will just stick with that. Within the OIE, there is still the capacity for a country to raise independent concerns about a particular issue.

Dr Banks—There is.

CHAIR—So we could have flagged that. You don't just take that as a *carte blanche*.

Dr Banks—With respect to the precise mechanism by which OIE do these assessments, Dr Murray from product integrity, who is Australia's representative on OIE, would probably be the best person to answer exactly how it occurs.

CHAIR—I was actually going to ask him when he first found out about it. I understand that was well after the event as well. Is he about? Doctor, could you explain to the committee when you first became aware that we had imported fresh meat into Australia which, as I said, finished up on the Wagga tip?

Dr Murray—I first became aware of the possibility of imports of meat from Brazil on 10 December last year. Subsequently, I had discussions with BA and Mr Wonder over the Christmas period as to how the matter should be looked at, managed and reviewed.

CHAIR—Did an alarm bell go off in your mind?

Dr Murray—An alarm bell in the sense that it was an important issue and therefore worth while discussing with the acting secretary and others in the department.

CHAIR—Dr Banks, after the importation was ticked off, when did the meat actually arrive in Australia?

Dr Banks—It arrived on 29 November into Melbourne.

CHAIR—When did you then send someone down from Washington, or wherever it was, to have a look at the meatworks?

Dr Banks—Just before Christmas. It was between 20 and 23 December.

CHAIR—And what was the purpose of having a look at the meatworks?

Dr Banks—It was a preliminary visit, in the very short period available before Christmas, to do an initial investigation into the zoning arrangements and also the public health situation in the meatworks in Brazil. It was only an initial investigation.

CHAIR—So the job was not to look at where the meat actually came from; it was to look at where it was killed?

Dr Banks—That is what he did, but he also discussed with the Brazilian authorities the overall zoning arrangements.

CHAIR—How many countries are there in the world that are major exporters of meat that are free of BSE and foot-and-mouth disease?

Dr Banks—In South America alone there is the Brazilian FMD- and BSE-free zone.

CHAIR—I am asking which ones have dual accreditation of being free.

Dr Banks—That is what I am answering.

CHAIR—The whole of the country, not portions. I would suggest New Zealand.

Dr Banks—Argentina, Uruguay, Paraguay—I will take the rest of it on notice.

CHAIR—So Paraguay is foot-and-mouth free?

Dr Banks—It has recently been declared as FMD free with vaccination.

CHAIR—As I understand it, this meat that we have agreed to bring into Australia is not allowed into the US, Canada, Mexico or Japan as fresh meat. Is that right?

Dr Banks—That is correct.

CHAIR—Why do you think there was no import risk analysis provided on this?

Dr Banks—As I mentioned earlier, this was a review of existing policy. As such, certainly the parts with regard to the zoning for foot-and-mouth disease, compared to the previous conditions which required country freedom, were looked at. As it was an existing policy, it was a review of it.

CHAIR—When did you first become aware that this meat was coming in?

Dr Banks—About the same time as Gardner Murray; just after it happened.

CHAIR—How the hell can we bring in fresh meat like this from a country—you do not know, Biosecurity does not know, the chief government vet does not know and the minister does not know. Yet it comes in—this could have been a huge catastrophe—and finishes up on the bloody Wagga tip. What is wrong with the system?

Mr Wonder—Dr Banks might like to add to this, or Mr Cahill. The meat did not just come in without an import permit. There were legally issued import permits for that meat—

CHAIR—With great respect—

Mr Wonder—I have not finished my answer yet. There were legally issued import permits for that meat against the background of a protocol that had been approved back in 1999. You are asking how it comes in. That is how it comes in: against approved arrangements.

CHAIR—That does not say much to me, as a person who is out there in the paddock, not wandering around with a book stuck in his head, about the original process that allowed this to happen. We have gone to all the trouble with apples and bananas—anything you would like to name we have an import risk analysis for—but for some strange reason with our biggest export agricultural industry of beef we do not bother.

Mr Wonder—I do not understand what you mean by ‘do not bother’.

CHAIR—I would have thought, and I am sure that most people I know would have thought, that if we were going to bring in fresh meat from a country from within whose borders there is foot-and-mouth, we would have some understanding—and at the time of importation we had no understanding—of their internal identification scheme for their stock. Someone tried to run it on me that the abattoir was mickey mouse, that it was bar coded and it was a long way from an infected zone or something. For God’s sake, AMH buy cattle in Wodonga today and kill them in Brisbane tomorrow. We knew nothing about the internal controls. We know nothing, really, about what goes on at the Bolivian border or what goes on at the Paraguayan border, and we have agreed to all of this.

Mr Wonder—Again, Dr Banks might wish to add to this. At the time Biosecurity Australia was not quite in the same configuration as an organisation as it is today. At the time it satisfied itself, on the basis of the OIE evidence that it had before it—and it was prepared to provide that advice to AQIS, our quarantine agency—that import permits could be issued on that basis.

CHAIR—Is it a common practice to inoculate cattle in a foot-and-mouth free zone?

Dr Banks—Yes.

CHAIR—Is that a live virus?

Dr Banks—No.

CHAIR—So why did it show up in the test?

Dr Banks—The tests that you have to use need to be able to differentiate between an animal that has been vaccinated and an animal that has been exposed to the natural virus. So the tests actually look for a protein that is produced when the virus multiplies in the animal cells. That way you can normally differentiate between the two. However, it is well known that, particularly in either very heavily vaccinated animals or very recently vaccinated animals, there is enough of this antigen carried over from the tissue culture to actually cause the test to go positive when it subsequently turns out to be negative. My understanding is that that is exactly what happened in this case.

CHAIR—What is your understanding of what goes on at the Paraguay border by way of border protection from smuggling across the border?

Dr Banks—We understand that it is fairly tightly controlled. Indeed, this particular episode was caused by the Brazilian authorities being a little bit suspicious because the stock numbers on one particular property were higher than could be accounted for by normal movements.

CHAIR—I understand the quaint system they use. Do you think that is efficient? I understand the system is that, if you think there is an incursion, you go out and count the bloody stock on some bloke's place. I am a farmer. If it is worth sixpence on one side of the border and 3s 6d on the other side of the border, you would be a dope if you did not try and get some cattle across to the higher market, which goes on all the time, I understand. If the system is that you know that they are going to come out and count the cattle on your property if you get some of these across the border, obviously you would have to be half a dope not to move a few of your own cattle along so your numbers come up the zone. It is a great system; I wish you all the best.

Dr Banks—First of all, we do not have any evidence that it goes on all the time. It is, as far as we are aware, quite strictly controlled. We are not saying that it is impossible that that happen, but it is not a free and open border—

CHAIR—But have we had people at the border to have a look?

Dr Banks—and so I think that is important to remember. I also think it is important to remember that the Brazilians actually found this by checking. They were able to check and they did find discrepancies—and they acted on those discrepancies.

CHAIR—But we did not know when we issued the licence anything about the internal workings, did we?

Dr Banks—We knew that the internal workings, as you put it, had been audited very thoroughly by the OIE on behalf of us and all other members of the OIE.

CHAIR—So Heinz Australia import the meat. I have to say that, subsequent to the importation, I think the department, the minister, Heinz and everyone has shown a great level

of cooperation et cetera. But it is the prior event that troubles me greatly. Has anybody asked the question of what the system is or what the checks are if you can import meat with a licence? You send someone from Washington down after the event to have a look at what is going on down there. The chief government vet does not know until after the event. One of our greatest global assets is our foot-and-mouth free and BSE free status. When it was brought into the country, why do you think they scattered it around amongst a whole lot of other people?

Dr Banks—I do not know the answer to that question.

Senator O'BRIEN—Who were they talking to?

Dr Banks—There is a level of commercial-in-confidence on that.

Senator O'BRIEN—Why? What is commercially confidential about the importation of a small shipment of beef?

Dr Banks—As a rule, AQIS do not divulge the names of permit holders. That is a standard rule.

CHAIR—I was actually going to ask you who the others were. Can you not tell us that? I think there is a national interest at stake here.

Dr Banks—I would have to take it on notice as to whether I can give you those names.

CHAIR—You might, with great respect—and, if need be, in confidence—supply the committee with the names of the main players, because there is a series of questions that flow on. When you get a person who imports, they might import for a commercial edge—I understand this is 95 CL meat for the price of 65, so it is a very lean product. If you were doing that for your own commercial edge then why the hell would you give it to all your competitors to try. I understand there are contingencies from other people—hamburger people—who have looked at this. I think they would be going a bit slower now if they are looking at this. They have been looking at what you do if we have a problem—where they are going to get their meat supply from. I think the easiest place would be New Zealand. So we have allowed someone to bring meat into Australia not really knowing what the OIE thing meant. We said, 'Sure, they gave it a tick,' but we did not really understand what the tick meant—because you had to send someone down to have a look—and we still do not really understand. Do they use ear tags? How do they trace their cattle around the country?

Dr Banks—I understand that they use bar-coded ear tags.

CHAIR—At what stage do they then put the bar code in? Is it at birth?

Dr Banks—The precise details of the animal identification system is one of the objectives of the review that is about to take place in Brazil.

CHAIR—I understand all of that. I think a person whose livelihood is made from cattle and marketing our disease free status would be dreadfully alarmed that we did not know that before we started the process. I just cannot believe this. This is a complete no-brainer. If it is the Cattle Council or a bunch of farmers somewhere that ticked this off in 1999, they are to be damned. Do you intend to have an IRA now?

Dr Banks—No.

Senator Ian Macdonald—As you know, Chair, I am a bit lost at these. You are here to ask us questions, not us to ask you questions. But what would your solution be? What is the right way to deal with this, in your view?

CHAIR—This now?

Senator Ian Macdonald—The broad principle of it.

CHAIR—There are sensitivities, some of which I probably do not want to talk about here. There are lots of people around the world who would like to lower our status in several of these premium fields that we are able to enter. We want to protect those at all costs. The Cattle Council itself has said that it is fully supportive of zoning. I am also fully supportive, but you have to know what is happening in the zone.

Senator Ian Macdonald—Do you think we should send our own inspectors down? If so, who is to pay for that—the industry?

CHAIR—I would have thought that both the industry and the science of it ought to be inspected. There is such a thing as the science stacking up. There is also the streetwise part of it stacking up. There are all sorts of interesting people in the meat trade. You have seen that in Australia, even with bloody kangaroo meat turning up in cow bloody—pardon my language. There are all sorts of ways and means. I would have thought that what the department is proposing is right on the mark—they are going to go over and have a look.

Senator Ian Macdonald—You are saying that should have happened before.

CHAIR—Bloody oath.

Senator Ian Macdonald—Who would pay for that? Would the industry be happy to pay for that, if we did it as a matter of course? As I understand it, we accept the OIE rather than doing our own assessments. Someone might want to look into this. If you are suggesting that we should do this as a matter of course, it would seem to me to be very expensive—if that is what the industry wants.

CHAIR—It would be very cheap insurance. I am not going to say it here, but there are lots of reasons I could give you, without causing an international incident, of why we should do that.

Senator Ian Macdonald—Would the industry be prepared to pay for that?

CHAIR—The industry, as I understand it, is very anxious to go and have a look. I do not think a foot has been put out of place since we discovered what we did. It is why we got to where we were that is the problem.

Senator Ian Macdonald—You are suggesting that it is the original policy back in 1998 that is—

CHAIR—It is seriously flawed.

Senator Ian Macdonald—But the solution is that—

CHAIR—We were going to review it.

Senator Ian Macdonald—Wherever we are going to do that, we send our own inspectors. Is that possible at a cost to someone?

Mr Cahill—The observation I would make about that is that the policy applies generally, not just to Brazil.

Senator Ian Macdonald—Yes, but if we did it everywhere.

CHAIR—But it begs the question, with great respect, Mr Cahill: if this happened without the knowledge of the government vet and without the knowledge of Biosecurity Australia because the system said it was all-right, what goddamn else is in the system that we do not know about?

Senator Ian Macdonald—Mr Cahill, let me put that question to you. If we sent our own people out to do it everywhere in the world, would that be an expensive exercise?

Mr Cahill—It would be hugely expensive.

Senator Ian Macdonald—Who would pay for that?

Mr Cahill—It would depend on who was involved. I would imagine that, as in this case, it would involve a range of people from the department of agriculture, from state authorities and from AQIS.

CHAIR—We are prepared to go and have a look at bananas, apples—all the things that we deal with—and yet we just say about beef, ‘Tick. Let her come in; she’s right.’ What would be the big deal about—

Senator Ian Macdonald—Let’s answer that. Why do we go and look before we let apples in but not before we let this in?

Dr Banks—These are new imports. There is no precedence and no existing policy on which to—

Senator Ian Macdonald—We accept the OIE’s certification that it is okay.

CHAIR—But with great respect: the United States will not have it, Japan will not have it, Mexico will not have it and Canada will not have it. They definitely will not accept it. Why the hell do we?

Senator Ian Macdonald—I suppose it becomes a cost. If the industry wants to pay the cost, or the government decides to bear the cost, I suppose it is something that we should look at.

CHAIR—If the argument is that it is because you want to save half a cent on can of soup or bully beef so you can compete then this is much the same thing, with great respect, as the orange juice concentrate. Some fields we can compete in; some we cannot. We have a premium edge in our status for fresh meat and it is an at all costs, over my dead body issue that we have got to protect it.

Senator Ian Macdonald—That sounds sensible to me, but why don’t we do that? Because of the enormous cost, and it is a question of who pays.

Senator FERRIS—It is a question of foot-and-mouth.

CHAIR—So you would like to compare that to the cost? This could have gone dreadfully wrong.

Senator Ian Macdonald—It is something that perhaps the government might—

CHAIR—As you are probably aware I have been pretty annoyed about this. I actually made a few quiet phone calls on Christmas Eve when I found out about it. The difficulty is that even though, with great respect to everyone, they say this got safely buried at the Wagga tip I am not reassured. As you know I have lived all my life around cattle yards and bloody abattoirs—and probably rubbish tips—and I have not been to a meatworks yet where anyone who has got greyhounds or dogs or cats does not take home a bit of dog tucker for free. It is part of the culture. We will never really know for sure. You can have all of the assurances you like, but you will never really know for sure that the meat that was opened, cored and cooked and mucked around with in Wagga actually ended up at the tip. They said it went in the skip and the skip went to the tip and they buried it in the ground, but how do you know that some smarty did not take a bit home and feed the dogs?

Mr Wonder—I think it is more than just what they said. I believe that Dr Banks can refer to more than that.

CHAIR—I have talked to the workers and I have been to the plant—

Mr Wonder—Dr Banks might be able to assist.

CHAIR—and I know you have too.

Dr Banks—The company concerned here is a professional outfit.

CHAIR—I realise that.

Dr Banks—Their inventory control is excellent. They were able to walk me through exactly where that product was at any point in the plant. As you know, I have also talked to the people at the tip. This is not a rural tip with a bit of a fence around it; this is a municipal tip under quite tight environmental and other controls as regulated by the New South Wales government. Again, this tip is a professional outfit and industrial waste has quite tight control on it as to how it can be processed. As far as I can see they did it exactly the way they were supposed to. I am very confident that the meat is safely buried deep in the Wagga tip.

CHAIR—You will never convince a farmer of that. You might convince scientists or someone who reads it out of a literary piece but, because of the nature of human nature and because we all know what goes on, you cannot ever convince a farmer of that. But I do not think that is the issue. I have absolutely no criticisms of events after Christmas Eve; I have a huge concern about the prior events. I am completely beside myself as to how we could have gotten ourselves in that position. The meat was sprayed around to other operators. It beggars belief that if you are doing it for your own commercial advantage that you would offer it to everyone else—unless you want to broaden it. It could have been similar to what a good mate of mine did to the wheat market three years ago when he brought in two shiploads of wheat from the UK. If you recall, there was a problem with one of the shiploads and it dropped the wheat market to \$60 a tonne overnight and Shepherds Producers at Wagga Wagga, for instance, went completely belly up as a result. You would not know what is behind this proposition to interfere with not only the market but even our own status. You just would not know. The system, in my view, failed. At the end of the day we protected our status, but how we got to take the risk really bothers me.

Senator O'BRIEN—There is no onus on us to accept meat from Brazil, obviously. The US, Japan, Korea, Canada and other places do not accept it, so could you explain to me why we do accept meat from Brazil, where foot-and-mouth disease has been known to regularly occur?

Dr Banks—As I mentioned before—or perhaps I didn't—there are great advantages to Australia in accepting zoning, not only for endemic diseases; and there is no doubt that our export drive has benefited massively from our ability to zone endemic diseases in Australia and for those zones to be accepted by our trading partners. There would also be tremendous benefit if, heaven forbid, we should be in a situation where we did have an outbreak of, for example, foot-and-mouth disease. In that particular circumstance, we would be expecting, and indeed demanding, that our trading partners accept OIE definitions of zones within Australia.

Senator O'BRIEN—We cannot force them to, can we?

Dr Banks—We cannot force them to, no.

Senator O'BRIEN—So how do we demand?

Dr Banks—I have no doubt that we would be demanding then.

Senator O'BRIEN—So we thump the table and say, 'You've got to take it,' and they say, 'No,' and that is the end of the matter, effectively?

Dr Banks—Is that a question?

Senator O'BRIEN—That is the reality, isn't it: unless there is a compulsion, a legal obligation, we can demand it but our demand has no effect.

Dr Banks—I accept that there is no legal obligation but, again, if we are not prepared to accept the international trading rules, it is very difficult for us to ask other countries to accept them.

Senator O'BRIEN—Zoning is a double-edged sword. You can have minor disease problems and you can have major disease problems, and zoning may be considered acceptable for minor rather than major diseases, such as foot-and-mouth disease. That is clearly the case around the world, isn't it? Some countries will not accept zoning for particular diseases, such as foot-and-mouth disease.

Dr Banks—That is the case: some will not—but many will. The FMD-free zone in Brazil is exporting, I understand, to over 100 countries who accept zoning for foot-and-mouth disease.

CHAIR—May I say with great respect that some of that would be like the situation in the Philippines with the banana problem, which we will not go into today. Obviously, if you are exporting bananas from the Philippines to New Zealand, it is no big deal, because they do not grow any bananas there—or no commercial reality of such. This is our major primary export. Were you a bit disappointed when you found out what had happened?

Dr Banks—I do not think my personal demeanour was an issue, Senator.

CHAIR—I did not really think I would get away with that, but I thought I'd try!

Senator FERRIS—Dr Banks, could you tell us whether foot-and-mouth disease dies in the cooking process?

Dr Banks—Yes, provided the temperature is high enough.

Senator FERRIS—Remember that senators around this table were members of the inquiry that looked at the importation of pork. If you recall, we now require imported pork to be cooked within a very short distance of where it lands. There was some suggestion, as part of that inquiry, that it should be cooked beforehand. Why would we not require a country like Brazil—and I accept the zoning argument—to supply us only with cooked meat, or require that it be cooked within a certain radius of its arrival, as we do with pork?

Dr Banks—If you accept the zoning argument, there are no quarantine reasons why you would require the heat treatment of the meat.

Senator FERRIS—Are you saying to me that we are therefore in no position to argue for beef from Brazil to be cooked when it comes here?

Dr Banks—Can you repeat the question, Senator?

Senator FERRIS—Is Australia therefore unable to argue that meat from Brazil should be either cooked before it arrives or cooked within a certain radius of its arrival, as we argued successfully regarding pork from Canada?

Dr Banks—We could take that decision, but it would have to be based on the risks involved.

Senator FERRIS—We have just established the risks involved, haven't we?

Dr Banks—I do not think so, Senator, no—not from an FMD-free zone.

Senator FERRIS—Perhaps the IRA that might eventually be made available to members of this committee might enable us to understand that argument better.

CHAIR—There is no IRA.

Senator FERRIS—But one is going to be developed, presumably.

Senator O'BRIEN—No.

Dr Banks—No. This is an existing policy that has been in place for decades.

Senator FERRIS—That does not mean that we would not revise it.

Dr Banks—We can change the policy. That is exactly what happened in 1999. In so doing, we consult very widely with industry and other stakeholders.

Senator FERRIS—Surely when the policy was developed—many years ago, as you have just said—it was never envisaged that fresh meat might finish up on the Wagga tip. What was the contingency arrangement in that policy when it was developed many years ago for if a product such as this came in from Brazil and, because it was unacceptable for any reason to the intended purchaser, therefore needed to be disposed of? Is there an arrangement in that old policy that prescribes how that disposal should take place?

Dr Banks—No, because that would be based on quarantine risks.

Senator FERRIS—Now that we know that the opportunity to dispose of it may be open to question, would there be any reason why you would argue that we would not review this policy?

Dr Banks—The only argument for which I suggest we would review this policy—and the very reason for which we are going to review the zoning and other arrangements in Brazil—is if we came across evidence that what we are being told happens in the country of export may not be entirely correct. In fact, the review that we are going to undertake was not triggered by a suspected FMD outbreak. Any country that is looking gets those, including us. We investigate several suspected FMD outbreaks a year. It was not that that triggered it; it was the fact that this whole episode appears to have been caused by the Brazilians suspecting, because of herd size, that some animals may have been smuggled in from Paraguay. The trigger was that what we were being told is perhaps not exactly what happens, rather than a suspected foot-and-mouth disease outbreak.

Senator O'BRIEN—They decided there was a risk, they tested and they had a positive test. They have since said that it was a false positive and that we should ignore their previous advice. We have suspended our import policy and it remains suspended. For how long?

Dr Banks—Until we have finished the review and, depending on the outcome of that review, put forward a policy and, obviously, gone through the normal consultative process.

Senator O'BRIEN—When you have put forward a policy and gone through the consultative process, who will sign it off in the end?

Dr Banks—It will be signed off in exactly the normal way that any other policy is signed off.

Senator O'BRIEN—I do not understand. The minister will sign it off?

Dr Banks—No.

Senator O'BRIEN—Who signs it off?

Dr Banks—The director of quarantine. We will make a policy recommendation to AQIS, who then would enact that under the Quarantine Act, for which any delegations come from the director of quarantine.

CHAIR—So who actually ticked the box and signed the document to bring this in? Quarantine? You did not know anything about it, so who did?

Dr Banks—It was a normal permit issue.

Senator FERRIS—Someone must still have taken responsibility.

CHAIR—You must know who agreed to it.

Mr Wonder—AQIS issued the permit.

CHAIR—AQIS agreed to it. I want to bring the committee's attention to accountability, as I have a bit of a problem here. We are pretty anxious to know who else is in this game, for a number of reasons. I am aware that there were plans and contingencies being put in place by other operators. Some of them would have commercial considerations and others would have plain contingencies in case our meat market failed for some reason. With the commercial-in-

confidence argument, you either have to make your case or Senator O'Brien has to withdraw his request. Do you want to make out a case for why it is commercial in confidence? It actually has to be the minister.

Dr Banks—AQIS would be better placed to do that. We have agreed to look at what our obligations are and look at the mechanisms available to provide you with that information, either in camera or through some other mechanism. If you allow us, we will go back and work out a way of doing that that is not breaching confidentiality.

CHAIR—I would not like you to go away from today thinking this fuss only happened because of a false alarm on a foot-and-mouth outbreak. This was going to happen anyway, once we found out. This is a no-brainer. I am not too sure what we can do about it just yet.

Proceedings suspended from 1.00 p.m. to 2.00 p.m.

CHAIR—The committee will resume. I presume Mr Wonder will want to straighten me out.

Mr Wonder—Just a brief comment: I want to refer back to the discussion we were having prior to the luncheon adjournment in which the committee will recall we discussed where this product could have gone. Over lunch the officers and I were talking about whether we had given comprehensive evidence on that point and we want to clarify a point if we can. Perhaps I will ask Dr Banks to do that.

Dr Banks—The 20 cartons of meat that were sent in November not only met the Australian permit conditions but also were eligible for export to the European Union. They met all their conditions as well.

CHAIR—But not those of the Americans, the Japanese or the Canadians. They would not have a bar of them. That is a true statement. It is no use using other words. So whatever they used to get around the OIE, I would like to know that because under no circumstances is this meat allowed into Japan, America, Canada, Mexico and one or two other countries. I am beside myself. As I said, given that this is our major export earner for agriculture, it is a no-brainer.

Senator O'BRIEN—Just to be clear, who took the decision in 1999?

Dr Banks—The way the system works is that Biosecurity Australia—or it was the policy arm of AQIS then because we had not had the split at that stage—would go out for consultation, as we did in this particular case, formulate the policy and then make a recommendation to what was then the operational arm of AQIS that this was the policy from now on.

Senator O'BRIEN—Who made the decision?

Dr Banks—The decisions are made at the level of the branch in which the policy is determined.

Senator O'BRIEN—Which branch made the decision?

Dr Banks—At the time that would have been called the animal quarantine policy branch.

Senator O'BRIEN—Would it have needed to be signed off by the director of Quarantine?

Dr Banks—No. It needed to be signed off by the branch head.

CHAIR—So the secretary does not sign off on these permits; it is all done lower down the food chain.

Mr Wonder—We are not talking about the permits; we are talking about the policy.

CHAIR—Are the permits signed off by the secretary?

Mr Wonder—I will have to ask Dr Stanton to answer that. I am just distinguishing between the policy and the permits.

Ms Stanton—Your question was about who signs off on the permit?

Senator O'BRIEN—No, the policy.

CHAIR—My question was about the permit.

Ms Stanton—I can answer the question about the permit. Once we have established that the request is in line for whatever the policy is for the product, the permit is signed off and in this case was signed off in our animal programs branch by a middle level officer.

Senator O'BRIEN—Who was in charge of that branch at the time?

Ms Stanton—At the time, Jenni Gordon would have been in charge of that branch.

Senator O'BRIEN—Who did Jenni Gordon report to?

Ms Stanton—She reported to me.

Senator O'BRIEN—So you were unaware of the policy?

Ms Stanton—No, I was aware of the policy. I do not necessarily get information, though, about every single permit that is signed off, and I did not have information on that one.

Senator O'BRIEN—Once the policy is determined, what discretion do other officers have about particular applications for permits under that policy?

Ms Stanton—It is very hard to answer that question other than on a case-by-case basis. Basically, when someone applies for a permit, whatever the product, that is checked against the policy at the time. If the application for the permit is clearly in line with the policy then it is signed. If it seems a little unusual or a bit different for whatever reason, our normal process from AQIS would be to check with Biosecurity Australia about the policy.

CHAIR—Often in court proceedings where someone is up for murder, rape or whatever, and they have had umpteen other offences, that fact is not provided to the jury. In this instance, with the importation of this meat, would the person who was making the decision be aware or unaware that this was meat that the United States and other countries would not have a bar of?

Ms Stanton—I cannot answer that question. What they would have been aware of was that it was totally in line with the policy that was recorded. There was no reason for them to—

CHAIR—I am pleased they do not work for me.

Senator O'BRIEN—With respect to an application: subsequent to the determination of the policy by a middle ranked officer under Mr Gordon—I think you said that—was there no recourse to anyone about the policy?

Ms Stanton—On this particular occasion, when the import permit was requested—

Senator O'BRIEN—No, I am not asking about the permit. I will come to the permit. I am asking about the policy. Is there no recourse to anyone about the policy that has then been determined by a middle ranked officer under Mr Gordon?

Mr Wonder—I will distinguish to be helpful. The policy side of it is now really with Biosecurity Australia; the delivery, the sign-off and the—

Senator O'BRIEN—What was it then?

Mr Wonder—Dr Banks can answer. What was the prior form of BA called?

Dr Banks—It was the animal quarantine policy branch of AQIS.

Mr Wonder—Since that time the arrangements have changed into what we have today in Biosecurity Australia.

CHAIR—That was in the days when they were tangled up more with the trade side of it?

Mr Wonder—It was all part of AQIS at that time.

Senator O'BRIEN—So with the determination having been made within the animal quarantine policy branch of AQIS, did anyone have any say in the policy? Or was it then binding upon AQIS and therefore Australia?

Dr Banks—The quarantine policies that are formulated by Biosecurity Australia and its predecessors are always open to review. We have seen on many occasions that policies can be revised in the light of new information et cetera, so policies are not set in concrete in that way.

Senator O'BRIEN—Presumably, the policy was well known within AQIS once it had been made. Is that right?

Ms Stanton—And it would be now.

Senator O'BRIEN—Let us deal with things at the moment. Was it well known within AQIS that that policy had been determined?

Dr Banks—There is a mechanism within AQIS whereby they take our policies and make sure that certifying officers know what the policy is.

Senator O'BRIEN—Ms Stanton, were you aware that that policy had been made?

Ms Stanton—I was aware of the red-meat policy, as amended, that was made in 1998, and my officers would be aware of that policy too.

CHAIR—Did you know what was in the policy? There is a lot of difference between being aware that there was a policy and actually knowing what the policy was.

Ms Stanton—I know the general terms of the policy but, obviously, my officers who are in a position to be certifying whether or not import permits should be issued are the ones who know the detail of the policy—and they do know the detail.

Senator O'BRIEN—Was the detail of the policy circulated to anyone outside of AQIS?

Ms Stanton—I cannot answer that question.

Dr Banks—I might answer that, if I may. All our policies undergo normal community consultation, and that was no exception. So, when we formulated that policy, before it was determined it went out to all stakeholders that had a stake in the policy decision. A policy certainly goes to the whole community for consultation, and to our trading partners as well.

CHAIR—Given that, wasn't there somewhere someone who got the policy and had the slightest streak of curiosity? It took one minute in a phone call on Christmas Eve at 4 o'clock for me to think, 'Oh—I won't say what I normally say! Wasn't there someone who thought, 'Hang on; why are we agreeing to this?' Didn't someone have the slightest curiosity as to why we were agreeing to something that other countries would not agree to? It is hard to understand how you would not question it. It indicates to me that they probably did not know what the score was. I regretfully am coming to the conclusion that no-one, after a certain period up the feed chain, knew what the damn policy was. They might have known that it existed but they did not know the detail.

Dr Banks—Could you be a little more precise in your question, Senator.

CHAIR—If I were you—and I am not; I am a worn-out farmer—and someone came to me with a policy and said, 'Look, we've agreed under OIE to bring fresh meat in from this country; I've measured the country up and it's 1,600 miles across,' my idle curiosity would have made me ask a few other questions as a precaution. Did everyone just take it for granted that OIE was the be-all and end-all? Surely, someone somewhere should have said, 'Hang on, these other crowds have knocked this back; what are we missing?'

Dr Banks—That debate would have taken place in 1998 when we made the decision to accept OIE's determination on FMD-free zones.

CHAIR—And my earlier comment on that was that those heads should come off below the shoulders. Just to clarify something: I have had a phone call from the industry saying that their understanding from this morning's proceedings is that the department is now saying that the industry agreed to the import. They are saying that that is not true and that they are happy to sue.

Dr Banks—I think *Hansard* will reflect that we did not say, as far as I can recall, that they agreed to the import; they agreed to the policy under which the importation took place.

CHAIR—That could well be the confusion, but I thought I had better get it out there.

Senator O'BRIEN—So the policy, having been determined, was on the web site, in a manual somewhere—

Mr Wonder—Again, that is really a BA responsibility. I am drawing the distinction between the responsibilities of AQIS and—

Senator O'BRIEN—I am asking the officers at the table, and whoever can answer it—

Mr Wonder—Sorry; I thought you were looking at—

Senator O'BRIEN—I was confused, I must admit, but I am happy for Dr Banks or Mr Cahill or yourself—or anyone—to answer the question. If someone can answer the question accurately, I would appreciate the answer.

Dr Banks—When a policy is determined, we pass that formally to AQIS and then put it on the web site. Perhaps Ms Stanton can carry on from there as to how that works.

Ms Stanton—Basically it goes onto our intranet and our officers know to refer to that whenever they are making a decision like this. So it is readily available. If there are updates, they are not only made available but drawn to their attention.

Senator O'BRIEN—Is it just the officers who have access to the information on the intranet, which details the policy, or would the public have access to that?

Ms Stanton—I am not too sure about that one. Ms Clegg may be able to answer that for us, the question being: does the public have access to the sort of policy that our staff have access to on the intranet?

Dr Clegg—We put the import conditions that we receive from Biosecurity Australia onto the ICON database. It is a publicly available document and can be searched. All the current import policies are up there. You tap into your product and the country you wish to import from and you will get the general policy guidelines. We also include on our database the conditions that have been in the policy so they can be printed on the import permit.

CHAIR—How often do we import fresh meat?

Dr Clegg—I would have to check on the database. We have another database that logs when a product has been imported. There is a difference between people obtaining an import permit and then making a commercial decision to use it.

CHAIR—When was the last time fresh meat was imported?

Dr Clegg—I would have to take that on notice. I do not know that.

Senator O'BRIEN—So, if you input the right words, the policy is available on a publicly available database? Can you just print off the red meat policy?

Dr Clegg—No, you can print off the ICON conditions, which explain to you how you would get an import permit for that commodity. It describes the commodity and what the import conditions are, and they are taken from the Biosecurity policy.

Senator O'BRIEN—So the policy itself is not available?

Mr Cahill—That would be a question for BA. We might need to take on notice specifically the question on the red meat policy, given it was 1998. Currently policies are put up on the web site, but we would need to check whether the 1998 policy was there.

CHAIR—Could we be provided with the decision-making process in 1998 and who partook of that process?

Mr Cahill—As best as we can reconstruct that, yes.

CHAIR—I am trying to work out who to stake through the heart!

Mr Cahill—We can attempt to reconstruct that decision-making chain.

Senator O'BRIEN—Is there a formal process which kept the minister informed about these considerations?

Mr Cahill—About which considerations?

Senator O'BRIEN—The establishment of this red meat policy in 1998?

Mr Cahill—That predates my arrival. I do not know whether Dr Banks can answer that.

Dr Banks—I think the safest thing is to take it on notice.

CHAIR—I would hazard a guess there was not, because my understanding from this morning's proceedings is that until the meat got here Biosecurity did not know about it, the chief government vet did not know about it and I am sure the minister did not know about it.

Mr Cahill—There are two issues: one is in relation to the development of the policy, and the second is the arrival of the meat.

Mr Wonder—I think we need to take it on notice. The officers cannot recall. We probably do not have any experience of an event seven years ago, but we understand your question. We will take it on notice.

CHAIR—Where were the meatworks that processed the meat? What was the name of the town or city?

Dr Banks—A place called Barrictos.

CHAIR—What province is that in?

Dr Banks—Sao Paulo.

Senator O'BRIEN—Was that the source of the beef? I did not think so.

CHAIR—It is about 400 miles from Paraguay.

Senator O'BRIEN—The Cattle Council's press release talks about the discovery of foot-and-mouth disease on a property in the state Mato Grosso do Sul.

CHAIR—Yes, which joins Bolivia and Paraguay.

Senator O'BRIEN—Is that Sao Paulo?

Dr Banks—No.

CHAIR—That is not where the works were; I am talking about where the works were.

Senator O'BRIEN—So the cattle came from a property in that state to Sao Paulo for processing—is that how I should understand it?

Dr Banks—We have got two sets of cattle here. One is the group of cattle from which the 20 cartons were manufactured and the other is a group of cattle where there was a suspected outbreak which was confirmed as not being an outbreak in the first place.

Senator O'BRIEN—Which was an area defined as free of foot-and-mouth.

Dr Banks—Correct.

CHAIR—So where did the cows come from that were in the carton?

Dr Banks—They came from an area around Sao Paulo state. We have got the municipalities whence they came.

CHAIR—The tail tag numbers or something, have you?

Dr Banks—Minas Gerais is the other state. We are advised by the Brazilians that none came from Mato Grosso do Sul, which is where the suspect outbreak happened.

CHAIR—How long have Paraguay and Bolivia had foot-and-mouth free status?

Dr Banks—Bolivia does not have foot-and-mouth free status. Paraguay very recently—in January this year, in fact—got official status from the OIE.

CHAIR—So do these idle, curious minds, wherever they are, have enough curiosity to go into Paraguay and see what their arrangements are for traceability and border protection? It is as essential to know what they are up to as it is to know what the Brazilians are up to—if you are fair dinkum, that is.

Dr Banks—We do not yet have the data on which the OIE was relying when it made its determination for Paraguay, purely because it is very recent.

CHAIR—What is the arrangement with the Bolivian border, where there is foot-and-mouth?

Dr Banks—Our understanding is that border controls are in place to prevent the introduction.

CHAIR—What are they? Every cattleman in Australia wants the answer.

Dr Banks—I think the best thing to do is to take that on notice. For those precise details we would have to ask the Brazilians exactly what we want.

Senator O'BRIEN—I understand that the Cattle Council wrote to the minister on 15 December expressing concern about the FMD status of zones within Brazil. They state that there has been:

... no on-ground assessment/audit by Australian authorities of the zoning systems in Brazil to ensure animals/product from non-FMD-free zones are not shipped to Australia.

Are the Cattle Council correct in their assertion that Australian authorities did not check to ensure that product imported from Brazil into this country would only be sourced from FMD-free zones?

Dr Banks—That is correct, in that no Australian team did that. As I mentioned this morning, Australia relies on OIE to do that auditing on behalf of us and other members of the OIE.

Mr Wonder—That includes on the ground assessments, as I understand it.

Senator O'BRIEN—Is the Cattle Council also correct in asserting:

... no assessment was made by Australia before this permit was granted regarding how the importation of beef products from FMD-free zones in Brazil would affect our trading status with our major export markets (US, Japan, Korea and Canada). None of these countries allow the importation of non-processed beef from Brazil.

Mr Wonder—Perhaps I can assist with that one. The focus of Biosecurity Australia's analysis is the risk assessment. It is their responsibility to do that risk assessment and not take into that risk assessment commercial matters relating to the imagery to the Japanese or whatever. Under their obligations under the SPS—Australia's obligations to do that risk

management analysis strictly on a science based assessment—that is the methodology that Biosecurity Australia are required to use.

Senator O'BRIEN—So they are correct in saying that no assessment was made?

Mr Wonder—If the implication of the question is that the department does not have an eye on and some interest in market access issues, of course, it does and I am sure our market access division would be happy to address those matters. Having said that, I am distinguishing between what our market access people would have an interest in and what Biosecurity Australia is required to do in respect of its risk management methodology.

Senator O'BRIEN—Would the market access division have had any role in applications to import beef from FMD-free zones in Brazil prior to December?

Mr Wonder—Our market access people would not have participated in the actual undertaking of the risk assessment or the conclusions of the risk assessment that form the basis of the policy, because it is risk and science based.

Senator O'BRIEN—Do they have any role?

Mr Wonder—They will want to answer this and elaborate on it further themselves, but they would have a role in the sense of maximising Australia's outcomes in a commercial sense with respect to sales in all markets that they have an ongoing interest in. So, yes, along with the other marketing considerations for which they are charged with the responsibility of executing, they would have maintained an interest in this matter.

Senator O'BRIEN—What actions could they have taken in this case to maximise our access to other markets if this importation threatened our access to those markets?

Mr Wonder—I am probably running to the limit of my knowledge on it, personally. Can we ask the market access division officers when they are at the table, which will be a little later in this program, or would you like them brought to the table?

Senator O'BRIEN—It would be contemporaneous with this matter. Perhaps we will see how we go. Am I correct in saying that the decision to suspend all imports of Brazilian beef was taken on 24 December?

Dr Banks—Correct, Senator.

Senator O'BRIEN—Was there any reason the decision was not taken earlier?

Dr Banks—Yes. Before 24 December we had no reason to believe that the border security in Brazil was in any way different, as we were led to believe—totally secure. The episode that occurred on the southern border with Paraguay suggested to us that it was perhaps not as secure as we had been led to believe, and that triggered a suspension of the policy and, indeed, the revocation of the permits. It also triggered the decision to review the situation in Brazil.

CHAIR—You say that you were led to believe that the Paraguay border—or whatever it was—was okay. Were you led to believe that by the OIE tick or by someone else?

Dr Banks—Essentially we know that the OIE go into considerable detail on that, and it was the OIE's acceptance of that zone that led us to believe—

CHAIR—But that is the only advice, though—no-one physically or mentally had a look?

Dr Banks—We have not had officers physically on that border.

CHAIR—So we have this curious cattle counting exercise as a protection of our biggest industry. Could you provide to the committee the foot-and-mouth history of Brazil over the years—how it has built up, built down or come and gone—and could you provide the foot-and-mouth history of the adjoining countries. You can provide it in written form.

Dr Banks—We will do that. We do have that information.

CHAIR—Have they been years, by the way, building to their present status?

Dr Banks—Yes. It has slowly grown up since the first states were declared foot-and-mouth disease free, I think, in 1998. They have slowly built up since then.

Senator O'BRIEN—Has there been only one import permit granted for the importation of beef from Brazil?

Ms Stanton—My understanding is that there have been a total of nine import permits granted.

CHAIR—And we are going to try to extract, even if it is commercial-in-confidence, who those people are, unless you can make out a commercial-in-confidence case.

Ms Stanton—One thing that we are able to say is that the material that was imported was imported by one company. The other companies involved were potential customers of that company.

CHAIR—Were they some of the companies that got the sample?

Ms Stanton—That is right.

CHAIR—But there are one or two major hamburger type companies that were looking for a contingency—not necessarily to import but to source.

Senator O'BRIEN—In terms of the permits granted, are there any outstanding that have effectively been cancelled by the decision of 24 December?

Dr Clegg—They were all cancelled on 24 December, as were import permits for bovine semen and dairy products from Brazil.

Senator O'BRIEN—They were ongoing permits?

Dr Clegg—Yes. They were issued for two years.

Senator O'BRIEN—To one company? I am just trying to understand the answer Ms Stanton gave. There were nine permits issued to nine different companies?

Dr Clegg—No. Some companies have more than one permit.

CHAIR—What was the total tonnage?

Dr Clegg—The total tonnage of the meat that was imported as a sample?

CHAIR—No—in the permits.

Dr Clegg—There is no limit on the amount of meat that can be imported. If you can meet the import conditions you can bring in as much as you want.

CHAIR—So under the conditions that were set by those wise minds back in 1998, there is absolutely no reason why the meat that was imported by the importer and then scattered amongst the potential customers could not have been taken down to the local greyhound track and fed to all the dogs there.

Dr Clegg—No.

Senator O'BRIEN—Is it possible there are other shipments of Brazilian beef on the water?

Dr Clegg—No. There are no shipments of Brazilian beef on the water to Australia. We advised all the companies on 24 December of the issue and made arrangements.

Senator O'BRIEN—What does 'made arrangements' mean?

Dr Clegg—So that companies understood that the policy had been suspended, that there was a review that would be conducted, that their permits could not be reinstated until the review was complete and that import conditions may change as a consequence.

CHAIR—Is this the first lot of meat being brought in under the 1998 protocol?

Dr Clegg—I would say not. It is an import policy for all countries, except New Zealand—it has got its own conditions.

CHAIR—So you will provide us with all the other imports—

Ms Stanton—Can I just clarify please exactly what you are asking for here. Are you asking for information on other imports that may have come from Brazil?

CHAIR—No, just the history of fresh meat importation.

Ms Stanton—Are we talking about all countries here?

CHAIR—We are wondering what else is back there that we do not know about. This may have been repeated several times—the system has gotten away without discovery, for all I know; it may not have.

Ms Stanton—I understand that what you are asking for is details, since 1998, of all red meat imported into Australia.

CHAIR—Fresh or frozen—uncooked.

Ms Stanton—I can take it on notice.

Senator O'BRIEN—All red meat or do you just want beef?

CHAIR—Beef.

Senator O'BRIEN—Are you able to limit that to beef?

Ms Stanton—I think we could.

Senator O'BRIEN—Would that be easier?

Ms Stanton—I am sure it would be.

CHAIR—Has anybody bothered to look at the arguments of all the countries that refuse, despite the OIE decision, to import this meat?

Ms Stanton—That would be an issue for Biosecurity Australia.

CHAIR—Have you bothered to have a look?

Dr Banks—The performance of some Asian countries in meeting the OIE requirements is not always perhaps as might be desirable.

CHAIR—What I am really asking is: of the countries that have refused—I have named them umpteen times today; United States, Japan, Canada, Mexico—have you looked at the reasons why, despite the OIE decision on Brazilian beef, they do not take it? I could understand the commercial impetus that it might give to those markets if Brazil can argue, ‘The bloody Australians have taken it, why won’t you blokes take it?’ Have looked at why they won’t?

Dr Banks—I am not aware whether those particular countries have considered this situation, with the exception of the United States. We know that the United States has teams in Brazil looking at it at the moment, and a decision will be made I am sure at some stage.

Senator O’BRIEN—Will the review that was announced on Christmas Eve by the minister be conducted by Biosecurity Australia?

Mr Cahill—It will be led by Biosecurity Australia and will comprise other people as well.

Senator O’BRIEN—Who are they?

Mr Cahill—The organisations involved, apart from Biosecurity Australia, I mentioned earlier in my opening remarks. They are AQIS, the Product Integrity Group, an FMD specialist and a state chief veterinary officer.

Senator O’BRIEN—How was the chief veterinary officer selected chosen?

Mr Cahill—Essentially there was some consideration given to a suitable person that might be available at that time and be willing to participate. That was a process that we went through to assess who was available.

CHAIR—Would there be someone who is streetwise as well, besides being a scientist? There is a certain amount of tomfoolery and skulduggery in every meat industry in every country on the planet. Is there someone who is acquainted with that side of industry?

Dr Banks—I do not think it would be a fair thing to say of any of the potential members of the team that they are pure scientists and not ‘streetwise’. Every one of them has had periods in the field—in some cases, extensive periods, and in some cases also dealing specifically with foot-and-mouth disease and the things that can happen in countries. This is not going to be a naive, boffin type team.

CHAIR—But will the process allow for human error and failure—the science is one thing; human error is another.

Mr Cahill—I am sure that the review team will look at the integrity of the systems in place. I am happy to name the people that we are proposing go on this visit, if that is helpful to you.

Senator O’BRIEN—Perhaps we should get those names for the record.

Mr Cahill—Dr Banks, Principal Scientist BA, will lead the review team. I am sure that he is streetwise.

CHAIR—I will take you for a trip through the bush then.

Mr Cahill—He has been to the Wagga tip, so I am sure he is very experienced! He will be accompanied by Dr Kevin Dunn, the Queensland Chief Veterinary Officer; Dr Tony Forman, a consultant virologist with extensive field experience in foot-and-mouth disease; Dr Graeme Garner, an epidemiologist in FMD modelling from the Product Integrity Group of the department; Dr Geoff Ryan, manager of the Ruminant Section in Biosecurity Australia; and Dr Roger Turner, a senior vet with AQIS. I think that is a very comprehensive group of people to do the task that needs to be done.

CHAIR—Would you agree that if you are going to check out Brazil then you would want to know what is going on across the fence in the next country?

Mr Cahill—I am sure one of the issues that the review team will consider is the integrity of the system as a whole and that presumably would include the security of the border arrangements in place.

CHAIR—I well recall the TB and brucellosis eradication program here. It sounded bloody fine in theory if you had a 100 acre paddock with 50 cows in it. But if you had 100,000 acres with 50 cattle, you could never get a clean muster when you came back for the test on the tail. It was a sort of a vagary in a way and I am sure there will be a lot of vagaries in South America.

Mr Cahill—These are all very experienced people in their fields.

Senator O'BRIEN—Is this the team of specialists that the minister says the department will send to undertake a thorough investigation of the Brazilian meat supply chain?

Mr Cahill—Yes.

Senator O'BRIEN—Will that be conducted in the context of the review?

Mr Cahill—That is correct.

CHAIR—And in the conduct of that will you look at all the reasons why the other countries have knocked it back? There might be something you will learn there.

Mr Cahill—Certainly in reviewing the policy, there is no reason why we would not take that into account.

Senator O'BRIEN—Whilst the review is being conducted, are those previously granted import permits cancelled as the minister said—in other words, they will have to apply again—or are they suspended?

Ms Stanton—The technical term we use is 'revoke'. They have been revoked.

Senator O'BRIEN—So they have to apply again under whatever the policy is when the application is made?

Ms Stanton—If there was a revision in the policy, yes, they would have to apply again.

Senator O'BRIEN—Yes, that is what I said: under whatever policy is applicable at the time.

Ms Stanton—That is right, yes.

Senator O'BRIEN—So it is either under the 1998 policy or one which replaces it?

Ms Stanton—Just let me check that. My understanding is that were the policy for some reason not to be changed at all, we do have a mechanism where we could simply take the revocation off.

Dr Clegg—Yes, we do.

Senator O'BRIEN—So it is like a suspension if that happens.

Ms Stanton—That is right.

CHAIR—Where is the meat that is in quarantine?

Ms Stanton—The meat that is in quarantine now—

CHAIR—Where was it yesterday?

Ms Stanton—It was in Melbourne in quarantine-approved premises.

CHAIR—What is the address of the premises?

Ms Stanton—I do not have that address.

Dr Clegg—It is in Hoppers Crossing at Fernhurst.

CHAIR—Who owns it?

Dr Clegg—Who owns the meat?

CHAIR—No, who owns the premises.

Mr Wonder—Did you get the previous answer, Senator?

Dr Clegg—The meat is in Hoppers Crossing near Melbourne.

CHAIR—Yes, but on whose premises?

Dr Clegg—It is in quarantine-approved premises.

CHAIR—Who owns them?

Dr Clegg—Not the importer; it is a separate company.

CHAIR—Who owns them?

Ms Stanton—We can take that on notice, but the other important piece—

CHAIR—You do not know?

Dr Clegg—I do know.

CHAIR—You do not want to tell me.

Dr Clegg—I do not have it publicly available. I need to seek some advice on that.

Ms Stanton—If you know the name of the quarantine-approved premises, then that is fine.

Dr Clegg—Fernhurst is the name of the company.

CHAIR—Whence did it come to there?

Dr Clegg—From which location?

CHAIR—From what other premises, yes. Where was it?

Dr Clegg—Two companies were located in Sydney and three companies were located in Victoria.

CHAIR—What is the method of disposal?

Ms Stanton—The method of disposal, which should have occurred earlier today, is incineration.

CHAIR—I can recall talking to the importer and saying, ‘Isn’t there a crematorium handy?’ I am pleased it took that.

Senator O’BRIEN—Apart from Brazil, do you know if permits have been issued in the past to import unprocessed beef from countries where FMD is known to exist or occur?

Ms Stanton—My understanding is that Brazil is the only country with an FMD-free zone from which we have received meat.

Senator O’BRIEN—If it were known to have foot-and-mouth disease and there were not foot-and-mouth disease-free zones, I take it it would have been impossible to get a permit.

Ms Stanton—That is correct.

Senator O’BRIEN—So the only country we know of where FMD was known to exist but that otherwise complied with the policy which was the subject of an import permit was Brazil?

Ms Stanton—The important thing to note there is your statement about ‘subject of an import permit’. That is the only country where we have been approached to give an import permit under those conditions.

Senator O’BRIEN—What is the procedure for dealing with applications to import beef from other countries like Brazil where foot-and-mouth disease is known to occur?

Ms Stanton—From the point of view of issuing a permit, the procedure would be to check against the policy. Almost certainly, if it were to involve a country where FMD was known to occur we would talk to Biosecurity Australia, who would be able to tell us whether or not there are FMD-free zones and so forth.

CHAIR—So how come Biosecurity did not know about it till after the meat came in? That is what we were told this morning. If what you say is true—that is, that you consult—then you obviously did not consult with the earlier lot.

Mr Cahill—Can I make two points in response to Senator O’Brien’s question. The policy is suspended generally, so it is not specific to Brazil. This is the red meat policy we are talking about. On that basis, you would not be able to issue any further import permits, so the scenario you outline is clear.

Senator O’BRIEN—But I am asking as of 23 December, just so that we know what the policy means.

Mr Cahill—In relation to the question about why wasn’t—

CHAIR—We were just told, in the answer to Senator O’Brien’s question, that part of the process was that you would consult Biosecurity Australia. But you didn’t.

Mr Cahill—I heard Ms Stanton say that Biosecurity Australia would be consulted in relation to an application for a permit, as to whether it complied with the policy. What I am saying is that the policy is suspended, so on that basis you would not issue a permit.

CHAIR—But that is rubbish, because there was a permit issued. Were you or were you not consulted about the issuing of the permit, Dr Banks?

Dr Banks—I was not consulted, no.

CHAIR—I find it extraordinary, and I think most cattlemen in Australia would find it extraordinary, that the chief government vet isn't even asked.

Mr Wonder—I do not know that we are seeing eye to eye on the nature of the process.

CHAIR—It is scary, that is what it is.

Mr Wonder—We outlined earlier—and I think we told the committee—that the policy review, as it was in this case, is undertaken by Biosecurity Australia. They are responsible for undertaking the review and advising AQIS of what policy is in place against which import permits can be issued. AQIS get an application for an import permit, as Ms Stanton has said, and they check against the policy as to what would be appropriate to do in response to that request. The idea that there is no engagement between Biosecurity Australia and AQIS, which I am getting from what you are saying, we would not agree with.

CHAIR—The point I think Senator O'Brien is trying to make is that what happened has happened without the consultation or knowledge of the chief government vet or Biosecurity Australia.

Mr Wonder—No, that is not correct. We are saying that Biosecurity Australia developed the policy.

CHAIR—Knew about the policy?

Mr Wonder—Yes, and that is what you are referring to—the policy. They knew about the policy. The policy was provided to AQIS.

CHAIR—I am referring now to importation, not to the policy. Senator O'Brien is asking questions about the step-by-step process.

Mr Wonder—Indeed. I understand. And I am saying to you that Biosecurity Australia would have known that import permits can be issued against that policy. That is exactly what they issue the policy for. Biosecurity Australia, while they might not have the details of every permit that is issued by AQIS, fully understand that—

CHAIR—Thank you very much for that. Dr Banks, did you know that these permits had been issued before—

Dr Banks—No, Senator.

CHAIR—Dr Murray, did you know that they had been issued?

Dr Murray—No.

CHAIR—Would it be fair to say that, in your professional capacity as a vet, it would be reasonable for an industry based person who makes a living out of beef to be a bit alarmed

about the process? I do not want to get you into trouble; you do not have to answer that if you do not want to.

Senator Ian Macdonald—He should not answer it. It is not a fair question.

CHAIR—I will withdraw it but it is a fair question.

Senator Ian Macdonald—It is not fair.

CHAIR—The answer is obvious. I retract the question.

Senator O'BRIEN—Prior to 24 December, if an application was received to import beef from a country where foot-and-mouth disease was known to occur, the process would be, would it not, Ms Stanton, that you would consult someone at Biosecurity Australia?

Ms Stanton—Indeed. That would be the process.

Senator O'BRIEN—Is there any particular point of reference? Would you go to the chief executive or to the Principal Scientist?

Ms Stanton—It would depend on the circumstances but most likely the application for a permit would come into the middle level of the organisation and they would consult their counterparts in Biosecurity Australia.

Senator O'BRIEN—In relation to the nine granted permits for the importation of beef from Brazil, was that process followed?

Ms Stanton—Yes, Senator.

Senator O'BRIEN—So there was consultation with Biosecurity Australia about those applications?

Ms Stanton—Prior to the first of those permits, not—

Senator O'BRIEN—Prior to the first only, but there was no need for such consultation for the subsequent eight.

Ms Stanton—I would have to consult Dr Clegg on that.

Dr Clegg—Yes, Senator. There was a second occasion on which we consulted over the type of product that the importer—

Senator O'BRIEN—What do you mean by 'the type of product'?

Dr Clegg—It was just a description of meat in the quarantine policy and clarification of what 'meat' covered.

CHAIR—As part of the process, does someone make an application to you and, as Biosecurity Australia knows the policy, do you ring up—because every application can be different—and say, 'We've got this application for meat from Brazil; what do you think?'

Ms Stanton—It could be as simple as that or it may be more formal. It could be as simple as: 'Can you confirm, please, that this would be consistent with the policy? Can you give advice?'

CHAIR—And did you do that?

Ms Stanton—Yes. My understanding is that there was consultation at the middle level between AQIS, the area that had the application for the permit, and their counterparts in Biosecurity Australia.

CHAIR—So someone in Biosecurity Australia said, ‘She’ll be right, mate; tick it.’

Ms Stanton—No. My understanding is that the exchange was that, provided certain things were in order, provided we could check that certain things were in order—one of which was the issue of—

CHAIR—The OIE thing.

Ms Stanton—the OIE—then it should be all right to proceed.

CHAIR—So aren’t you personally curious enough to say: ‘Hang on a minute. Sure, OIE says this is all right, but why are these other people knocking it back?’

Ms Stanton—Whether or not I may have had that curiosity, at this stage I was not aware. The fact is that our officers acted in accordance with the policy—

CHAIR—Scary, isn’t it?

Ms Stanton—and consulted as appropriate and then acted accordingly.

Senator Ian Macdonald—Senator O’Brien, is your question predicated on the fact that the officers knew that there was an FMD outbreak?

Senator O’Brien—Of the presence of FMD in the country, I said.

Senator Ian Macdonald—Within the borders of the country.

Senator O’Brien—The question was about the process of dealing with an application from a country where foot-and-mouth disease was known to exist. It may not be endemic; it may be in containment in zones or allegedly contained within zones. I was asking about the process as to how AQIS dealt with such an application.

Senator Ian Macdonald—This is the country, not the zone?

Senator O’Brien—The country, yes. If you are getting an application, it is from the country. As I understand it, the zone restriction is something that we would test against the application for import. If it was not going to come from a zone which was, according to the OIE, free from foot-and-mouth disease, it would fail our policy test and would not be allowed to be imported.

Mr Wonder—That is right.

Senator O’Brien—So we are reliant upon the determination of the OIE as to which parts of these particular countries are free from foot-and-mouth disease.

Ms Stanton—That would be a matter for Biosecurity, and that is why we would consult with them.

Senator O’Brien—And, although a zone might be believed to be free from foot-and-mouth disease, we do not have any way of independently testing the OIE information.

Dr Banks—I might refer this to Dr Murray, who can perhaps describe how OIE goes about doing its assessments. I think that would be more informative.

Dr Murray—I will try to be brief. OIE is an international organisation. It has perhaps 170 member countries. It develops codes of practice and standards which are accepted as minimal standards for the application of rules of trade in animals and animal products. If we put that aside, in the mid-1990s a number of countries thought there could be value in OIE evaluating their status for certain diseases against the agreed codes of practice. In 1995, foot-and-mouth disease was taken as a first-cab-off-the-rank standard. A few other diseases have been added since—rinderpest, bovine pleuropneumonia and BSE.

What happens is this. A country—country A—will say, ‘We would like to be considered to be free of foot-and-mouth disease or to have a zone which is free of foot-and-mouth disease or to have a zone which is free of foot-and-mouth disease where vaccination is carried out.’ What then happens is this. A scientific commission in OIE, on the basis of a dossier pro forma—a dossier provided by the country—evaluates the claims of a country against the OIE codes and rules. On that basis, the scientific commission to OIE can recommend that the general assembly of OIE, in May each year, approve or not approve the status of that particular country.

Senator O’BRIEN—Or zone?

Dr Murray—Exactly—the country, including zones. Generally speaking, if the scientific code commission, on the basis of its desktop exercise, says it is free, the general assembly will accept that status. But there are additional conditions that apply. For example, in November every year each country must put in a report on its disease status. There is an obligation on each country to report on any change of status. In addition to that, when you hear rumours in the rumour mill, see things on the web or read things in newspapers about possible breakdowns, OIE is empowered to try to verify the actual statements. It goes straight to the country of origin. That is the process of granting a status to a country, and it is reviewed, effectively, every year.

Senator O’BRIEN—So there is a delay in the granting of status. Is there any delay in the removal of status?

Dr Murray—A status can be removed immediately.

Senator O’BRIEN—How is that achieved?

Dr Murray—It is basically done by individual countries. If there is a disease outbreak, there is an immediate change in status.

Senator O’BRIEN—If they put their hand up.

Dr Murray—Yes.

Senator O’BRIEN—If they do not put their hand up?

Dr Murray—If they do not put their hand up, countries can make their own decisions. If, for example, there is a foot-and-mouth disease outbreak in the United Kingdom, you do not wait for an international organisation to give status; you take action right away.

Senator O’BRIEN—Notwithstanding the OIE deciding that a country has particular zones that are free from foot-and-mouth disease, there is justification—isn’t there?—for a country to

decline to admit product from a country where foot-and-mouth disease is known to exist despite the zoning factor.

Dr Murray—A country can do a number of things. It can accept a status. It can accept a status with qualifications, those qualifications being what Biosecurity Australia is planning to do now—that is, carry out an independent review to check out the system itself, which is perfectly acceptable.

CHAIR—Why do you think that, up until 24 December, we had more confidence in OIE than in the United States, Japan, Canada and Mexico? What made us more confident that we would accept something that they would not?

Dr Murray—I cannot answer that question. There must have been reasons that Biosecurity Australia had for accepting that standard. I think Dr Banks has mentioned a number of them this morning—confidence in the evaluation system in OIE.

CHAIR—Was there?

Dr Banks—Did we have confidence in OIE's ability? Yes, we did.

CHAIR—Were there reasons why we ticked where the United States put a cross?

Dr Banks—Could you rephrase that question more precisely?

CHAIR—Brazil has OIE classification as a foot-and-mouth free zone. We gave it a tick, but all those other countries have given it a cross. What are our reasons for giving it a tick ahead of their cross?

Dr Banks—First of all, I am not aware that they had given them a cross. As I mentioned earlier, I am not aware that they have assessed Brazil.

CHAIR—They will not allow the importing.

Dr Banks—Let us not forget that there are reasons other than animal health reasons for countries to accept or not accept from different countries.

Senator O'BRIEN—I want to deal with another matter which raises some issues with me, which I think make them reflect on the issue of the treatment of beef from foot-and-mouth disease affected countries. I received an answer to a question on notice No. 305, signed off by Senator Ian Macdonald. I first asked the question on 18 September 2003—it was then numbered 2119. It was not answered at the time the election was called, so it was well and truly overdue. I resubmitted it on 23 December and I have now received an answer. The question was:

Will the Minister provide details of all breaches of import conditions applying to the commercial importation of uncanned salmonid product since new quarantine conditions came into effect on 1 June 2000, including, for each breach: (a) the date of importation ...

The dates of importation given in the answer are March 2001 and March 2002. There is reference to the importation of Norwegian salmon intercepted at the Sydney Fish Market by the Australian Quarantine Inspection Service in September 2003. The fish were infested with live sea lice, but apparently that was not a breach of the import conditions for that importation, because it is not mentioned in the answer as a breach.

Ms Stanton—My understanding in relation to that is that sea lice—and I think that we have discussed this before—is not a quarantine issue. It needs to be, and was, looked at in terms of food safety issues, but it is not a quarantine breach.

Senator O'BRIEN—According to the Tasmanian Salmonoid Growers Association it is possible for the eggs of the parasite to come in with the parasite. Is that true?

Ms Stanton—I cannot answer that question. I would need some scientific advice on that.

Dr Martin—I will answer that question. Biosecurity Australia commissioned some research, both in Norway and in Scotland, to look at the survivability of the eggs.

Senator O'BRIEN—When was that done?

Dr Martin—I think it was done last year.

Senator O'BRIEN—In 2004?

Dr Martin—Yes. That research showed that the eggs did not survive airfreighting. The experiments were conducted simulating commercial transport and those eggs did not survive. That was back in 1999 when the import risk analysis was done; external parasites were not considered to be a quarantine concern, and this later research backs that up.

Senator O'BRIEN—So the importation of those parasites was not a breach of the import condition imposed?

Dr Martin—That is right. It was for human health concerns but, from an animal quarantine point of view, the eggs cannot hatch and so they are not of animal quarantine concern.

Senator O'BRIEN—So the presence of the parasite was not a breach of the import condition.

Dr Martin—Not for animal quarantine but I think it was for human health or food standards.

Senator O'BRIEN—So it was a breach of the import condition.

Dr Martin—Not on animal quarantine grounds.

Mr Wonder—I think what the officer is saying is that, as I understand it, they are responsible for checking on breaches in relation to animal quarantine matters. Human health matters are not a departmental responsibility and they are not something that this portfolio is responsible for.

Senator O'BRIEN—According to the radio report:

AQIS seized a shipment of imported salmon ... because the fish were infested with sea lice.

So AQIS seizes product which complies with import conditions.

Dr Martin—I understand that that is under the Imported Food Control Act of which AQIS carries out some functions. AQIS may be better placed to answer on that matter, but it was not on animal quarantine grounds.

Dr Clegg—The fish were inspected on arrival and, when the sea lice were noticed on the fish, it was referred to the imported foods officers because it was not a quarantine issue.

However, it may have been a food safety issue and it was determined that there was a wholesomeness question under the food standards code as to whether it was suitable to be bringing in salmon which had sea lice on it.

CHAIR—So the fish was dead but the lice were alive!

Ms Stanton—On that basis, we are agents for Food Standards Australia New Zealand. That was why that referral was made.

Mr Wonder—So there is a clear distinction being made here between what Biosecurity is responsible for in its operations and what AQIS does in this portfolio and with respect to the relationship—I suppose that is the right way to put it—that AQIS has with FSANZ.

Senator O'BRIEN—In the *Daily Telegraph* of 5 September 2003 Mr Creagh was reported as saying it was not a food safety issue either.

Dr Clegg—It was a wholesomeness question; it was not about causing disease in people.

CHAIR—So they eat all right, do they?

Dr Clegg—They do not cause ill health in people, but it was unwholesome to look at.

Senator O'BRIEN—Mr Creagh is quoted as saying about the sea lice:

These are external parasites, they dig into the muscle through the skin—they are unattractive but they are not a disease risk ... They are not a food safety risk but they are rather unsightly and likely to lead to some consumer resistance.

Ms Stanton—That sounds like Mr Creagh.

Senator O'BRIEN—So they were not a food safety issue either.

Ms Stanton—All we did was to check that by referring it on.

Senator O'BRIEN—So we admitted the fish, did we?

Dr Clegg—Yes. They had to be washed.

Senator O'BRIEN—After they had a bath.

Dr Clegg—That is right.

Senator O'BRIEN—In relation to the two breaches that are referred to in the answers of March 2001 and March 2002, it says that the breaches were because they did not provide an AQIS import permit. We do not know what salmonid species it was. We know that the March 2001 breach involved salmon exported from Russia.

Dr Clegg—Yes.

Senator O'BRIEN—And in March 2002 it was salmon exported from Vietnam.

Dr Clegg—Yes.

Senator O'BRIEN—We do not know the country of origin.

Dr Clegg—No. They came in with passengers. They were discovered at the border.

Senator O'BRIEN—It says of the action taken in response to the breach that the importers were required to dispose of or re-export the salmonid products. Which is it? And how did they do it? Did they have to jump on a plane and take them out?

Dr Clegg—If they wished to do that, they could have. I will further investigate that. I believe they were both destroyed. It was a situation of a passenger arriving with fish that were confiscated.

Senator O'BRIEN—So they were confiscated to be destroyed.

Dr Clegg—You can surrender them for destruction.

Senator O'BRIEN—So they were destroyed by AQIS.

Dr Clegg—Yes.

Senator O'BRIEN—I am tempted to ask whether the answer came as it was written. I want to turn to the question of live exports. Following budget estimates the committee was provided with a draft MOU between Australia and Kuwait concerning cooperation in the fields of animal health and welfare and veterinary public health in relation to the importation of live animals—

Mr Wonder—Can I inquire whether or not the Biosecurity Australia section of this hearing has been finalised. There are different officers for the question you are asking.

CHAIR—I have a couple of questions. Going back to sunny Brazil, what method do they use to test for foot-and-mouth disease? Do they randomly test the cattle as they kill them?

Dr Banks—No.

CHAIR—So how do they know they are foot-and-mouth disease free?

Dr Banks—They look for clinical signs and also for serological evidence that there might have been infection, using the test that I mentioned before lunch that can detect the difference between—

CHAIR—Do they test every beast? Do they randomly test? As the cattle walk up to be shot or get dinged on the back of the head, do they say, 'Oh, this one looks all right'?

Dr Banks—They test any animal they believe to be suspicious, which is what happened in the case in Mato Grosso do Sul.

CHAIR—Have we done a contingency plan for us to go to zoning in Australia?

Dr Banks—I will refer that to the Chief Veterinary Officer.

Dr Murray—The answer is that, following the major exercise we carried out a couple of years ago, Exercise Minotaur, we tested zoning concepts. We know the elements of a zoning arrangement and we know what kinds of statistics for surveillance we would use and so on. But, to be frank, we are continuing to reconsider the issue.

CHAIR—So we really have not got a fine protocol for a zoning.

Dr Murray—Not for FMD emergencies.

CHAIR—When we go to have a look at what is happening Brazil, we will have to look at the border as much as internally. I have been sitting here curiously wondering what border protection method they use over there and whether it is adequate—internally as well as on the Paraguayan or whatever border and all the way up through Peru and Venezuela. So we do not actually have a firm model in our minds? With great respect to that exercise you did a few

years ago, the first question I recall asking is: how did you get rid of the feral pigs out of Wee Jasper? Best of luck! So we really do not have a template against which to judge what they do.

Dr Murray—We would not have a formula, but we would certainly have clear ideas. We have clear ideas on the epidemiology, the statistics, the types of tests, geographical separation, movement control and identification.

CHAIR—But how the hell would you ever deal with feral pigs and feral animals that carry the disease? Would you have to have a 200-mile zone, a 500-mile zone or the Tanami Desert? I will be really interested to know what they do over there—in the practical side of it as much as the scientific side—to see whether they have worked out what their own pigs do at night and that sort of thing. Best of luck, boys! But we do not have a template against which we can go over there and say, ‘This is what we reckon we should do, and this is what they do.’

Mr Wonder—No doubt you would recognise the fact that Brazil’s geography, topography and everything else is not the same as Australia’s. Dr Murray will be more expert than I am, obviously, but it is a different country.

CHAIR—But the OIE, who have ticked all this off, must thoroughly investigate.

Mr Wonder—Indeed. I cannot answer the details.

CHAIR—So we have not been curious enough to ask the OIE about it?

Mr Wonder—I cannot answer that.

CHAIR—How did the OIE say it is okay when we do not even know what is okay ourselves?

Dr Murray—We do not have a template, because an absolute formula approach for a disease, as you would well know, is very difficult. But what we do know and are quite clear about are the elements that are required of a system to give us confidence. Putting that aside to talk of the OIE, the OIE has a comprehensive questionnaire from Brazil which I have already obtained for Biosecurity Australia’s assessment. They already have all the data that was provided to OIE as a component of the overall evaluation that will be carried out.

CHAIR—Over there, do they have feral pigs and all the things we have?

Dr Banks—They certainly have uncontrolled animals. If I may expand on what Dr Murray said, we have a set of criteria that we use when we are assessing zoning, not just for foot-and-mouth disease but for many other things, when we are doing our risk analyses. These have been worked out with our state government colleagues and with people overseas to establish what makes a good zone. We will be taking that set of criteria to Brazil to see whether their zoning meets the criteria that we have been using for some time now.

CHAIR—I have been trying to get rid of the feral pigs on my place since 1967. There are always one or two pigs left to get; best of luck. The message obviously is that we must take no risks at all. I know you do not want to hear this, but we have a unique status. It is an ‘over my dead body’ issue to protect it.

Senator O’BRIEN—I want to go to live exports.

Mr Wonder—Have you finished with Biosecurity Australia?

CHAIR—I have.

Senator O'BRIEN—Yes.

CHAIR—I thank officers from Biosecurity Australia for their patience in putting up with us.

Mr Banfield—If there is a series of questions on live animal exports, and as more than one division has responsibility, if the questions are about the MOUs, that is a market access issue. If there are other questions on live animal exports, I suggest that we deal with them now while we are on the subject. I hope that is convenient for the committee.

Senator O'BRIEN—I am sorry, but it is not convenient for us to do it like that.

Mr Banfield—Would you prefer to do it division by division?

Senator O'BRIEN—Yes. There is another senator with an interest who may not be able to get here now. I do not want to deny him an opportunity if we bring them forward.

CHAIR—We will try to get him now and see if that works.

Mr Banfield—I am trying to be helpful. Depending what the question is in relation to the export of live animals, it will involve market access, product integrity or potentially AQIS. Perhaps we could have the officers on tap when we actually deal with the issues.

[3.30 p.m.]

Senator O'BRIEN—I will ask the market access questions. As I was saying earlier, following budget estimates the committee was provided with a draft MOU between Australia and Kuwait which apparently concerned cooperation in the fields of animal health and welfare, and veterinary public health, in relation to the importation of live animals from Australia. Would it be correct to say that that is a generic document that could form the basis of MOUs with other countries as well as Kuwait?

Mr Morris—That is correct, Senator.

Senator O'BRIEN—At budget estimates, Mr Morris told the committee that the UAE and Jordan had provided comments on a draft MOU and that Saudi Arabia had agreed to continue working on the development of an MOU. I understand there have also been some discussions with Israel. Can you give the committee an update on the progress of developing these memorandums?

Mr Morris—I am happy to do that. I am pleased to say that Minister Truss signed an MOU with the agriculture minister for the United Arab Emirates in early December 2004. We have commenced negotiations with 10 other countries. We are very close to signing with Kuwait, Saudi Arabia and Eritrea. We are also progressing with Qatar, Bahrain and Oman, although it is fair to say that each of those countries would like to see a Gulf Cooperation Council agreement rather than individual agreements. So we still need to convince them of the merits of an individual agreement.

Jordan is progressing well, but there is an issue for them to resolve on the establishment of quarantine facilities in Agaba. There is also an issue as to whether they will agree to unload the most severe of diseases in the event that animals were to be infected with so-called 'list A' diseases under OIE.

We are also working with Syria, but we are waiting for a change in legislation so they will recognise our regionalisation for blue-tongue zoning within Australia. That would enable us to export animals outside of the blue-tongue zone to Syria. Although we have progressed negotiations with Egypt, there is no trade at the moment and we have put our resources into other countries rather than focusing on them. We have met with Israel a number of times, although they have indicated quite clearly at this stage that they are not willing to sign on. So, clearly, we have some more work to do there.

Senator O'BRIEN—You might be in a queue to negotiate with Israel about memorandums and agreements.

Mr Morris—I should also mention that we have approached Iran as well, which has expressed an interest in importing cattle into their country.

Senator O'BRIEN—Has the department done any work on the alternative to live exports to those countries?

Mr Morris—As part of the Keniry recommendations and the government response to that, there was an indication that if there was not an MOU signed with each of those countries, we would consider what the options might be with respect to countries that do not have MOUs. We are currently looking at that, and we will be asking the government to make a decision as to how to handle countries with whom we do not have an MOU.

Senator O'BRIEN—So there is no work being done generally on any alternatives to live exports and market opportunities for processed meat instead of sending the animal on the hoof?

Mr Morris—I am not engaged in that work. I am not sure whether the industry might be funding research into that area, but certainly I am not engaged in that work.

Mr Banfield—Just on that, you would be aware that Meat and Livestock Australia has an office in the Middle East. As Mr Morris said, I am sure they have a wide brief, including the marketing of Australian meat generally into that area. I am sure that that is an issue they are pursuing.

Senator O'BRIEN—Is the memorandum with the UAE a public document?

Mr Morris—The protocol that is attached to that, which outlines the import conditions, is certainly a public document. We have not made the MOU itself publicly available, because it is a government to government agreement. If you were to request that agreement, we would check with the UAE. If they were comfortable with our providing you with that agreement, I would be happy to do so.

Senator O'BRIEN—I would appreciate it if you would do that. Apart from the Middle East, are we pursuing similar agreements in other parts of Africa or Asia or the Pacific region?

Mr Morris—The only agreement we are pursuing in Africa at the moment is the one with Eritrea. We are not pursuing any others at the moment. The government announcement was at this stage limited to countries within the region, but that does not preclude us from considering using the same approach with other countries should it turn out to be appropriate and useful.

Senator O'BRIEN—So we do not need agreements with Indonesia or the Philippines?

Mr Morris—I am not so much commenting on whether we need them or not. I am suggesting that at this stage we are focusing on the Middle East region, where there has been a problem in the past. In the future we may decide that it would be useful to extend that to other countries as well.

Senator O'BRIEN—If we send a shipload of cattle to the Philippines and they decide they do not want to take them for some reason, do we have a problem with a shipment that we do not have a destination for?

Mr Morris—Potentially, yes, that would be a problem.

Senator O'BRIEN—And Indonesia?

Mr Morris—That is correct. We do not have memoranda with either of those countries. But I should add that we have not experienced problems with those countries in the past. We are really focusing our effort on the region where we have had problems.

Senator O'BRIEN—It sounds a bit like dealing with the problem after it arises rather than preparing for it.

Mr Morris—It is partly a question of resources. We are dealing with 11 countries at the one time at the moment. As I indicated, if it turns out to be a useful approach, if we get more countries to sign on the MOUs, I think it would be entirely appropriate to also think about other countries where we export live animals, particularly the big—

Senator O'BRIEN—What is the difference between 11 and 13?

Mr Morris—There are not just 13. There is China. There are quite a large number of other countries we export live animals to. It is a question of focusing on the region where we have had the issue. As I have said, I have not ruled out extending that to other countries in the future, but it is really focusing our resources in terms of getting those signed with the Middle East in the first instance. I should note that this is a unique activity. We have never done this before in terms of this type of activity.

Senator O'BRIEN—We are pretty unique in terms of our use of live exports and our distance from the markets we are sending them to, aren't we?

Mr Morris—Correct, and the longest distances are those countries in the Middle East.

Senator O'BRIEN—What are our options in the worst-case scenario in which a shipment is rejected allegedly because of disease in the Philippines? What do we do with it?

Mr Morris—We would have to look at several options at that time. Clearly the first best option would be to try to negotiate with the country involved to see if we could get them to accept the shipment. We would determine what the issue was and try to work through with that country and get the animals offloaded there. Obviously that has the best outcomes in terms of animal welfare and in terms of resolving the issue. But then we would also look at other options in terms of commercial arrangements with other countries in the region. I should note that in the first instance it would largely be an issue for the commercial trader. More often than not, the animals that are exported are actually owned by the importer.

Senator O'BRIEN—That is what we said about the *Cormo Express*.

Mr Morris—That is correct.

Senator O'BRIEN—It did not work, did it?

Mr Morris—That is why I also indicated that we would also work to see if we could get some sort of agreement from the country that was importing the animals to accept those animals. And, as I said, to the extent that we could help the importer or the exporter, depending on who owned the animals, to discuss the option of taking those animals in another market, we would work with the authorities in that other market.

Senator O'BRIEN—So at this stage we will deal with it on a case-by-case basis.

Mr Morris—For those countries where we do not have an MOU, that would have to be the case at this stage.

Mr Banfield—Your questions quite properly are about the MOUs and the situation at the customer end of the chain, but it is fair to say that, as a result of the *Cormo Express* incident and the subsequent Keniry report, we have put in place much more stringent arrangements from the farm right through to the end customer. I would not like to leave the committee with the impression that, because we do not have an MOU on, for example, live animals with the Philippines, we have not gone through a comprehensive process and there are not much more stringent requirements in terms of the export of live animals. The point I am making is that the MOUs, very important as they are, are one part of a whole-of-chain approach which we are seeking to implement to provide greater certainty around the trade and to make sure that the animals that arrive at the end are the animals that the customer had sought.

Mr Morris—Could I just add something—in everything I have said the MOUs I am talking about are the ones specifically relating to establishment of a quarantine facility for unloading animals. There are occasions that we have signed MOUs with other countries to do with live animal trade, which are just on protocols and things like that—such as one we have with China that we signed last year. But I am referring specifically to the ones in connection to the Keniry inquiry.

Senator O'BRIEN—My next questions are about the National Food Industry Strategy and, subsequently, I will be going on to product integrity, which deals with animal welfare issues.

Mr Banfield—The National Food Industry Strategy is administered by the food and agriculture division. I am not sure whether Mr Souness or Mr Mortimer are still about but if there are any specific questions there—

Senator O'BRIEN—I am happy to put those questions on notice.

Mr Banfield—If they are of a general nature I might be able to answer them. Alternatively, if you want to put them on notice we will take them on notice. I am informed that there is no one here from food and agriculture so if you want to put them on notice that is fine.

[3.38 p.m.]

ACTING CHAIR (Senator Buckland)—We will now move on to the next item—Product integrity, animal (including aquatic animal) and plant health.

Senator O'BRIEN—I first want to ask about the NLIS. Page 10 of the portfolio additional estimates statement lists an appropriation of \$20 million over four years for the National Livestock Identification Scheme. Can you provide for the committee an outline of how this money will be spent.

Mr McCutcheon—It has been agreed that the government allocate \$20 million to assist producers with the uptake of the NLIS. We are currently working through the details of that with industry but we expect that it will be used to assist with the uptake of NLIS technology, primarily by the producing industry but also in other sectors, such as by livestock agents and saleyards. But the precise details have still not been decided.

Senator O'BRIEN—Do we know yet whether any money will be used to assist farmers with the costs associated with NLIS, such as tags, readers and the like?

Mr McCutcheon—Those issues are still under consideration, and at this point no decision has been made. But, certainly, it is targeted towards the production sector in particular.

Senator O'BRIEN—Is the expenditure of this money dependent on expenditure by any other government or non-government body or organisation?

Mr McCutcheon—No, there are no conditions attached to it. But clearly, from a federal government point of view, we would like to maximise the effect of that money in terms of assisting in the uptake of the NLIS, so we will be working with states and industry to try to achieve that objective.

Senator O'BRIEN—Irrespective of their involvement, the money will be expended in connection with the National Livestock Identification Scheme?

Mr McCutcheon—It certainly is specifically for the NLIS. We also have to recognise that states and territories have all, in one form or another, provided funding to assist the respective livestock sectors in their jurisdictions. Again, it is a matter of the federal government working with the states collectively to ensure that we get the maximum benefit from the money that we contribute. To date, the government has tended to invest that money in what we would call national infrastructure and national programs, such as the NLIS database and a lot of the research and development work. So I guess that we would be looking to continue that style of investment and to complement what states and territories are investing themselves.

Senator O'BRIEN—On the same table on page 10 of the PAES, there is an appropriation for the Australian Animal Welfare Strategy for about \$4.8 million over the next four years. Could someone give the committee details of what this \$4.8 million will be spent on?

Mr Merrilees—Actually, \$6 million has been provided over the next four years, starting on 1 January 2005. The estimates documentation only goes out for the next 3½ years: \$4.8 million covers the first 3½ years, but it is a total of \$6 million over four years. The major activities that will be funded under that are: initially, the establishment of a high-level multidisciplinary steering committee to oversight the development of an appropriate implementation plan, an action plan and a communication strategy to keep stakeholders, both domestic and international, better informed of Australia's animal welfare approaches and achievements; the provision of technical support, including research and development, to aid the development of improved animal welfare methodologies, practices, codes and standards;

and the establishment of a new national system to improve coordination in national reporting on animal welfare. Those are the major activities that are envisaged under that strategy.

Senator O'BRIEN—So an implementation plan has been completed?

Mr Merrilees—No. The implementation plan is very much in the early stages of development, at this stage.

Senator O'BRIEN—I think that at the last estimates you told the committee that an implementation plan would be developed over the following six months—which would have had it finished by now.

Mr Merrilees—The election period certainly intervened in that and also the need to appropriately resource the implementation team. We convened a workshop of key stakeholders in July 2004, just prior to the election. That group recommended the development of that steering committee and the detailed action plans and communication strategy. Since that time we have been waiting on funding to assist in actually employing a small implementation team to assist us and to get that moving.

Senator O'BRIEN—Why have you been waiting on funding? What has been the hold-up?

Mr Merrilees—There were no funds appropriated for this purpose in the budget in May 2004.

Senator O'BRIEN—I am just curious to know how the implementation plan would have been developed over the next six months last May, as we were told.

Mr Merrilees—We had certainly anticipated it and we have made a start on that plan, but it is quite an involved process. The plan and the strategic activities are intended to cover not just the production animal welfare sector but animals in research and teaching, aquatic animals, and animals in display and recreation. There are a number of areas there in which we do not have particular expertise or prime carriage in, so there has been a need to obtain some additional resources for that.

Senator O'BRIEN—Why weren't the resources available? The additional estimates are an approval process, but surely the government was prepared to commit the money earlier than now.

Mr Merrilees—Certainly the government had flagged its intention to, but the funds do not become available to the portfolio until these additional estimates bills are passed.

Senator O'BRIEN—Is there no other way that the money could have been provided? Are there no other funds the department could reprioritise?

Mr Merrilees—I cannot answer more broadly for the portfolio, but in relation to the funds we have had available for animal welfare, they have been primarily focused on the development of the Australian standards for the export of livestock. That has been our major focus in the second half of 2004.

Senator O'BRIEN—Mr Banfield, was no consideration given to making funds available and reprioritising funds to achieve this task?

Mr Banfield—Obviously we have tried to manage a range of priorities in the organisation. As Mr Merrilees has said, certainly some work was under way and it was the intention to

develop the implementation plan. What has happened, obviously, with the injection of additional funds, which I think is what Mr Merrilees is saying, is that that can now proceed at a much faster pace.

Senator O'BRIEN—The department did not consider reprioritising funds?

Mr Banfield—Explicitly in answer to your question, I have no recollection that we as an executive considered that particular issue, but at the time that divisional budgets obviously are set, the department takes account of a wide range of competing issues and priorities and makes the best assessment we can at the time in the allocation of resources to the divisions.

Senator O'BRIEN—Was there no ministerial direction as to the prioritisation of this project?

Mr Banfield—None that I am aware of.

Mr Merrilees—I think we got a very clear sense from the government that the priority should in the first instance be the government response to Keniry. As I indicated, certainly my area had prime carriage of the development of those live export standards, which was a very complex and intensive task requiring us to focus our expertise in that area. My recollection is that there was not a formal decision for the government to commit resources to the Australian Animal Welfare Strategy until late last year as part of the election process. I do not think a formal decision was taken until late last year.

Senator O'BRIEN—It sounds as though you were underresourced financially. Was no approach made to the government to see if other priorities could be attended to as well?

Mr Merrilees—We did not make a formal approach, no.

Senator O'BRIEN—Was the minister briefed on the difficulty?

Mr Merrilees—We focused on the priorities that the government had indicated to us, which, again, were that response to Keniry and our role in that. Certainly that is where our resources have been focused over the last six to eight months.

Mr Banfield—I am sure that Mr Merrilees made the comment, but I will just make the point: it is not the case, certainly, that the government is not very committed to progressing animal welfare issues. An example is the recent activity that has been undertaken in the department in relation to the PETA campaign and the work that has been done there. These things need to be seen in a totality. Yes, the government is committed to doing it and to implementing these things, but, as I said, there are finite human resources to do these things, not only in the Commonwealth but also in the states, and we have been trying to work through the issues in a constructive way.

Senator O'BRIEN—The additional estimates statement is showing that additional funds were needed. I am not sure whether you are telling me that the government was not aware that additional funds were needed to do the task, but you raised the issue of the PETA campaign, and you are indeed highlighting the need for a national animal welfare strategy.

Mr Merrilees—I do not want to leave you with the impression that there has been no work done in the development of the Australian Animal Welfare Strategy implementation plan. There has been activity going on. As I indicated, we had a workshop of key stakeholders in

July 2004. We have commenced some initial activity in respect of the communication strategy. We have been working with Animal Health Australia on the expansion of the current National Animal Health Information System to include animal welfare incidents, and we have undertaken discussions with LiveCorp and MLA's R&D committee, with a particular focus on commissioning animal welfare research, particularly as it relates to the live export chain. So there have been activities under way. My comment was more on the lines that you indicated a time frame there and—

Senator O'BRIEN—No, you indicated a time frame that I picked up on.

Mr Merrilees—that was the expectation at that stage.

Senator O'BRIEN—And you have lost six weeks out of that time frame, which is going on for nine months ago, and we are a short way into the process, by the sounds of things.

Mr Merrilees—No, we have commenced the process.

Senator O'BRIEN—We are a short way into it.

Mr Merrilees—There is still some way to go.

Senator O'BRIEN—Other than continuing to work towards a national animal welfare strategy, does the government have any direct role in assisting the wool and sheepmeat industries to counter the claims made by PETA?

Mr Merrilees—The government has indicated its support for the industry decision to phase out mulesing as soon as a satisfactory alternative is available and has been encouraging industry to reduce the need for mulesing by adopting an integrated approach in the meantime. In terms of the activities that we have been supporting, we continue to support the research and development efforts which are being led by Australian Wool Innovation, looking at alternatives to mulesing. The government has been funding 50 per cent of that research. We have been participating as an observer in the response group that the sheep and wool industries have formed to respond to the campaign, and we have provided support through DFAT and our overseas posts to industry to assist in their response. Industry has primarily led that response, as you would expect, given that it is primarily a commercial issue.

Senator O'BRIEN—So the government is providing assistance to the industry to respond to the PETA campaign?

Mr Merrilees—Certainly in terms of assisting them.

Senator O'BRIEN—We should ask DFAT about their particular role overseas, and this department is working with the industry at a consultative level about their response—is that how we should understand it?

Mr Merrilees—That is correct. Industry has been leading that process.

CHAIR—Will there be money available to get rid of circumcision as well as mulesing?

Mr Merrilees—I do not know whether I can answer that.

CHAIR—You could make out a similar case.

Senator FERRIS—A bit of silliness from the chair.

Senator O'BRIEN—We will think of a process to deal with him.

CHAIR—It might have put you off your lines, old mate!

Senator O'BRIEN—I am just trying to think of an appropriate process to deal with this problem.

Senator FERRIS—Don't!

Senator O'BRIEN—It is another form of flystrike occasionally from the left. Has the department made any assessment of the impact of the PETA campaign on the wool and sheepmeat industries?

Mr Merrilees—To my knowledge, there has been no formal assessment. In a general sense, the feedback from industry is that there has been no significant impact on market share or disruption to markets at this point in time. So it has had minimal trade impact at this point in time.

Senator O'BRIEN—Are you aware of reports that the British based Compassion in World Farming Trust is planning a pilot campaign in secondary schools in some states this year aimed, as I understand it, at animal welfare practices in the egg production and dairy industries amongst others?

Mr Merrilees—Yes, I have seen the report.

Senator O'BRIEN—Is there any plan to provide schools with accurate information about Australian animal welfare practices on a national basis?

Mr Merrilees—The development of curriculums at schools is primarily a matter for state education departments with some national coordination. It is primarily a state and territory issue for their education agencies. However, one of the primary aims under the Australian Animal Welfare Strategy is to improve community awareness of existing practices. I would certainly envisage that some of our activity would be generated towards, as I mentioned, a communication strategy and quite possibly the development of education and information material. However, we do not have a specific plan at this stage to take that to schools but that may well evolve out of the implementation plan.

Senator O'BRIEN—Has the department been asked to assist the industry in its legal action against PETA?

Mr Merrilees—That is not my specific area in terms of dealing with the oversight of Australian Wool Innovation.

Senator O'BRIEN—Whose area is it?

Mr Banfield—It might be better if Dr Samson from rural policy innovation offered a comment on that.

Dr Samson—If I understand the question as to whether the department has been asked to assist in the campaign—

Senator O'BRIEN—In any way in the industry's legal action against PETA.

Dr Samson—No. The department's only involvement was that we were asked to express a view as to whether we thought the funding of the legal action was consistent with the statutory funding agreement between the department and AWI.

Senator O'BRIEN—And is it?

Dr Samson—We obtained legal advice that leads us to conclude that it is consistent.

Senator O'BRIEN—So does that mean that Commonwealth funds can be used to fund that action?

Dr Samson—No. It would be industry funds. Commonwealth funds are restricted to research and development. It would be industry levy funds.

Senator O'BRIEN—So AWI has been advised of that, that they are in their rights to use grower levy funds to fund legal action against PETA?

Dr Samson—They have not been advised. In fact, the legal advice was received only late yesterday.

Senator O'BRIEN—They probably have now, then.

Dr Samson—I think that as of this moment they have been advised.

Senator O'BRIEN—Presumably there was an intention to so advise them.

Dr Samson—Indeed so.

Senator O'BRIEN—You have not let it to spring out unexpectedly on the public in breach of an intention not to advise them?

Dr Samson—Not at all; it was simply in response to your question.

Senator O'BRIEN—I would never have thought you would have done that. I am not surprised. On page 10 of the Portfolio Additional Estimates Statements there is an allocation of \$300,000 this year and \$205,000 next year for ovine Johne's disease control and eradication. At the last budget estimates, Mr Merrilees told the committee that stakeholders had agreed to a future management plan for OJD but that funding arrangements were yet to be finalised. Does the appropriation in these additional estimates represent the Commonwealth's contribution to the future management plan, or is it for something else?

Mr Merrilees—That is basically correct. The national approach to the management of OJD is that a program that has been agreed between government and industry stakeholders commenced on 1 July 2004. The funds that have been appropriated there represent the budgeted Commonwealth contribution towards that program.

Senator O'BRIEN—Is this funding conditional on funding also being supplied by the states?

Mr Merrilees—The expectation is that the program includes Commonwealth, state and industry funds. There is an agreed budget.

Senator O'BRIEN—So it is conditional on that other funding being provided?

Mr Merrilees—I do not think we have formally advised stakeholders in that regard, but it is our expectation that the states and industry will contribute.

Senator O'BRIEN—Can you provide us with a brief overview of how the future management plan will work?

Mr Merrilees—A key element of the new program is assurance based trading, which will be backed by the assurance based credit scheme, also known as the ABC scheme. This is a national effort to assess the risk of sheep being infected with OJD. The removal of the regulatory zones of control that have been applied by the states, and the movement of sheep will be based on vendor declarations of risk. In addition, there will be the wider availability of vaccine and the use of various on-farm management tools to assist with managing the disease on farm. Many of those tools have been developed out of the previous national OJD control and evaluation program.

CHAIR—What are they?

Mr Merrilees—They include things like appropriate pasture spelling, running of weaners on spelled pasture and the use of vaccine. Those are some of the sorts of tools.

CHAIR—What will that do? It will just minimise it, won't it?

Mr Merrilees—It is a management program rather than an eradication program. The intent is to minimise the risk of getting or spreading OJD.

Senator O'BRIEN—Is the government still of the view that eradication is possible?

Mr Merrilees—I am not sure that the government has ever been of the view that eradication would be the answer, but it is not the government's view, following the work that has been done on the OJD control evaluation, that OJD is eradicable.

CHAIR—Where does that leave the Arab pastoral zone?

Mr Merrilees—In what regard?

CHAIR—What will be the status of the Western division?

Mr Merrilees—One of the criteria there is location of your flock. The location will reflect particular prevalence. Obviously, the Western division has a very low prevalence of OJD.

CHAIR—There is OJD out there?

Mr Merrilees—It is a very low prevalence area.

CHAIR—But it is out there?

Mr Merrilees—Yes. There have been cases reported but, again, it is a very low prevalence area.

CHAIR—That is a shame, because that is one area that you could not have it. But I suppose you have dealer sharks that are shifting sheep around all the time.

Senator O'BRIEN—I want to find out what happens to this plan when the funding runs out at the end of 2005-06.

Mr Merrilees—I do not think a decision has been made at this stage as to whether it will be replaced with a successor plan. It is really an agreement between industry and government parties, but certainly the intent is that OJD will increasingly be managed like any other endemic disease and will become the responsibility of states and territories along with industry and individual producers. That is the progressive process that has been occurring over the last two to three years.

CHAIR—Under this program are you going to be able to shunt vaccinated sheep into the western division?

Senator O'BRIEN—The answer is yes.

Mr Merrilees—The movement of sheep will be governed by vendor declaration.

Proceedings suspended from 4.05 p.m. to 4.21 p.m.

Senator O'BRIEN—On page 10 of the PAES there is an appropriation on the eradication of the imported red fire ant—\$8.586 million in 2004-05, \$10.583 million in 2005-06 and \$5.137 million in 2006-07. Is this appropriation part of the Commonwealth's contribution to the national eradication program or is it something else?

Ms Ransom—That amount is part of the ongoing eradication program and the Commonwealth's contribution to it.

Senator O'BRIEN—So it is the Commonwealth's contribution to that program?

Ms Ransom—Yes, it is.

Senator O'BRIEN—Where are we up to on that national eradication program?

Ms Ransom—The national eradication program is going very well. The area around the port of Brisbane has not had any further outbreaks that I am aware of. There continue to be some sporadic detections around the south-west area, around the Logan area. They are all traceable back to original infestations and are being treated through the agreed scientific process of baiting and then follow-up treatments and ongoing surveillance.

Senator O'BRIEN—Can you give me some idea of how that appropriation will be spent?

Ms Ransom—The appropriation will be administered by the Fire Ant Control Centre. The money is going into the ongoing baiting programs when the ants are active and into ongoing surveillance and nest treatments when the ants are less active. There is the ongoing public awareness program and the liaison with the respective communities, which continues to yield dividends in terms of public awareness and landholder awareness. There is also a component going into scientific research, particularly developmental research, looking at baits and further treatments, particularly to enhance the surveillance program as the number of ants in large, highly visible colonies begins to decline as the program tails off.

Senator O'BRIEN—Is there a budget that the committee could be supplied with that shows a breakdown for the expenditure of that money?

Ms Ransom—There would be. I can take that on notice.

Senator O'BRIEN—At budget estimates, Mr Roseby and Dr Biddle told the committee that some work was being done on securing supplies of vaccines for foot-and-mouth. Has that work been undertaken?

Mr Merrilees—I am pleased to advise that a formal contract has been completed on the commercial supply of FMD vaccine, so those arrangements are now in place and have been finalised.

Senator O'BRIEN—What are those arrangements?

Mr Merrilees—On behalf of the Australian government, states and territories and the affected livestock industries, Animal Health Australia has contracted multinational company Merial, which is very highly regarded in relation to the production of animal vaccines, for the provision of nine particular antigens that are deemed to be of the most relevance to Australia and its risk of FMD. Five hundred thousand cattle equivalent doses of each of those antigens have now been manufactured and are being stored offshore by Merial. Should we need to activate the supply and delivery of the antigens, it will be part of the contract to have that within Australia within a week of any request being made.

Senator O'BRIEN—I am sure Senator Heffernan will be pleased to hear that. At those estimates, Mr Banfield told the committee a smaller follow-up exercise to Minotaur was planned for this year. Is it still planned for this year?

Mr McCutcheon—Yes, there will be an exercise conducted this year. It will be called Exercise Eleusis. Essentially the focus of that particular exercise will be on a hypothetical outbreak of avian influenza, or bird flu. The major difference between the proposed exercise and Minotaur is that this will be focusing on a zoonotic exotic disease outbreak.

Senator O'BRIEN—I think I know what that means.

Mr McCutcheon—Essentially it can spread to humans.

Senator O'BRIEN—When is that likely to occur?

Mr McCutcheon—It will be held from 29 November to 1 December 2005.

Senator O'BRIEN—Will it be a multistate program?

Mr McCutcheon—Yes, it will be multistate and multijurisdictional. It will require a heavy involvement of agriculture and health jurisdictions and, of course, industry.

Senator O'BRIEN—Is there some Commonwealth-state organisation involved in the planning of the exercise?

Mr McCutcheon—Yes, a steering committee has been established and that involves both Commonwealth and state government officers and industry people.

Senator O'BRIEN—When will the planning phase be completed?

Mr McCutcheon—I guess you could say the planning phase will be completed the day before the exercise takes place. It is an intensive exercise and a number of preparatory mini exercises are going to be conducted between now and then, similar to what was done in the lead up to Exercise Minotaur. For example, there is a particular desktop exercise on trade and on the public health side of things, so those sorts of activities will take place in preparation.

Senator O'BRIEN—Which Commonwealth departments are involved?

Mr McCutcheon—Obviously there is the Australian government Department of Agriculture, Fisheries and Forestry, the Australian government Department of Health and Ageing, as well as Emergency Management Australia.

Senator O'BRIEN—On page 11 of the PAES there is a table headed, 'Other variations to appropriations'. The PAES shows savings of \$207,000 on international organisations

contributions and slightly smaller savings in each of the out years. Can you provide the committee with an explanation of these savings?

Mr Merrilees—Those savings are attributable to the cessation of Australia's membership in the IVB—the International Vaccine Bank. As I indicated earlier, we now have a commercial arrangement for the supply of FMD vaccine. The agreement that established that International Vaccine Bank has been terminated by all the parties.

Senator O'BRIEN—That is all the questions that I have for this division, thanks.

CHAIR—Does the APVMA come under this present division?

Mr Banfield—Yes.

CHAIR—I have a couple of questions on that. Who does the APVMA report to?

Mr McCutcheon—The Australian Pesticides and Veterinary Medicines Authority, the APVMA, reports to the Australian parliament through the minister. It is a statutory—

CHAIR—So it reports to the minister?

Mr McCutcheon—It reports to the portfolio minister.

CHAIR—Who sets the budget?

Mr McCutcheon—The APVMA board sets its budget. It has a board of directors.

CHAIR—Who approves it?

Mr McCutcheon—The APVMA board of directors approves its budget. It is an independent statutory authority.

CHAIR—Can the minister direct the agency?

Mr McCutcheon—There is provision in the legislation, but the minister is acting on behalf of all state and territory ministers that established the APVMA when the National Registration Scheme for Agricultural and Veterinary Chemicals was set up in the mid-1990s.

CHAIR—How much did you spend in 2003?

Dr Smith—In 2003-04 our total expenditure was \$21,636,000, in round figures.

CHAIR—That is how much you spent?

Dr Smith—Yes.

CHAIR—What was your revenue?

Dr Smith—Our revenue for that year was \$18,103,000. Perhaps I could elaborate a little on the revenue. The APVMA's revenue is linked to levies on agriculture and veterinary chemical sales. There was a significant impact of the drought on agriculture and sales of veterinary chemicals. In fact, since 2000-01, APVMA revenue has been steadily declining such that, in 2003-04, the level of revenue was lower than it was in the year 1999-2000.

CHAIR—So you are projecting a \$2.9 million loss for this year?

Dr Smith—I will just have to confirm that, but that would be close, on the basis of our budgets.

CHAIR—According to my information, the analysis of the authority's annual reports from 1998-99 to 2003-04 shows that employee expenses have risen by 48 per cent over the five-year period and staff numbers have risen 20 per cent. Can you explain what has driven both those increases?

Dr Smith—Yes. During this period, the APVMA moved to being an agency which discharged more comprehensively its range of legislative obligations. In particular, it moved from being an agency which, essentially, registered chemical products to discharging more completely its full range of legislative obligations. Those obligations included strengthening the effectiveness of our compliance program, other activities such as fully implementing a good manufacturing practice licensing scheme for veterinary chemicals and introducing an adverse experience reporting program for both agricultural and veterinary chemicals. They are all very important in gaining assurance of the ongoing quality, effectiveness and safety of products in the marketplace.

We now have a mature program for reviewing existing chemical products, which is consistent with the approaches taken in other countries, such as the US and other OECD countries, to ensure that, when new information comes to light about public health and safety or the environmental impact of those chemicals, we are able to respond to those concerns and address them in a scientific and effective way.

CHAIR—So you do not think the organisation has become top-heavy? I noticed in 2001-02 there were 124 employees, which cost \$9.38 million.

Dr Smith—I would have to confirm that, but it sounds about right.

CHAIR—And now you have 134?

Dr Smith—I would have to double-check the number of full-time employees, but the organisation has not become top-heavy.

CHAIR—According to this document, it costs \$1.8 million more to run that side of it than it did for an extra 10 employees. I have some questions here that I will put on notice so you do not have to guess them. How many companies have products registered with the APVMA?

Dr Smith—I would have to take that on notice, but we have some 700 active constituent chemicals approved with the APVMA, and that relates to in excess of 7,500 chemical products.

CHAIR—Do you have any idea of how many of these companies would have what you would call smaller annual sales, say, less than \$5 million?

Dr Smith—Could I take that on notice and provide details of that? I can certainly provide that analysis.

CHAIR—To save a bit of time, I might put a series of questions on notice to you. Are you aware that the Administrative Appeals Tribunal had a decision against the APVMA in relation to Pool Fresh swimming pool disinfectant system?

Dr Smith—I am very aware of that decision.

CHAIR—Is regulation of non-agricultural products like swimming pool chemicals within your ambit? Is that part of your growth in the business?

Dr Smith—No, swimming pool chemicals are clearly defined within the Agricultural and Veterinary Chemicals Code Act as being agricultural chemicals—that is, something that we should regulate. In fact, as part of the recent AAT decision that you referred to, the AAT had, prior to that, made a determination on that very issue that those products should be regulated. According to the definition of the legislation as it is, they should be regulated by the APVMA.

CHAIR—How much did it cost to be put through the hoop at the administrative tribunal.

Dr Smith—I do not have that precise figure.

CHAIR—Who will pay that?

Dr Smith—The APVMA would have to pay its costs.

CHAIR—That is really the industry, because you do not have any outside source.

Dr Smith—That is true. The APVMA would have to pay its costs and also the companies that challenged the APVMA would clearly pay their costs.

CHAIR—In your present dilemma, have you and the department flagged the serious risk of running into negative equity?

Dr Smith—Yes.

CHAIR—Can you explain how that has come about?

Dr Smith—As I mentioned, over the last five to six years the APVMA's revenue stream has steadily declined, because of a number of factors. Indeed, since 1997 the APVMA has not increased its fees and charges and in the year 2000 I believe it decreased its levy rate from 0.75 to 0.65. There was also the impact of the drought on the revenue. That had a significant impact on our revenue over two years. So that is a declining revenue stream over that period. During that period, the APVMA has taken on the functions that I gave you some examples of before. As well as that, implementation of new requirements—for example, the new data protection requirements which were implemented in legislative change last year and linked to the free trade agreement—has some implications for us in terms of processing applications to ensure that we implement the new requirements appropriately. At the same time, there have been a number of other one-off costs that we have had to absorb, such as changes to the way superannuation payments are to be made to ComSuper and insurance premiums. So there have been a number of factors driving expenses up. The APVMA has a very strong focus on cost control and our board has a very strong focus on that matter. We are regularly audited by the ANAO.

CHAIR—Do you think it puts a more unfair burden on one section of the industry than another—the little versus the big?

Dr Smith—It is a difficult issue, and perhaps a colleague from DAFF might like to expand. In trying to address the needs of the cost recovery framework, much effort and attention have been given by colleagues in DAFF in trying to come up with a framework which, if you like, distributed the burden equally or fairly amongst the different sectors of industry.

Mr McCutcheon—I might comment on that. It is a challenge to come up with a model that provides full cost recovery for this organisation—a model which will, as best possible, attribute those costs fairly across the range of products commensurate with the amount of

work required by the APVMA to assess and register those products. At the same time, it needs to ensure that the system that we have in Australia is not imposing barriers to innovation and new products—new chemistry—to come onto the market. It is achieving a delicate balance of those competing factors to come up with a model that will best suit that purpose.

CHAIR—Would you consider that the APVMA is accountable to the parliamentary secretary?

Mr McCutcheon—It is accountable to the parliamentary secretary, but ultimately it is accountable to the Australian parliament. Under its legislation, it is required to report to parliament through its annual report.

CHAIR—In 2003, when you ran over by \$3½ million, who would have ticked that off?

Dr Smith—Sorry?

CHAIR—In 2003, you spent \$3½ million more than you collected.

Dr Smith—Yes. The APVMA budget, which we managed according to, and which actually came in with a slightly better result, would be approved by the APVMA board.

CHAIR—Without reference to the parliamentary secretary?

Mr McCutcheon—The report itself has to be tabled in parliament.

CHAIR—So the parliamentary secretary.

Mr McCutcheon—The parliament secretary has to approve its tabling in parliament.

CHAIR—But after the event.

Dr Smith—The board approves the budget.

CHAIR—The board then says to the parliamentary secretary, ‘Well, mate, this is what the outcome is.’ I have a few other questions. I will put them on notice.

Mr McCutcheon—In answer to one of the questions that was raised about the number of companies—I think someone asked about small and large companies—there is a table in the cost recovery impact statement, which is a public document, released in November 2004. The number of companies that have sales of less than \$5 million in chemical products is 748. For medium sized companies, with sales of greater than \$5 million and up to \$20 million, there are 32 companies. For large companies, with sales greater than \$20 million, there are 21 companies.

CHAIR—They say you should never ask a question unless you know the answer. Thanks.

[4.45 p.m.]

CHAIR—We now move to the next group—Australian Quarantine and Inspection Service.

Senator O’BRIEN—Table 3.1 on page 26 of the PAES shows a decline in revenues from government for the department as a whole for the current year and over the forward estimates period. Table 3.2 on page 27 shows a decline in liabilities for 2004-05 and 2005-06. Both the decline in revenue and the decline in liabilities are explained on page 24 of the PAES in terms of the lapsing of the increased quarantine intervention and Nairn programs. Can you provide

the committee with details of reductions in the overall staffing levels of AQIS that will occur as a result of the lapsing of these programs?

Ms Stanton—I think we answered those questions at the last hearings. We indicated that the amount of money that is involved in those lapsing programs accounts for something like 1,200 AQIS staff, but we then went on to explain that, while that was a direct translation, should those funds lapse, it would be up to the department to look at what its priorities were. I have nothing further to add to the statements that were made last time by me and Mr Cahill.

Senator O'BRIEN—So no decisions have been taken to—

Ms Stanton—No, that will be part of the budget process.

Senator O'BRIEN—That is a significant area for border surveillance, isn't it?

Ms Stanton—Indeed. The lapsing funding would cover approximately half of our border operations.

Senator O'BRIEN—But no decision has been taken at this stage about what happens in the future?

Ms Stanton—No. I think as I said last time, it is not at all unusual. All programs have a particular life and they get looked at in that context on a regular basis. This is simply a regular check, and it will be dealt with in the normal way in the budget process.

Senator O'BRIEN—Has the department provided advice to the minister on the future, from 1 July this year?

Ms Stanton—As a normal part of the budget process, advice is being provided.

Senator O'BRIEN—So the process has not concluded? You are still providing advice?

Ms Stanton—That is correct.

Senator O'BRIEN—The detail of the areas affected is outlined in your previous answer

Ms Stanton—That is correct.

Senator O'BRIEN—A fortnight ago, AQIS announced a recall of wood and cane hamper baskets that could contain the larvae of exotic wood-boring beetles. How and when were these beetles discovered?

Ms Stanton—They were discovered by someone who had purchased such a basket and returned it on Christmas Eve to the shop it was bought from.

Senator O'BRIEN—Which part of Australia?

Ms Stanton—Western Australia.

Senator O'BRIEN—How dangerous are these beetles? What potential do they have to become a serious pest in Australia?

Ms Stanton—There are two beetles involved. They are exotic. These baskets were imported from China. They are significant pests. We have to remember that Australia already has a certain population of wood-borers but they are certainly pests we would not want to see establish in Australia.

Senator O'BRIEN—How many of these baskets came into Australia, and how widely were they distributed?

Ms Stanton—There were approximately 114,000 baskets, and they were distributed through two chain stores that are present in all states.

Senator O'BRIEN—It is a voluntary national recall, so how many baskets have come back?

Ms Stanton—At this stage, the two chain stores are receiving baskets back. We do not have a firm result yet but around 1,500 to 2,000 have been returned. But we do need to remember that the other advices that have been given to the public are how to dispose of these baskets or how to render them safe. One method is to freeze them in a normal household freezer for 14 days, and another is to destroy them by incineration. We do not know the extent to which that has occurred.

Senator O'BRIEN—What is the incubation period of the larvae?

Ms Stanton—I do not have the exact time but it can be over several months, as I understand, and perhaps longer.

Senator O'BRIEN—When did the product come into Australia?

Ms Stanton—I would have to ask for help on that from Mr Murphy.

Mr R. Murphy—The consignments came in through October and November for the product to be sold prior to Christmas. There were a number of consignments, but they were in those months just prior to Christmas.

Senator O'BRIEN—What was the extent of the advertising? How many consumers do you think will actually see notices about this product?

Ms Stanton—I could perhaps add to that. The recall notice was quite wide in the press. In addition to that, of course, there has been media coverage. I do have some detail of that media coverage. Up until the end of last week there had been some 157 items in the media in addition to the recall notices. The bulk of those in fact occurred at the time of the second recall notice—there were two recall notices.

Mr R. Murphy—In addition to that, the major retailers—Big W and Target—have also placed fairly prominent signage in their facilities to encourage people to bring the material back and/or treat the material. It is a combination of all of that.

Senator O'BRIEN—If they bring the material back, does the customer get a refund without a receipt?

Mr R. Murphy—Yes, they get a full refund of the purchase price, irrespective of whether the contents of the basket are there are not. Target and Woolworths have been very cooperative in helping us with this.

Senator O'BRIEN—When was the second notice published?

Ms Stanton—Do you have the detail of the second recall notice, Mr Murphy?

Mr R. Murphy—No, I do not. The first one was, I think, about the second week of January and the second one was in early February, but I do not have specific dates in front of me.

Ms Stanton—I have a date in front of me of 31 January. I can confirm that if you like.

Senator O'BRIEN—I have a copy of an AAP story on the 31st.

Mr R. Murphy—That would have been the second. The first was earlier in January.

Senator O'BRIEN—So, since the second notice, we have seen 1,500 to 2,000 returned?

Ms Stanton—That is all up from the first notice in the middle of January. At about this point the last figure we had was about 1,500. We have much better figures from one store than another at the moment because of the nature of their logistics systems.

Senator O'BRIEN—So 114,000 are in circulation?

Ms Stanton—The vast bulk of the 114,000 were sold, but we have received back all the unsold ones, of which there were of 600 or so. We have used those as the sample to test for infestation, because they are a more representative sample. They are the ones we have used for testing.

Senator O'BRIEN—What incidence of infestation did you discover?

Ms Stanton—It looks likely that it is less than three per cent.

Senator O'BRIEN—So the probability is that there are about 3,000 of the baskets with infestation?

Ms Stanton—It is of that order. That is the statistical probability, yes.

Senator O'BRIEN—Is it very likely that people will burn them rather than take them back to the store?

Ms Stanton—I cannot answer that question.

Senator O'BRIEN—I would not have thought so—it does not sound very likely, does it? If you can get your money back instead of burning it, most people will get their money back?

Ms Stanton—You would hope so.

Senator BUCKLAND—How are they handled when they are returned to the stores—Target or Big W or whatever? Are they put in isolation? What is the process?

Mr R. Murphy—They are put in a sealed plastic bag and then kept sealed like that until such time as they are returned to AQIS. We then supervise their destruction. Looking at logistics, we believe that putting them in a sealed plastic bag and keeping them sealed from the time of receipt at the store until they get to us will control the possible incursion.

Senator O'BRIEN—It is not very likely on those numbers that you will overcome the problem of the importation, is it?

Ms Stanton—One thing which we do have to remember is that, in the vast bulk of the cases, what we have found is larvae and the larvae by themselves cannot cause any damage. It really is an issue of trying to get as many of these back as we can before there is an

emergence of adults. Many of the environments that these baskets will be in, even if they are not noticed, will not be conducive to larvae turning into adults.

Senator O'BRIEN—What sort of environments do you envisage they will be in?

Ms Stanton—I guess there are all sorts of possibilities in terms of these hampers. Some of them, probably a considerable number of them, will be buried. There maybe others though that remain around the home environment.

Senator O'BRIEN—So you think a lot have gone to the tip?

Ms Stanton—I cannot answer that question. I can only assume that it is a strong possibility that at least some of them will have gone to the tip.

Senator O'BRIEN—You are talking about a probability that some significant number will be buried—or more likely be placed in a cupboard.

Ms Stanton—I think that is a reasonable assumption.

Senator O'BRIEN—In a storage situation in the home, what is the risk?

Ms Stanton—By and large, the larvae pose virtually no risk at all in the home. Were larvae to mature into beetles in the home, the first thing is that they would be fairly obvious so at that point they may well be dealt with. These particular beetles much prefer rough bark and so on rather than, for example, the dining table.

Senator O'BRIEN—So they have to get outside? And if they do, they are likely to seek to infest all sorts of trees?

Ms Stanton—I think those questions are better put to the scientists. I have given you the lay version at this point, but we can get some scientific advice if you want to take that further.

Senator O'BRIEN—I would just like to know whether there is any significant risk of the beetles establishing themselves in some part of the country. I presume they are flying insects.

Ms Stanton—I am not sure.

Mr R. Murphy—I am not sure either. Remember that they would have to find a mate as well.

Senator O'BRIEN—Presumably the larvae are occurring in numbers rather than singly.

Mr R. Murphy—As I understand it, the baskets we have looked at typically have a fairly light infestation of maybe only one or two individuals rather than large groups. These burrow into the wood so it is not like it is a cluster of eggs. Typically it is an individual or only a few.

Senator O'BRIEN—We will cross our fingers. I want to refer to imported food notice 44/04, which was circulated to food importers on 17 August. It relates to herbs and spices. You may need to take these questions on notice. Is it the case that, since 17 August 2004, virtually all dried herbs and spices being imported into the country are now treated as high-risk products and that a regime involving laboratory testing of a sample batch of each import is required?

Mr R. Murphy—We would have to take that on notice.

Senator O'BRIEN—I understand that you are taking these questions on notice, so I will put them on the record. I understand that, prior to that date, the only dried herbs and spices that were treated as high risk and were routinely subject to analysis were cinnamon, pepper and paprika. I want to know what the risk associated with imported herbs and spices is; what process was used to determine that these products pose a greater risk than was previously thought; and what the basis was for the decision to place the products in a high-risk category.

Dr Carroll—The decision-making process of categorisation of the food is primarily through Food Standards Australia New Zealand. They would make the assessment. For details of that, we would need to take that question on notice and to consult with them.

Mr R Murphy—They would need to provide that information. From an operational point of view, we deliver the service at the barrier, and we are essentially responding to and applying the advice and instructions that we get from them. Those particular questions are more relevant to them than to us, but we can take them on notice and come back with an answer.

Senator O'BRIEN—Thank you. Of course, I cannot let you get out of here without giving us an update on the situation in relation to the export of Australian honey to New Zealand.

Ms Stanton—I am so pleased you asked that, Senator! We now have received the import risk analysis from New Zealand, and we are in the process of assessing that document. We have not had it very long.

Senator O'BRIEN—Are the pages yellowing?

Ms Stanton—No, we have not had it anywhere near that long. It is a very great milestone, obviously, and we are hopeful that we will have access very shortly.

Senator O'BRIEN—So the import risk assessment by New Zealand gives us strong grounds to believe that we will have access?

Ms Stanton—We are still assessing it, but we are hopeful.

Senator O'BRIEN—'Hopeful'—it has taken us a long time to get hopeful.

Ms Stanton—I do not want to count my chickens before they have hatched. Biosecurity Australia is involved in the assessment of the IRA. We are also involved in terms of making sure that it is a practical document. I would sooner get to the end of that process, given how long it has taken to get to this point.

Senator O'BRIEN—Would you chance an answer as to when you think you would be at the end of that process?

Ms Stanton—We are not talking about a very long time now; I would hope it would be within the next couple of months.

ACTING CHAIR (Senator Buckland)—I thank those at the table for their attendance. We keep losing our chair but we will battle on anyway.

[5.09 p.m.]

ACTING CHAIR—We now move to the Australian Bureau of Agricultural and Resource Economics. I welcome Dr Fisher. Let us not waste time: Senator O'Brien has the call.

Senator O'BRIEN—Dr Fisher, I know you are going to tell me that the Outlook conference is only a couple of weeks away, but I am going to ask you to give us an update on the general outlook for major rural commodities such as wheat, beef, lamb, dairy, wool, cotton and pork. I am interested in your comments on the ongoing impact of the drought and movements in currency values. That is a broad sketch of a brief.

Dr Fisher—Senator, you are correct: the Outlook conference is just a couple of weeks away—1 and 2 March—and you are cordially invited to attend. We will be releasing our next set of forecasts at that conference, in the March issue of *Australian Commodities*. I would not want to pre-empt what will happen there, but I could give you a summary of where we are up to to date in making that assessment. We have not finished the assessment yet, but we will publish it in a couple of weeks time.

First of all, in terms of what is happening to world economic growth, in calendar year 2004 we saw the world grow at around 4.6 per cent. That means that the world was growing at a fairly good clip in calendar year 2004. Anything above four per cent means that commodity prices are kicked along quite substantially. Below four per cent tends to reflect a situation in the world where we would see an easing in demand. As we go into calendar year 2005, there is some uncertainty about where the United States is going. There has been a lot of talk, for example, about the impact of the triple deficit situation in the US. It is expected that we will see some easing of world economic growth. The outcome will probably be growth of below four per cent. As a consequence of that, we would expect an easing of commodity prices in Australia as we go into financial year 2005-06.

For some of the key commodities, there are some additional things that lie over the top of that general assessment of demand. In the case of beef, for example, we would expect to see, at some point in the next 12 months, a resumption of US exports of beef into our key North Asian markets. Therefore, I think it is fair to say that we would expect an easing of beef prices as we go into 2005-06, compared with financial year 2004-05.

In the case of grains, I would expect at this stage that the assessment will be that prices will be reasonably flat. We might see some increase in the prices of oilseeds as we go into 2005-06, but generally in the cereal sector we will see reasonably flat prices. In the case of sugar, we have seen sugar prices a little better over the last little while than we have seen over the last couple of years, and we would expect to see that persist in the next season.

Senator O'BRIEN—Why?

Dr Fisher—Principally because we have seen reductions in supply in some key countries. In addition to that, the balance between ethanol and sugar in Brazil is key, with oil prices expected to stay reasonably high. The incentive is to move more sugar into ethanol, compared to the standard sugar market; therefore, we would expect to see reasonably firm prices. I would not want sugar producers running away with the idea that we are going to suggest that there are fortunes to be made in the sugar industry—far from it—but I think there will be some firmness in sugar prices as we go into 2005-06.

In the case of the wool market, I do not really expect that we will be able to say anything very positive about wool prices. The trends in fashion continue to militate against the demand for wool and, in addition to that, the advances in synthetics technology have been going

apace. So demand for wool has been easing. We expect that to continue; therefore we would expect wool prices to be reasonably flat or, probably, to decline slightly.

In the case of the dairy industry, I think it is fair to say at this stage that we would expect to see reasonably strong prices continuing, particularly for cheese, so I think our assessment would be at this stage that we would expect to see some increase in the farm gate price of milk.

With respect to the Australian dollar, which is obviously a key to export earnings, it is likely that we will see in financial year 2004-05 an Australian dollar against the US dollar out-turn of about 75c. To give you a basis of comparison, for 2003-04 the out-turn was 71c, so we have gone from 71c to 75c. There is a lot of uncertainty about what we might expect to see for the dollar in 2005-06, but at this stage my assumption would be that there would be some moderate easing of the Australian dollar against the US dollar on average for 2005-06. Of course, that depends crucially on what happens with the US economy and, particularly, also on what happens with the interest rate differential between Australia and the United States.

Senator O'BRIEN—Shortly after the US presidential elections, I saw an article which was suggesting quite a different scenario and talking about up to a 40 per cent reduction in the value of the US dollar because of the budgetary conditions and other factors.

Dr Fisher—A 40 per cent reduction in the value of the US dollar against what it was in January is a pretty disastrous scenario for the world. That would—

Senator O'BRIEN—It would be bad for us.

Dr Fisher—Yes. That would cause serious disruption right around the world. I suspect that governments in the G8 would work very assiduously to ensure that that sort of change did not occur over a short period.

Senator O'BRIEN—What is the outlook for cotton?

Dr Fisher—At this stage, my assessment would be that we may forecast a small increase in prices for cotton in financial year 2005-06, but nothing exciting. Of course, the key there in terms of the profitability of the Australian cotton industry is on the production side, with respect to water availability. The recent reasonably good falls of rain in some parts of north-western New South Wales and Queensland have at least eased some of the problems with respect to water availability. Water availability is still not excellent, but at least it has eased some of the problems we have seen over the last couple of years.

Senator O'BRIEN—Obviously you have ongoing concerns about the domestic market with the pork industry. Are there any indicators of threats to the price levels for pork producers?

Dr Fisher—In line with our views about demand more generally in financial year 2005-06 and calendar year 2005, at this stage I would expect a moderate easing in pork prices as we go into 2005-06.

Senator O'BRIEN—That is the price to the domestic market rather than the export market?

Dr Fisher—Yes.

Senator O'BRIEN—Have those rains eradicated drought concerns?

Dr Fisher—It is fair to say that across a continent as large as Australia there will always be concerns about drought somewhere. The key to the changes we have seen over the last little bit lies in the summer and winter crop production forecasts. The most recent summer crop forecast for Australia suggests that our summer crop in this summer cropping year will be about 3.9 million tonnes, up from 3.5 million tonnes last year. So we are doing a little bit better in summer crops. In the case of winter crops, in 2004-05 we expect to see about 31.5 million tonnes finally come from the winter crop just harvested compared with the record 40.3 million tonnes in 2003-04. We have seen a reduction from that enormous crop we got in 2003-04 immediately following the 2002-03 drought.

Senator O'BRIEN—Are any states particularly lagging?

Dr Fisher—The story is mixed. The seasonal conditions in eastern Australia have generally been quite variable. Certainly the crop that was just harvested in Western Australia is smaller than the record crop in 2003-04. Mind you, we need to keep in mind that the 2003-04 crop was a record, so we have come back to slightly more normal conditions in 2004-05 across Australia as a whole.

Senator O'BRIEN—Will this impact significantly on feed grain prices in Australia?

Dr Fisher—Do you mean in terms of the crop we have just harvested?

Senator O'BRIEN—Yes.

Dr Fisher—I do not expect to see much change in feed grain prices as we move into the 2005-06 financial year.

Senator O'BRIEN—Thank you very much.

Senator ALLISON—Can I start by asking about the ABARE report which was used for the reports in both round 1 and 2 of the Biofuels Capital Grants scheme. Can you indicate whether that report is likely to be updated? Does the government still stand by using that report in the assessment of biofuels capital grants? Do you know the report I am referring to?

Dr Fisher—Are these the reports on our web site that we completed under contract to the Department of Industry, Tourism and Resources?

Senator ALLISON—Yes.

Dr Fisher—We would only update those if we were asked to—if we received a new request from the contracting department.

Senator ALLISON—Do you see a problem with the fact that those reports are still being used when there are some fairly basic assumptions which have changed quite dramatically?

Dr Fisher—Could you be more specific about the assumptions that you are concerned about?

Senator ALLISON—Let us take the price of crude oil, for one thing.

Dr Fisher—No, I would not see that that actually is a problem in the sense that with current crude oil prices the incentive to produce biofuels is higher rather than lower. So the analyses that we have done there stand. Clearly, when oil prices are higher, there is demand

for alternative fuels. If those fuels can be produced competitively to compete with oil, then we would expect to see more of those fuels in the mix. That is exactly—

Senator ALLISON—But surely your conclusion would be somewhat different if the price of crude was twice that of your assumptions in the first place. You may still say, ‘Ethanol is viable,’ but surely it is a question of degree. Would it not change your recommendations insofar as the criteria for the Biofuels Capital Grants scheme was concerned?

Dr Fisher—We do not make judgments about the criteria for the scheme itself. That is something that would be done in the relevant department, and that question would need to be addressed to the industry department, not ABARE. ABARE did the analysis which set out a bunch of information about when—at what point—a biofuels industry would be viable and at what excise levels the industry would be viable. As I said previously, as oil prices rise then it would appear to me *prima facie* that the industry actually becomes more competitive rather than less.

Senator ALLISON—Indeed. But the extent to which it is competitive surely is a factor in determining the grants scheme.

Dr Fisher—That question would have to be addressed to the relevant department.

Senator ALLISON—Can you clarify that it is the case that that report, which keeps being cited as a basis for those grants, used the price of crude oil of an average of \$24.75 in 2004. Is that correct?

Dr Fisher—From memory, that sounds like the assumption we used.

Senator ALLISON—The other variable was the Australian dollar, which I think at the time of the report was 62c and is now somewhat higher than that. Don’t those two factors make a very big difference to the viability of ethanol?

Dr Fisher—Yes, both the value of the Australian dollar and the oil price will be important components in determining whether you can or cannot produce ethanol in Australia cost effectively—as will, of course, the level of excise that you have to pay.

Senator ALLISON—Precisely. Would you disagree, giving or taking a percentage point, that the error factor if you like in the conclusions drawn based on those assumptions would be around 138 per cent?

Dr Fisher—No, I do not think I would agree with that because what we were asked to do was to determine the point at which this industry would be viable. It was viable given those assumptions, and therefore we could expect that it is even more viable today because the competitor fuel has risen in price. As to how that information is used, that would be a matter for the relevant department that runs the program itself.

Senator ALLISON—I turn to you now, Minister—and you may or may not be familiar with this but I am sure you can get some assistance. We have heard both the former minister and the Treasurer claim that higher levels of ethanol production—that is, supporting production and presumably concepts like mandating levels of ethanol in fuel—would lead to major increases in the price of petrol. Can you acknowledge that this is now far less likely, if at all likely, than it might have been at the time that the ABARE report was done?

Senator Colbeck—Without the figures, I could not acknowledge anything. I think Dr Fisher has given some analyses of what the viabilities of the production of ethanol might be based on changes in the variables, as you put it, in the report. Obviously that has an impact across the board. Without actually analysing all of the cost inputs and measuring all of the variables, I cannot give an acknowledgement on behalf of the government in that respect.

Senator ALLISON—Will you take that on notice?

Senator Colbeck—I am happy to.

Senator ALLISON—Will the government consider commissioning a new report by ABARE based on both the value of the dollar and the value of crude oil? Presumably we have some reliable predictions to do with whether that price will drop significantly over the foreseeable future. Would that be possible? Have you done any work on crude oil prices and their likely fluctuations?

Dr Fisher—We will release the next set of forecasts at the outlook conference on 1 and 2 March.

Senator ALLISON—And you cannot give any indication prior to that?

Dr Fisher—I would expect that oil prices over the next 12 to 18 months will ease slightly but will not return to levels of \$24 or \$25.

Senator ALLISON—So it would seem to justify a re-evaluation of the method of assessing the competitiveness of ethanol and biodiesel? I guess that is what I am asking you, Minister.

Senator Colbeck—I am prepared to put that question to the minister for consideration.

Senator ALLISON—There have been suggestions that it is the major oil companies that are influencing the kinds of remarks that are being made to do with the price of oil. Could you indicate whether in your experience this is what has been happening?

Senator Colbeck—Are you asking me or Dr Fisher? I think there is a range of variables at play in the price of oil at the moment. I do not know that it is necessarily just the oil companies. It can be—

CHAIR—I do not think we can really expect you to know the answer either.

Senator Colbeck—Thank you.

Senator ALLISON—Again on the question of petrol prices rising as a result of ethanol coming onto the market, I do not know whether Dr Fisher can answer this, but in New South Wales in 1992 ethanol was introduced. Can Dr Fisher tell us whether any examples in New South Wales could be drawn upon for increasing the price of petrol at that time?

Dr Fisher—I am not able to help you with those sorts of questions. My responsibility in ABARE is to do forecasts of international oil prices and report those at that level. I do not do the analysis of fuel prices—petrol prices et cetera—at a retail level in Australia. That is something that would be more appropriately directed to another department.

Senator ALLISON—Going again to the report on biofuels by your body and CSIRO, would you consider introducing uncertainties and imponderables that are not supported by

established scientific data trials or peer reviews as being ethical mechanisms for the credibility of peer reviewed scientific data? Sorry, it is a convoluted question, but you can probably understand it.

Dr Fisher—I would be very loath to introduce into any analysis that ABARE did imponderables that were not supported by some sort of peer review scientific process. If the question is: ‘Can we do uncertainty analysis?’ the answer is yes. Obviously, however, that would depend on exactly the nature of the question we were asked.

Senator ALLISON—Let me ask you about the fact that CSIRO pointed to the fact that the United States Environmental Protection Agency had conducted statistical comparisons of 48 studies, the majority peer reviewed, with only one showing an increase in particulate emissions from biodiesel. As I understand it, CSIRO said that in fact they did not look at two of the studies that were used by CSIRO.

Dr Fisher—If the question is about whether ABARE in a future analysis could take account of, say, the health effects associated with reductions in particulate emissions from diesel fuel powered transport vehicles, then the answer is: yes, that can be done subject to available health data on those effects. But that is a slightly different study from the one that we have conducted in the past.

Senator ALLISON—CSIRO said that they just looked at the two studies from the EPA. I think I have that right. Is that correct?

Dr Fisher—I do not recall what studies the CSIRO looked at.

Senator ALLISON—Can you take that on notice. If it was the two studies out of a possible 48, is it possible to explain why that was the case?

Dr Fisher—Perhaps that question would be more appropriately addressed to the scientific body that conducted that analysis. ABARE is the organisation that does the economics; CSIRO is the organisation that did the science.

Senator ALLISON—Perhaps it is a question for the department or for the minister to take on board. The other question about those studies is whether they were peer reviewed or conducted in government scientific laboratories and what particular attributes of these reports caused the CSIRO to balance out and outweigh the 48 studies undertaken by the US EPA. The questions are these. Why did we look at so few studies? Were they peer reviewed? Were they scientifically based? If not, why not?

Senator Colbeck—As I understand it, CSIRO is under the Department of Education, Science and Training. The question would be best directed to that portfolio.

Senator ALLISON—It is a broader question. It is for your department, since you deal with the biofuel grants scheme.

Senator Colbeck—We will take it on notice and see what we can find out.

Senator ALLISON—I do not know if you can answer this or not, Dr Fisher. The report claims that 50 per cent of ethanol and biodiesel plants will be located in Australian major cities and urban centres that are at particular risk from particulate emissions from vehicles. Can you explain why that remark was made and what justification you have for it?

Dr Fisher—No. I do not recall that comment.

Senator ALLISON—Can I ask you to take that on notice?

Dr Fisher—Yes.

Senator ALLISON—And, if there is some data, scientific or otherwise, can you provide that?

Dr Fisher—I will have a look at that issue for you.

Senator ALLISON—I want to go to the claim that particulates generated by industry in regional and rural communities represent an equal risk—if not a greater risk—as particulate emissions from vehicles in major urban centres. Why was that claim made, and what is the data that backs it?

Dr Fisher—Can you refer us to the part of the report?

Senator ALLISON—No, I do not have the page number. It must be easy to find. It is about the question of particulates generated by industry, in this case in rural and regional areas.

Dr Fisher—I will take that on notice.

Senator ALLISON—I want to move to the qualitative differences in particulate emissions from industry—that is, urban, regional or rural—and vehicles. One claim is that PM2.5s and PM2.1s are established high emission risks from vehicles, not industrial PM.

Dr Fisher—All of these questions are technical, scientific questions that I will have to refer to the CSIRO.

Senator ALLISON—That would be useful. Another just as technical question: could you explain to the committee how PM10 emissions from industry and regional and rural communities can effectively balance out the qualitatively different known PM emissions benefits of ethanol and biodiesel in petrol and diesel driven vehicles in Australia's major urban centres?

Dr Fisher—Again, that is a question for the CSIRO.

Senator ALLISON—I might put these questions to the CSIRO as well but, in case I am not able to do so, it would be useful if the department could take it on board to coordinate the responses.

Mr Banfield—We would be loath to coordinate the response. We would be happy to refer them to the appropriate department but, to the extent that the questions you have raised are issues for another department, it is a matter for that department or that agency to respond. As Dr Fisher said, we will certainly pass on the request that you have made and ask them whether they would be kind enough to provide you with an answer to those questions.

Senator ALLISON—The reason I suggest that there needs to be a coordinated approach is that it is possible that the department may have to rethink the implications of that ABARE-CSIRO report should responses suggest that it is not valid.

Mr Banfield—My point is that the program that you are referring to is not a program of this portfolio. It is a program of the industry portfolio.

Senator ALLISON—So what responsibility does your department have for the Biofuels Capital Grants Scheme? None at all?

Mr Banfield—No, that is the responsibility of the industry department. That is what Mr Fisher explained. As I said, we certainly would be happy to pass those questions onto the industry department or the CSIRO but I would be loath for us to volunteer to coordinate a response from another department. That is their prerogative.

Senator ALLISON—I will ask that department and the CSIRO.

CHAIR—Does ABARE give consideration to the impact of predicting the future price of oil with the growth of ethanol and the demand for corn? Do you look at the impact on corn and sorghum?

Dr Fisher—The answer to that is yes.

Senator ALLISON—It is \$24 a barrel.

Dr Fisher—Just to clarify: when we forecast the price of oil, because biofuels make such a small contribution to transport fuels generally and to the demand for oil, then that is not having a measurable impact on the global price of oil. However, the price of oil has an impact on the viability of those alternative fuel sources.

CHAIR—Have you learned anything from the position that the major fuel companies take here, as opposed to the United States? According to Shell's own document, they do not want to undermine the potential for biofuels in all future fuel operations. Shell is probably the largest marketer of biofuels in the world, both ethanol and biodiesel, and sells more than two billion litres a year. Yet here in Australia they argue the opposite case. Do you think that that might turn around and impact? This document says that, in 2004, the US ethanol industry processed a record 1.26 billion bushels of corn into ethanol—that is, 11 per cent of the nation's corn crop and 11 per cent of the nation's sorghum crop. What does all that mean? Are we being conned?

Dr Fisher—I think that means that there are some significant distortions in the US farm legislation which lead to allocation of some of these products across to the production of fuel and, in the case of sugar, to artificial sweeteners. That is the key lesson I would draw from that rather than any implications for the penetration of renewable energy sources into the fuel mix more generally.

Senator O'BRIEN—Production of ethanol is falling at the moment. In the last 18 months it has gone down to about 40 per cent of the previous level, hasn't it?

CHAIR—In the US?

Senator O'BRIEN—No, here.

CHAIR—Yes, but there is a concerted drive that ethanol is bad for your car here whereas in America there is a concerted drive that it is good for everything—by the same people, I might add. Do you expect any turnaround in your predictions for ethanol production here or do they have a flaw—as you say, some sort of fault line—in their grain market over there that we have not got here?

Dr Fisher—My expectation is that there will be some growth in biofuel production in Australia. But, in the longer term, the key question is the price of the feedstocks that go into that product. Both the feedstocks—C molasses and feed grains—are internationally traded, so the viability of that industry in Australia is dependent both on the international price of those products plus the price of competing products—namely, oil.

CHAIR—According to Shell—I am quoting an executive director of Shell here:

We already market biodiesel in Europe. In France, diesel vehicles make up 70 per cent of new car registrations. Total sales of diesel passenger vehicles in Western Europe outstrip those for gasoline powered cars for the first time.

Are we missing the boat here?

Dr Fisher—This is a very complex situation. The penetration of diesel vehicles in Europe is much more to do with the regulations and preferences with respect to dealing with fuel efficiency than it is with the impact of international markets. We have a situation in Europe where the majority of vehicles have headed towards diesel and we have had a situation in North America where we have got gasoline powered vehicles and not nearly as much penetration of diesel. That is much more to do with the environmental regulations and the CAFE standards in the United States than it is to do with international fuel prices.

CHAIR—So Shell, who would argue here that the engine will fall out of your car if you use ethanol in it, in Europe will promote it and in America will promote it based on getting a quid out of it because it is at the right price?

Dr Fisher—I would not be able to comment on the commercial activities of a particular company.

Senator ALLISON—It is the case, though, isn't it, that Brazil now produces ethanol at about \$28 to \$30 a barrel equivalent from corn?

Dr Fisher—From sugar.

Senator ALLISON—Sorry, the US produces it at about that rate from corn—is that right? It is at least competitive with petrol, which is very cheap in the United States.

Dr Fisher—You should be able to compete at around \$US30 a barrel. The question is whether we will see oil prices sustained at \$30 a barrel or above. If we were to see a situation where oil prices—and I would never use this term, but I have heard people use this term before—reach a 'new plateau' of \$30 a barrel—

Senator ALLISON—But it is \$42 a barrel or higher now, isn't it?

Dr Fisher—Yes, but there are certain—

Senator ALLISON—It would be a major drop if it went to \$30.

Dr Fisher—It is not many years since it was about \$12. We need to keep in mind that there is a lot of variability in these commodity markets. We have seen a big price rise recently driven off the back of a whole lot of uncertainty about supplies out of the Middle East and enormous growth in consumption in some of our key Asian markets.

Senator ALLISON—Yes, but you have just said that in the next 18 months you predict a steady and not a drop.

Dr Fisher—No. I would expect some easing. I hesitate because I do not make these commercial judgments, but if you were making a commercial judgment about investing a lot of money in a large plant to produce alternative fuels then you would do so on the basis of a long-term expectation about oil prices. If it is the case that a lot of firms around the world were to assume or have an expectation, for example, that oil prices in the future would be \$US35 a barrel—and I am not making that forecast now; I immediately make that clear, but let us assume that companies genuinely believe that oil prices would be \$US35 a barrel in the future—then my expectation would be that we would see a substantial increase in the production of biofuels. In terms of the total penetration, that would still be small because we have an enormous amount of those fuels coming from oil.

Senator ALLISON—And if it remained at \$US42? Would it be even more substantial?

Dr Fisher—We would expect even more.

Senator ALLISON—Can you quantify that?

Dr Fisher—Yes, I could quantify that. I haven't, but I could. But at the same time I would point out that at \$35 a barrel you would also see a large number of gas-to-liquids plants—in other words, people converting natural gas to liquid fuel. So this is not a story that is necessarily all positive with respect to renewable energy sources. If oil prices were forever to stay at \$40, then we would see an enormous number of plants converting methane to liquid fuels, and that would tend to suppress the liquid fuel price.

CHAIR—But you would have to give some consideration to the world supply of oil and gas. Some gas fields have not much longer to go.

Dr Fisher—I think that the amount of fossil fuels on the planet will see you and me out.

CHAIR—That is not saying a lot. I am on my last shirt.

Dr Fisher—Given that we also have the technology in the wings to gasify coal in situ, we should not assume we will have a situation where fossil fuel prices will go up radically forever. In fact, I would suggest there is a significant cap on those prices in the long term.

CHAIR—How do you gasify coal in situ? This is my lesson for the day

Dr Fisher—You drill a hole and inject superheated steam. That basically combusts the coal and produce syngas, which can then be used to generate electricity, among other things. Given the amount of coal on the planet, there are significant quantities of this material that are available to that sort of technology.

CHAIR—So have they looked at the environmental side of that?

Dr Fisher—I think it is fair to say that anybody concerned about climate change would almost certainly be concerned to see geosequestration associated with such plants, because they would produce a significant amount of carbon dioxide. However, there are technologies available to deal with that.

Senator ALLISON—But they are expensive.

Dr Fisher—At a price.

Senator ALLISON—More expensive than a barrel of crude?

Dr Fisher—Certainly more expensive than a barrel of crude today.

[5.55 p.m.]

CHAIR—The next item is Bureau of Rural Sciences.**Senator O'BRIEN**—Welcome, Dr O'Brien and Dr Grant. On page 10 of the additional estimates portfolio budget statement there is funding listed for the establishment of a Centre of Excellence for Biosecurity Risk Analysis and Research. That funding is for \$6 million over four years, which I believe meets one of the government's election commitments—funnily enough matching a commitment by Labor in the last two elections. Is BRS managing this project?

Dr O'Brien—The secretary has asked us to take steps to initiate the establishment of the centre. Dr Grant is responsible for that so I invite him to elaborate.

Dr Grant—We have been tasked, very recently I might add, to undertake the development work to establish the centre. That would involve us identifying what it is we think the centre should look like, consult with relevant stakeholders, identify possible proponents to run a centre and then go forward with calls for expressions to run that centre. We are in the process at this point in time of framing that sort of forward strategy.

Senator O'BRIEN—Has any decision been made as yet as to the physical location of any such centre?

Dr Grant—No, there has not been. The process that we are going through will be to identify options and then advise the government through the minister.

Senator O'BRIEN—What sort of criteria will be looked at in identifying options?

Dr Grant—As I say, this is very early days. We were tasked with this about seven or eight days ago and so at this point in time we will be going through soon a proposed consultation process. Again, we will be proposing to the minister a strategy for that and on his authority we will go forward. I cannot take it much further than that at this stage.

Senator O'BRIEN—Is there any idea how such a centre will operate?

Dr Grant—There are several of options. Centres of excellence exist in cooperative research centres, in ARC type centres and there is a centre of excellence for intellectual property, so there are several models. Following consultation with the relevant stakeholders, we would structure a preferred model. At this stage it is too early to say what that would be.

Senator O'BRIEN—What is the brief from the government? Is it just to get a centre up and running?

Dr Grant—The election commitment was to establish a centre of excellence for risk analysis and to do that in consultation with stakeholders.

Senator O'BRIEN—In the appropriation there is \$116,000 for departmental outputs in 2004-05. Does that mean that is for the administration of the project by BRS?

Dr Grant—Yes.

Senator O'BRIEN—And there is \$125,000 in 2005-06.

Dr Grant—It is not clear whether that will necessarily be needed for the establishment of the centre, but there may be, dependent on the arrangements that are put in place, an ongoing

relationship management undertaking. I think this has been identified to cover for that possibility.

Senator O'BRIEN—What about in 2006-07—\$125,000 again?

Dr Grant—Once again, in order to run a centre at distance there is an administrative responsibility to pass out funds to the centre. So there is an operational exercise which will have a longevity as long as the centre I suspect.

Senator O'BRIEN—Why do you say 'at distance'?

Dr Grant—The commitment was to establish a centre independent of the government department.

Senator O'BRIEN—So 'at distance' means independent of the department, does it?

Dr Grant—'At distance' is not a geographic term.

Senator O'BRIEN—It does not mean on Thursday Island!

Dr Grant—No—although if the experts happened to be there then perhaps that might be its location. But no, it does not mean that.

Senator O'BRIEN—That figure for department output grows to \$195,000 in 2007-08. Why is that?

Dr Grant—I think that is taking into account possible adjustments to salaries and growth in costs of services. It would relate to CPI adjustments, I would imagine.

Senator O'BRIEN—I think it amounts to 60-something per cent.

Dr Grant—I think the specificity of these costs at this very early stage is not an issue that I can give very cogent answers on, especially four years out when a centre does not exist and the operating arrangements are not in place.

Senator O'BRIEN—So these figures are a best guess, then.

Dr Grant—They are set aside to allow the operations of the centre to be administered in the sense of budget allocations, reporting lines and the like. As to the actual approach that will be taken and the actual costs, it is very early days.

Mr Banfield—It might be worth my adding a comment. I am not across the detail, but where programs like this are established it is the normal approach of the government for there to be an evaluation in the latter phases. Subject to correction from my colleagues, I would expect that, as part of the normal process, there would be some evaluation of the centre of excellence. Obviously, to do that some allocation would be required, so it is probably a bit more than CPI adjustment for salaries and what have you.

Senator O'BRIEN—So it means that the assessment will be done in-house?

Mr Banfield—No, not necessarily. It is an allocation to the department. I am not presuming either way. As Dr Grant has said, these issues need to be addressed, but it is quite normal that an external evaluation would be funded from departmental expenses.

Senator O'BRIEN—Is one of the options co-locating with a university?

Dr Grant—There are several options. All of them will be looked at in consultation with relevant stakeholders. Centres of excellence exist in universities, in CRCs, in the CSIRO—there are several possibilities. I think it is speculative to suggest what they might be at this stage.

Senator O'BRIEN—I am presuming that the money available would not provide for the construction of a significant facility.

Dr Grant—Again, I think it is too early for me to speculate. It is \$6 million over four years, which is only a little over \$1½ million a year. The budgets are \$1.8 million, \$1.8 million and \$1.9 million over that period.

Dr O'Brien—In the government's announcement, it recognised that the funds were seed funding for a centre and would not fund the construction of a facility. They were to provide for an aggregation of excellence in the area of quantitative risk analysis.

Senator O'BRIEN—Have you got any established timelines? Have you got a project chart which sets timelines for particular stages of this project?

Dr Grant—We have been asked to set the centre up or to go through the processes to attempt to establish the centre by the commencement of the new financial year. Everything will be worked through to that objective. As I say, one week into the exercise, we are putting together the sort of thinking and steps that are needed to culminate in that outcome and—it is roughly 16 or 18 weeks away—to try to achieve that. I cannot give it to you step by step at this stage.

Senator O'BRIEN—You will have a lot to report to us in May-June.

Dr Grant—I am hopeful that we will be in a position to advise you in greater detail, yes.

Senator O'BRIEN—Does that mean what I said?

Dr Grant—I think it does.

Senator O'BRIEN—Can you tell the committee where the work on the national production monitoring system is up to?

Dr O'Brien—I can comment on that. BRS has been tasked by the Primary Industries Ministerial Council with further development of a national production system with a view to presenting an operational prototype at a ministerial council meeting in April in Darwin with a view to ministers deciding on whether to proceed with full implementation of that system through the calendar year.

Senator O'BRIEN—When is that meeting in Darwin?

Dr O'Brien—April.

Senator O'BRIEN—So if it is going to happen we are a fair way off setting up such a national production monitoring system?

Dr O'Brien—BRS has scoped the system in collaboration with state agencies, so we know what the elements will be. There is agreement on that. There are some costs and some processes in full-scale development of an NPMS that we would see running through the rest of this calendar year. There is some work to do yet.

Senator O'BRIEN—Thank you. That is all I have for BRS.

CHAIR—What is the most important thing that you should do that you have not done?

Dr O'Brien—As an agency? Probably communicate better the value of evidence based policy in a science agency within the portfolio.

CHAIR—Thank you.

Senator Colbeck—I might note for the record that this is Dr O'Brien's last appearance before us as BRS's executive director. He is moving on to a new post with the Rural Industries Research and Development Corporation. I would like to thank him for his inputs and wish him all the best in his new post.

[6.08 p.m.]

CHAIR—The next item is Rural Policy and Innovation.

Senator O'BRIEN—Has the department been involved in any assessment of the impact on the rural sector in general or on individual farmers of the new national security regulations regarding ammonium nitrate?

Mr Banfield—That is an issue that is probably more appropriately directed back into product integrity and animal and plant health. If you would like to put the question on notice, I will certainly refer—

Senator O'BRIEN—This is rural policy.

Mr Banfield—But the government's response in respect of ammonium nitrate is being coordinated out of product integrity and animal and plant health.

Senator O'BRIEN—Why would that departmental title lead me to the view, in formulating my questions, that I should ask this question there?

Mr Banfield—I would not pretend to justify the titles; I am just telling you what the situation is in terms of the departmental structures.

Senator O'BRIEN—So the titles are not justifiable?

Mr Banfield—I am not saying that at all.

Senator O'BRIEN—But you are not pretending to justify them.

Mr Banfield—They are very justified. I am just saying that there are a range of issues, including the ammonium nitrate issue, which are being managed out of product integrity. That division also, I might add, has responsibilities, some of which we discussed earlier this afternoon, for emergency planning and emergency response measures. There is a variety of work in that division. The initiatives in respect of ammonium nitrate are some of that work.

Senator O'BRIEN—One of the reasons I thought it might be relevant here is that I wondered if anything was being done to assist farmers with the additional burden being placed on them by the new regulations about the use and storage of ammonium nitrate, which have a financial implication.

Mr Banfield—Yes, we are aware of the issue. Again, I do not have the precise detail. I am aware of the issue, and I am aware of the views of farm organisations in those matters. But, if

you want further detail, I really would need to get someone from the product integrity area—Mr McCutcheon or someone else—to take you through the detail of that.

Senator O'BRIEN—I guess I will put those questions about ammonium nitrate on notice. On page 11 of the PAES, in the table headed 'Other variations to appropriations', there is a list of savings of \$111.13 million for drought related exceptional circumstances in 2004-05. It also lists savings of \$3.2 million for drought related interest rate relief and \$500,000 for savings for drought related interim support. Can you explain the basis of these savings?

Mr Koval—The savings are based on the actual take-ups of farmers since we did the last estimates, which would have been for the 2004 budget. Every six months we go through and look at existing EC-declared areas and prima facie areas. We then look at the actual uptake of farmers and assistance paid to those producers, as against our estimates, and look at the variation. Those numbers represent that variation for those three elements of the program.

Senator O'BRIEN—So it is the actual take-up expected, which must include some estimate for this year?

Mr Koval—Yes, it is.

Senator O'BRIEN—You do not know what they are going to be, completely—or do you?

Mr Koval—When an initial EC declaration is costed, we make some assumptions. Some of those assumptions are based on the number of farms coming forward and the amount we are going to pay them, and we make some assumptions, particularly for income support, about how long they will be on payment. Some areas do not meet those basic assumptions—they are either below or above those assumptions—and we go through a process twice a year of looking at those areas, testing them against those assumptions and making the adjustments accordingly. We aggregate them up so it comes out as one number. As we go forward in 2004-05, the residual amount which is represented in PAES as you go forward is what we estimate we will spend in this financial year.

Senator O'BRIEN—Could you get me a breakdown of the estimates for each exceptional circumstances region and the now-budgeted figure for the region?

Mr Koval—For each region?

Senator O'BRIEN—Yes.

Mr Koval—We can. I will take that on notice; I do not have it to hand.

Senator O'BRIEN—And can we get that for the interest rate relief factor as well?

Mr Koval—Interest rate relief was an element that actually was not per region. We can do it on a state basis and divide that breakdown on a state basis, not on EC declared region.

Mr Banfield—Senator, without in any way wanting to be pedantic, you used language along the lines of 'savings', and I understand precisely what you were driving at. But, as you know, drought assistance programs are demand driven. Again without wanting to sound pedantic, I prefer language along the lines of 'reductions in estimates'. They are not savings in the sense that the government has deliberately sought to save money from either of those programs.

Senator O'BRIEN—Are they reductions in estimates or reductions in appropriations?

Mr Banfield—Reductions in appropriations. Again, it is a fine point. But the insinuation that somehow or other the government has sought to save money from drought is actually not correct.

Senator O'BRIEN—I am not going to have an argument about whether they have sought to save money. I am sure there are some areas where they have. In general terms, we would understand these reductions in appropriations as a reflection of the on the ground take-up of drought assistance measures as against the original estimates in the original budget figures.

Mr Koval—That is correct.

Senator O'BRIEN—The minister and, therefore, I guess, the department in budget estimates in May last year provided tables on EC declaration in answer to question on notice RPI01. Is it possible to get those tables updated?

Mr Koval—Yes, I have a copy of a table of up-to-date EC declarations. It does not include the extensions, but it is EC declarations up until yesterday.

Senator O'BRIEN—Can we get a separate document about extensions?

Mr Koval—I certainly can provide that to you.

Senator O'BRIEN—The table on page 11 of the PAES headed 'Other variations to appropriations' lists savings or some other reductions in appropriations of \$5.61 million against Farm Help. This reduction comes on top of an already significant reduction in allocation this year compared with 2003-04. Has Farm Help experienced a reduction in demand during 2004-05?

Mr Williamson—The answer to your question is yes. The uptake in 2004-05 for Farm Help has been less than was initially estimated.

Senator O'BRIEN—Is it fair to say that the uptake was lower than the uptake in 2003-04?

Mr Williamson—We are only halfway through the financial year, but to date, yes, it is lower than the previous financial year.

Senator O'BRIEN—On a proportionate basis?

Mr Williamson—Yes.

Senator O'BRIEN—How should we understand that? Were there some circumstances which should have had us expecting such a reduction in uptake?

Mr Williamson—The estimates for the current financial year were initially to come off a base from the previous financial year with a significant increase, largely due to the expected inflow of customers from EC potentially moving on to the Farm Help program. That has not eventuated, for a variety of reasons, the main one being that there have been further extensions to EC areas.

Senator O'BRIEN—At the budget estimates, Mr Aldred told the committee that he expected that there could be an additional uptake of Farm Help as people moved off exceptional circumstances.

Mr Williamson—That is correct.

Senator O'BRIEN—That does not appear to be happening. He also told the committee at budget estimates that the department was in the process of developing a longitudinal survey associated with the Farm Help program that would help track longer term clients who have access to the program, and that the plan is to use the survey to improve the program in future years. Has the longitudinal survey been developed yet? If not, where is it up to?

Mr Williamson—Yes, it has been developed and it has commenced. The South Australian Centre for Economic Studies has been contracted to undertake the study over the next five years. That study will include surveys on an annual basis, generally in September of each year, but last year the survey was conducted in December. At this stage, although the survey has happened, I do not have any results for you yet.

Senator O'BRIEN—Why was it conducted in December last year and not in September?

Mr Williamson—It was related to the timing of contracting the successful tenderer.

Senator O'BRIEN—What is the cost of this work?

Mr Williamson—It is \$399,130, including GST.

Senator O'BRIEN—Is that for the whole five years?

Mr Williamson—Yes.

Senator O'BRIEN—And it is a national study?

Mr Williamson—That is correct.

Senator O'BRIEN—What method are they using to conduct this survey?

Mr Williamson—The survey will be used to determine how the Farm Help program has helped farm families to identify and undertake options for their future. It will examine how useful the various program measures have been in the medium and long term and, eventually, whether it has helped farmers to re-establish themselves outside farming successfully. There will be, as I mentioned, an annual survey of past and present Farm Help customers.

Senator O'BRIEN—Is there going to be a form sent out or will it be a face to face discussion?

Mr Williamson—There will be a form paper but also follow-up discussions and, I recall, telephone surveys to track through past and present customers and see where they end up in several years time.

Senator O'BRIEN—While prime responsibility for the development of a mandatory code of conduct for the retail grocery industry is clearly in other portfolio areas, can I ask what role, if any, this department has been playing in the development of such a mandatory code?

Mr Banfield—I hate to say this again, Senator, but that is another one for food and agriculture.

Senator O'BRIEN—It is not policy?

Mr Banfield—No. To the extent that you are talking about the horticulture aspects of it, that is being managed by food and agriculture. That whole issue—and I think we had a discussion on it this afternoon—is being coordinated through Product Integrity and Animal and Plant Health.

Dr Samson—Senator, if the division title is causing you some confusion we would be happy to provide you with a list of those issues that we are responsible for, if that would be helpful.

Senator O'BRIEN—Yes, I think that might be helpful. It will not help me today but it might be helpful in the future.

CHAIR—Have you blokes got a plan for when the Lachlan River stops flowing in May? What are we going to do?

Dr Samson—I am not sure which area of the department Mr Banfield will refer you to.

Mr Banfield—I am getting a bit of a complex about this, Senator, but I think that is an issue for Natural Resource Management.

Proceedings suspended from 6.25 p.m. to 7.30 p.m.

CHAIR—We will reconvene this pulsating process, and pass over to the deep and meaningful questions from Senator O'Brien!

Senator O'BRIEN—I think, Mr Quinlivan, you told this committee at the last budget estimates that ABARE was close to completing its paper on developing economic efficiency in the fishing industry, and I understand that that policy paper is now complete. Is that right?

Mr Hurry—I think I told you that we almost had it complete.

Senator O'BRIEN—I am sorry. I did not want to misrepresent you, Mr Quinlivan.

Mr Hurry—That paper is now complete and it is with AFMA, to comment on before we finalise it. That is the paper that has been developed by ABARE, and there is a second one to be developed by ABARE on economic efficiency that looks at indicators as well.

Senator O'BRIEN—That is the second part of a two-year program funded by FRDC, isn't it?

Mr Hurry—There is one lot funded by FRDC and the other lot was funded out of the Fisheries Resources Research Fund.

Senator O'BRIEN—Where does that fund sit?

Mr Hurry—It sits within the department.

Senator O'BRIEN—Is that funded off budget or funded by contributions from the industry?

Mr Hurry—It is funded through the budget process.

Senator O'BRIEN—What is the status of that paper? It is to be completed? Is it under way?

Mr Hurry—The paper under the FRDC will be completed in August. I checked with ABARE today and that is the one that looks at the indicators you would use to measure economic efficiency. The one that looks at defining economic efficiency in terms of fishers and a fishery as a whole is the one that has been completed and is being considered at the moment. It also looks at how AFMA may better structure its approach to actually measure economic efficiency in the fishery. It has some recommendations to that end as well.

Senator O'BRIEN—I think you mentioned an education task as being part of the project. Who will have responsibility for that?

Mr Hurry—An education task in what sense?

Mr Quinlivan—I think that was a comment I made at the last hearing, Senator, and I was just observing that there were some fairly widespread misunderstandings in the fishing industry and elsewhere about what economic efficiency meant in practice, and that that education task would fall to AFMA, which is, of course, the decision-maker in this area for the most part in Australia and the authority that has the legislative objective of pursuing economic efficiency.

Senator O'BRIEN—Is it yet to take place or is it ongoing?

Mr Quinlivan—It is happening in the context of some individual fisheries at present because of issues that have arisen in those fisheries for AFMA, but the general process will begin once this ABARE publication becomes public.

Senator O'BRIEN—Do you know what form AFMA will use to impart that knowledge to the industry?

Mr McLoughlin—We would use a range of mechanisms but in particular we would use our management advisory committees as the key conduit by which we would disseminate the information. We also have a range of communication materials and products that we put out there. These are the standard sorts of things: web sites, newsletters and the like. It is our management advisory committees that would have to take primary carriage, particularly of that communication and education effort, on the basis that they represent the industry's interests directly to the AFMA board.

Senator O'BRIEN—Apart from the education task, what other action will occur as a result of this project? You are going to prepare the papers; industry needs some education. Where to from there?

Mr Quinlivan—That is really a matter for AFMA, because it is a statutory objective that AFMA has, and one of the reasons that this task commenced was that there is a growing body of case law and it influences AFMA's decisions on an ongoing basis, so exactly how AFMA chooses to use that is a matter for them. Richard has described quite an extensive process in his answer to the last question.

Senator O'BRIEN—Mr McLoughlin, what consideration has AFMA given to what happens?

Mr McLoughlin—It would be fair to say that in the management of fisheries over probably the past decade at Commonwealth level, the focus has been very much about achieving some biological objectives around sustainability of fish stocks, and there have been a number of imperatives about why that would be. Increasingly over the last couple of years, our fishermen are telling us that we need to balance the biological objectives with the economic objectives as well, but, particularly given that we have a legislative objective around economic efficiency, as my colleague Daryl said, we have some case law around what economic efficiency might mean for some decisions.

As we are starting to get sustainability under control for most of our fisheries, we are trying to get the balance around economic efficiency correct, as well as around biological sustainability, which is going to be a somewhat challenging task for our management advisory committees and the industry members as they think about what is the suite of objectives that they want to try and balance out now between the biology and the economics. We are seeing that in one or two of our fisheries now, where the industry is saying, 'We have not only got to catch fish sustainably, we have to make a profit here as well, and we need to get the balance right.' Once we have some better developed definitions of what economic efficiency means in terms of our legislative objectives, we can start to build that into the performance indicators for our fishery management plans.

Senator O'BRIEN—Is any work being done on the impact of rising fuel costs on the Australian fishing industry?

Mr McLoughlin—AFMA is certainly undertaking an informal survey of our fisheries through our management advisory committee about those financial factors that are non-fishery management related that are impacting on the industry, and fuel is certainly the really big one. It is potentially 30 per cent and upwards of total costs of running a fishing business. One of the things that is coming through, as well as significant business costs—outside of the straight management costs—is insurance. Interestingly, in a recent meeting with the head of an insurance company in Australia that does most of the vessel insurance, we learned that vessel insurance rates in Australia are somewhat higher than they are overseas. Crew costs are high in Australia relative to many other countries, and there is a range of other non-fisheries management regulated costs, such as workers compensation and the like, too, that have hit home as well. But what has become clear is that fisheries management costs themselves are a relatively small proportion of total business costs. Fuel is the big one.

Senator O'BRIEN—That is 30 per cent plus, I think you were saying.

Mr McLoughlin—As we were advised by industry, yes, for some fisheries.

Senator O'BRIEN—How old is that figure?

Mr McLoughlin—That would be in the last 12 months, and it is particularly the case for fisheries such as the Northern Prawn Fishery, where they have long distances to travel from Darwin to Cairns.

Senator O'BRIEN—What is happening with regard to the proposed National Plan of Action to Prevent, Deter and Eliminate Illegal, Unreported and Unregulated Fishing?

Mr Hurry—Australia's national plan of action for IUU fishing has been completed and has to be taken back through the ministerial council process for final approval before release.

Senator O'BRIEN—Was that developed by the department?

Mr Hurry—By the department in consultation with the states and with industry.

Senator O'BRIEN—Is it intended that it will be presented to the United Nations Food and Agriculture Organisation?

Mr Hurry—I am not sure whether we will have it cleared through the ministerial council process in time for that because the United Nations Committee on Fisheries meets on 7 March

in Rome. It is intended to go back through that process to help inform other countries on the development of their own plans.

Senator O'BRIEN—Presumably its adoption by the ministerial council will have some special status. Can you describe what that would be?

Mr Hurry—It is more a plan that operationalises a lot of things that are happening in Australia's fishing and focuses the attention of fisheries agencies on core things that may help mitigate this process in Australia. It is not a definitive plan in the sense that it will cover all issues into the future but is a fairly comprehensive look at where our problems with IUU fishing are domestically and in our near high seas.

Senator O'BRIEN—What obligations will Australia have to enforce the provisions of any such plan?

Mr Hurry—It is a voluntary document.

Senator O'BRIEN—So only a moral obligation.

Mr Hurry—I guess it is considered a soft law document in terms of international documents. The importance of this is that it moves the discussion on IUU fishing forward in a regional sense, in getting countries to think about and document what they are doing about this, and inform each other of what processes they are undertaking. It helps us to get a better picture of it as an issue and to get on top of it.

Senator O'BRIEN—What is happening about the framework for the management plan for resource allocation?

Mr Hurry—The framework documents were agreed by the ministerial council in its meeting before Christmas. The framework has been agreed, the principles have been agreed and there is a process under way where we have appointed an independent chairperson or facilitator to facilitate the resource sharing arrangements between the parties in the Southern and Western Tuna and Billfish Fisheries, and the Eastern Tuna and Billfish Fishery.

Senator O'BRIEN—What about the provisions related to the Southern and Western Tuna and Billfish Fisheries in Western Australia?

Mr Hurry—There are two of them. The Southern and Western Tuna and Billfish Fisheries and the Eastern Tuna and Billfish Fishery are both part of this initial allocation. We started to work originally on the west coast with the tuna-like species over there, and also with the east coast. It got to a point where we thought putting an independent facilitator in place once we had agreement on the framework for the resource allocation was probably a good way of moving it forward.

Senator O'BRIEN—There was a proposal to extend the pilot beyond Western Australia to include those eastern and southern tuna fisheries. Does that mean this management plan is moving beyond a pilot to more general use?

Mr Hurry—There are management plans that AFMA is bringing into place for both of these fisheries. They are due to be implemented about August this year. What we are trying to do is progress the resource management arrangements in both those fisheries so that the decisions can be incorporated in those management plans.

Mr McLoughlin—That is correct except for a minor amendment to the western tuna plan about which we are consulting with industry. The eastern tuna plan is ready to be determined, subject to confirmation from the Department of the Environment and Heritage about the environmental impacts assessment—the strategic assessment, as it is called—for that fishery. As soon as those two assessments are through we will be ready to move that plan forward.

Senator O'BRIEN—Can we now turn to the Commonwealth fisheries review document. At the last estimates I think it was you, Mr Hurry, who told the committee that 34 of the 52 recommendations had been adopted—

Mr Hurry—Yes.

Senator O'BRIEN—and that work was proceeding on the 18 outstanding recommendations. What has happened with respect to those 18 recommendations since that time?

Mr Hurry—Another three have been completed. Two more are part of the next amendment to the Fisheries Management Act that will go through in the autumn sitting. There is a block of others that we are progressing.

Senator O'BRIEN—There are 13?

Mr Hurry—We are down to 13 to complete out of the 52 that we originally had.

Senator O'BRIEN—Which ones have been completed?

Mr Hurry—Outcome 18, National Fisheries Compliance Strategy; outcome 23, the recreational component of resource sharing inasmuch as we have the memorandum of understanding established between the states and territories; and outcome 49, the first Australian Fisheries and Seafood Forum that was conducted on 2 June 2004.

Senator O'BRIEN—And the two that are closer?

Mr Hurry—The two that are in the Fisheries Management Amendment Act I do not have, but I can get you the information on those.

Senator O'BRIEN—Okay.

Mr Hurry—Sorry, Senator, I do have them: the removal of the ballot approach, outcome 31, and the removal of ballot in the allocation of resources in outcome 16, which deals with management plans.

Senator O'BRIEN—Regarding the Fisheries Resource Research Fund, in the table headed 'Other variations to appropriations' on page 11 of the PAES, there is an item for the Fisheries Resource Research Fund showing appropriation of \$21,000 for this financial year and savings of \$32,000, \$109,000 and \$122,000 for each of the out years. Can you give some detail on those items?

Mr Hurry—Certainly. They are not actually savings. The \$21,000 is an adjustment to the GVP—the gross value of production of Australian fisheries figure—that we use for calculating the Fisheries Resources Research Fund value each year. We use a rolling three-year figure, so we take the last two years and the current year and calculate. When we get the final figures on the current year we do an adjustment, plus or minus, to come up with the real figure for the allocation. There is an additional \$21,000 because the calculation was under.

What the other two figures indicate is a potential fall in the value of fisheries production over the coming years. It is not a saving as such. It is just that the fund is pegged to the gross value of production of Australian fisheries.

Senator O'BRIEN—In which areas are there significant reductions expected?

Mr Hurry—I would have to check. I do not have those figures with me.

Senator O'BRIEN—If you could. Thank you for that. Will that reduction in the out years lead to the cutting of any research programs?

Mr Hurry—It will but we can adjust around those figures. We have an idea of what is coming because we track the value of fisheries production, so we will adjust as we go along.

Senator O'BRIEN—I have forgotten what the fund budget is per year. Are these figures significant?

Mr Hurry—The fund for last year I think was \$3.46 million. For this year it is \$3.8 million.

Senator O'BRIEN—There will be no research programs that are cut because of these—

Mr Hurry—No, there will not.

Senator O'BRIEN—Turning to the area of illegal fishing, at the last estimates hearing we were told that the department is looking at some policy issues associated with illegal fishing generally in the north, and more general issues to do with our bilateral marine relationship—such as capacity building, fisheries management and so on—all of which will help position us in dealing with Indonesian fishing in the long term. What has happened?

Mr Quinlivan—We had two related but separate streams of activity running over the course of the year, one of them on improving our existing detention and apprehension arrangements and the other on the longer term issues that you talked about. We were pursuing those in parallel for a while but it became impossible to keep up the level of effort. There was an opportunity to make some more rapid progress on detention policy in our detention facilities, so we have spent most of our time and effort in that area in the last six months, working on that side of the ledger. As you know, the government made some significant decisions late last year. Having done that we will now be turning our attention to the longer term policy and deterrence issues.

Senator O'BRIEN—Can you categorise them?

Mr Quinlivan—It is really going to be a generational thing. I think we need to improve the opportunities for alternative livelihoods in those communities from which the illegal fishing comes. We need to do all we can to improve the Indonesian government and the provincial government's capacity to regulate their fishing activity and control the behaviour of their fishermen, and we need to keep up our enforcement efforts so that there is perceived to be a real risk of fishing in Australia by Indonesian nationals. All of those things are very long-term projects.

Senator O'BRIEN—You mentioned an AusAID program at the last estimates. Can you give some details of this program?

Mr Quinlivan—The program was in two parts. The first part has finished. We had two senior officials out visiting for several weeks and they spent time in the department and they spent time in AFMA and Coastwatch learning about how we manage fisheries and how we manage our compliance programs and so on. The next phase of it follows shortly, I think. That involves a greater number of people coming out and spending more time. It is not really a training program, but spending more time working with AFMA and with Queensland Fisheries on compliance programs and so on. The reason I am a little bit hesitant about the timing is that we were set up nearly ready to go with this program, but these are the same people who have been working on the tsunami recovery efforts in Indonesia which substantially involved their fisheries department. I am not absolutely sure whether we have settled another time.

Senator O'BRIEN—With respect to the picture of illegal fishing so far this financial year—and you may have to take this on notice—how many allegedly illegal fishing boats have been sighted in our northern waters?

Mr P. Murphy—In the current financial year to date there have been 4,122 sightings of foreign fishing vessels in the Australian fishing zone. I qualify the figure in that the sightings data can include multiple sightings of the same vessel. This is the number of times the vessels have been sighted rather than sightings of separate vessels.

Senator O'BRIEN—How many have been towed into port?

Mr P. Murphy—For the current financial year up to 20 January, there has been a total of 107 Indonesian foreign fishing vessels apprehended.

Senator O'BRIEN—Any other nationality?

Mr P. Murphy—Not to date.

Senator O'BRIEN—Of that number, how many have been bonded and released?

Mr P. Murphy—I have with me the bonding data for the calendar year just finished. Of the 160 boats that were either bonded or destroyed last calendar year, 80 were bonded, 68 were destroyed and 12 fall into another category which usually means they are lost at sea during the towing phase from when they are boarded at sea and brought into port.

Senator O'BRIEN—What about charges laid against crews? Have you any statistics on that?

Mr P. Murphy—I did not bring the statistics of individuals charged, but from the 160 vessels there was a range of penalties and good behaviour bonds set where the penalties were between \$1,000 and \$15,000 and bonds were between one and five years.

Senator O'BRIEN—But you don't know how many people were subject to those charges?

Mr P. Murphy—No. I could provide you with that.

Senator O'BRIEN—Thank you. Were there any cases of administrative seizures?

Mr P. Murphy—There were. In the current financial year up to 20 January, again there were 94 legislative forfeitures.

Senator O'BRIEN—Again, is that Indonesian vessels?

Mr P. Murphy—Yes, they all relate to Indonesian vessels.

Senator O'BRIEN—On 31 January the minister announced a number of new arrangements for dealing with illegal fishing. I want to ask a number of questions related to those new arrangements. Central to them will be a detention facility run by DIMIA at Berrimah with the capacity to house 250 detainees. Is this to be a completely new facility or using an existing facility?

Mr P. Murphy—The facility already exists, but it is not open at the moment. There are a number of modifications that have to occur to the facility to make it suitable for use for apprehending foreign fishers.

Senator O'BRIEN—What was its previous use?

Mr Quinlivan—To my knowledge it has never been used other than on an ad hoc basis by the ADF and others who have used it as temporary accommodation.

Senator O'BRIEN—Will it only house detained fisherman awaiting prosecution or repatriation or will DIMIA use it for other detainees as well?

Mr Quinlivan—The current plan is that it will be only used for illegal fishermen.

Senator O'BRIEN—When fishers are apprehended presently, where are they detained?

Mr P. Murphy—Currently, fishers in northern Australia are brought into Broome, Darwin, Gove and Thursday Island and they are detained and processed on their boats.

Senator O'BRIEN—Except when the boat sinks, obviously.

Mr P. Murphy—That is right.

Senator O'BRIEN—Where do you keep them if the boat sinks?

Mr P. Murphy—We source alternative accommodation. Sometimes there are other boats available which the people can be transferred to. In Darwin part of the Berrimah Jail can be used once the fishermen go into immigration detention. There is a watch-house on Thursday Island that gets used.

Senator O'BRIEN—Is it common for any such person to be released into the community on bail?

Mr P. Murphy—No, that would be very unusual.

Senator O'BRIEN—What is the average period of detention an apprehended fisherman spends prior to deportation or trial and conviction?

Mr P. Murphy—At the moment it is an average of approximately three weeks between apprehension and repatriation.

Senator O'BRIEN—What proportion of those apprehended actually end up receiving jail terms in Australia?

Mr P. Murphy—The only people that are jailed are those that have broken good behaviour bonds or defaulted on payment on their fines. I do not have the numbers here but I am happy to provide them to you.

Senator O'BRIEN—Will the department be contributing to any capital costs or recurrent costs associated with the Berrimah facility?

Mr Quinlivan—No, this is a fully funded activity.

Senator O'BRIEN—Where is it funded from?

Mr Quinlivan—It is budget funded. The appropriations are in these additional estimates and the funding for the Berrimah facility will be in the Immigration portfolio's AEs.

Senator O'BRIEN—Is it in the PAES now, in this department's PAES?

Mr Quinlivan—No, it is in the Immigration portfolio's appropriation.

Senator O'BRIEN—What work has to be done on the Berrimah facility before it can become operational?

Mr Quinlivan—That is really a question that should be directed to the immigration department but as I understand it there are some security arrangements to make and electricity and kitchen facilities, those sorts of things, need to be switched on or installed. Whilst the facility has been erected, it is a basic construction and it does not have the fit-out that is necessary for it to be used.

Senator O'BRIEN—Do you know when it will be fully operational?

Mr Quinlivan—The estimates are roughly six months.

Mr P. Murphy—I think it is closer to the end of the year.

Senator Ian Macdonald—I have been saying around the middle of the year we hope to have it operational. That is my understanding.

Senator O'BRIEN—We have all learnt something at these estimates.

Mr Quinlivan—There are also a range of legal matters which need to be attended to before it can operate as a seamless facility between AFMA and its custody under the Fisheries Management Act and DIMIA under the Migration Act and there will be a bill introduced in the parliament shortly to fix all those problems, so there are both physical construction and legal issues which need to be fixed before the facility can operate.

Senator O'BRIEN—Which minister is presenting that bill?

Mr Quinlivan—The current plan is that Minister Truss will introduce the bill sometime soon.

Senator Ian Macdonald—It was approved by the party room today and will be introduced tomorrow in the House of Representatives and the Senate as soon as we get it from there.

Senator O'BRIEN—I have assumed that the overwhelming majority of apprehended fishers are male. Do you ever apprehend women with these crews?

Mr Quinlivan—No.

Senator O'BRIEN—The minister has said that a transit detention facility will be established and operated by AFMA on Horn Island. Do I correctly assume that the costs of this commitment are to be met as part of the appropriation for illegal fishing listed on page 10, table 1.1 of the PAES?

Mr P. Murphy—Yes.

Senator O'BRIEN—Can you provide us details of the cost of establishing and maintaining this facility?

Mr P. Murphy—I do not have the breakdown of costs for that facility with me but am happy to provide that.

Mr Quinlivan—There are a range of contracts that need to be entered into and tendering processes. Can I suggest that we provide that information after the fact? We have estimates at the moment but it would be unwise to release those given that we will be entering into tendering and contracting processes shortly.

Senator O'BRIEN—When will that process be completed?

Senator Ian Macdonald—We want to have them finished by towards the early part of the second half of this year, so we would have to work quickly.

Senator O'BRIEN—I mean the tendering contract process.

Senator Ian Macdonald—They will have to be called very shortly but what Mr Quinlivan says does make sense. For that reason it would be not appropriate to release those figures just at the moment although, knowing construction costs on Thursday Island, anything we have estimated will be doubled by the building costs up there.

Senator O'BRIEN—That is a hint.

Senator Ian Macdonald—Yes. You never know, there might be someone who misreads all that. We might get a decent quote for it.

Senator O'BRIEN—What else is funded from the appropriation for illegal fishing listed on page 10 of the PAES?

Mr P. Murphy—An identification system is to be established to help us identify repeat offenders. It is quite a common problem where people who get apprehended will claim to be other than who they are, especially if they have been here before.

Senator O'BRIEN—Fingerprinting does not do the job now?

Mr P. Murphy—No. We do not have a system in place to identify them, so we rely heavily on the field officers to be able to do that.

Senator O'BRIEN—Will that be funded out of the current year's appropriation or in the out years?

Mr P. Murphy—In the out years. There are some interim enhancements, while the facilities of Berrimah and on Horn Island are established, that are dealt with in this year. They concentrate on the processing of fishermen as quickly as possible. We will also look at other land based facilities that we could use in the interim, including police facilities or existing DIMIA detention centres. We are starting to provide fishermen with personal care packs, which include hygiene type items, clothing, blankets, that sort of thing. We are also putting money into screening fishermen for tuberculosis upon arrival so that those who are not going to be charged can be repatriated as soon as possible. In the out years we are going to fund special boat disposal sites at each port. These will be a dedicated sort of concrete structure

where we can process the boats and meet the AQIS requirements for the introduction of pests et cetera.

Senator O'BRIEN—Is that specifically for the Torres Strait?

Mr P. Murphy—No, the plan at the moment is to build sites at Broome, Darwin, Gove and in the Torres Strait on Horn Island.

Senator O'BRIEN—Is it intended that the apprehended fishers will spend significant time on Horn Island and other processing points before being transferred to Berrimah?

Mr P. Murphy—The plan is really to do the opposite. We have used the facility in Darwin as a central hub to bring the fishermen from the other ports; even the dedicated centre at Horn Island will only be a transitory centre while we await charter flights to take them across to Darwin.

Senator O'BRIEN—That will be fairly expensive, won't it?

Mr P. Murphy—There will be travel costs involved, but having a dedicated facility means that we can do two things: we can concentrate resources for investigations in Darwin and we can provide a good standard of accommodation. As the DIMIA centre will be able to house up to 250 people at a time, it makes economic sense to use the centre to its capacity.

Senator O'BRIEN—Does that mean that whenever fishers are apprehended their boats will be impounded?

Mr P. Murphy—No. The owners of the vessels will still be entitled to seek to have the vessels back through the bonding process. Where they have been apprehended, and then moved to another location or repatriated before the bonding process is completed, it would be up to the owners of the vessels to supply a crew to take the vessel back to Indonesia. If the people are still on their boats and the bonding is completed, then those being repatriated will be free to take the vessel back.

Senator O'BRIEN—But if they have been flown from Horn Island to Berrimah, it is going to be pretty difficult, isn't it?

Senator Ian Macdonald—That is not our problem.

Senator O'BRIEN—It may not be our problem, but if we are going to offer them a chance of repatriation—the ability to repatriate their boat—I am wondering if it is going to be a real opportunity in those circumstances.

Senator Ian Macdonald—These people are illegally fishing in Australian waters; they are arrested. We follow the UNCLOS requirements of offering to bond the boats back. That is one issue. If they want to bond the boat back, they pay the money and get the boat back to where it comes from. As far as we are concerned, these people are then illegally in Australia and we either charge them or, those that we do not charge, we repatriate them forthwith. That is the way it goes. If there are unintended consequences, that is something that the illegal fishermen should take into account before they start fishing illegally in Australian waters.

Senator O'BRIEN—Will they be entitled to return to Australian waters to collect the boat?

Senator Ian Macdonald—The way the owner gets his boat back is a matter for him. If he wants to send a crew over, I am sure they would be able to come in in the normal course of events; get a visa for a two-day working permit, get the boat and sail it away. They might be able to hire a crew from Australia to take it back.

Mr Quinlivan—In responding to the reasonable concerns about current arrangements, one thing we have found essential is the separation of the people and the boats. It is not possible to deal with the people in the way we would like to while they have a physical attachment to their boats, so this has been an unavoidable consequence of treating the people the way we want to.

Senator O'BRIEN—I am looking at it in the context of whether we are offering them the ability to repatriate their boat, and whether that is real. But I understand what you say: perhaps we are doing that because we are required to, not because we necessarily want to.

Senator Ian Macdonald—That is correct. We are obliged under international law to offer the boat back, and we do it. On the other hand, we have certain requirements under Australian law. There have been, as you know, a lot of complaints about apprehending them on board boats. We have addressed that problem and, again, there may be consequences. But that is what we have to do under Australian law and I am very relaxed about it. As I say, those who are fishing illegally in our waters should bear all of that in mind before they come here.

Senator O'BRIEN—Will these interim facilities on Horn Island, Gove and Broome be operated at immigration detention standard?

Senator Ian Macdonald—No.

Mr P. Murphy—But we will be operating to fishery detention standards, which we are currently developing.

Senator O'BRIEN—Who will run them?

Mr P. Murphy—AFMA will run the facilities at those three ports.

Senator Ian Macdonald—To make that clear, they will only be there as long as it takes us to get the means for conveying them out. In the case of Horn Island, that would be probably on the next commercial flight. There are two per day. They would go to Cairns and then go across from Cairns to Darwin. Do we do it like that, or do we charter?

Mr McLoughlin—Charter flights.

Senator Ian Macdonald—Do we? As soon as we can get a charter—

Senator O'BRIEN—There are plenty of charter operators up there.

Senator Ian Macdonald—There are lots of charters. You are quite right.

Senator O'BRIEN—No flights around there are cheap, as I understand the air fare structure.

Mr McLoughlin—If I can add: DIMIA would be handling the charter of the flights to take the people back to the detention centre.

Senator O'BRIEN—That will be DIMIA's financial responsibility?

Mr McLoughlin—Yes. This is very much going to be a partnership between the Immigration portfolio and ourselves, as we move forward. AFMA will be handling the fisheries end of the business and, as soon as a decision is made about whether to charge or not charge crew members, it will be DIMIA's responsibility and care.

Senator Ian Macdonald—It has long been a concern of mine that I have had fisheries management officers doing work that others should have been doing. This new arrangement, the new act and these new financial provisions will correct all of that and the right people will be looking after people who are non-citizens on Australian shores, and our fisheries officers can get back to managing their work in the fishery.

Senator O'BRIEN—In the minister's press release of 31 January, it says:

A commitment is also given to boost quarantine arrangements for fishers and their vessels by providing additional AQIS monitoring and surveillance and pest and disease surveys.

What additional resources are being provided to meet this commitment and where are they coming from?

Mr Quinlivan—They are budget funded. I am not sure whether they are included in this statement because they are not to do with the enforcement effort. I should take this on notice. The order of magnitude is about \$800,000 per year, and they involve significantly increased capacity to undertake quarantine checks and so on which, in turn, will give AFMA increased flexibility in the way they manage apprehended vessels. I will give you the details on notice, if that is okay.

Senator O'BRIEN—Yes. Is it coming out of the AFMA budget?

Mr Quinlivan—No, it is budget funded. It is new funding, just as the AFMA funding has been discussed.

Senator O'BRIEN—Is it going to AQIS?

Mr Quinlivan—Yes, it is going to AQIS. That is why I am not sure of the precise details.

Senator O'BRIEN—There will be no reason for it to impact on other AQIS facilities and resources?

Mr Quinlivan—No—other than to increase their capacity, obviously.

Senator O'BRIEN—I meant negatively. Thank you. Do you have any idea of the cost for the boats burning facilities? I think you said they would be at Horn Island, Gove, Darwin and Broome.

Senator Ian Macdonald—Again, Mr Quinlivan's answer applies there. We would rather give you the details after the event than beforehand. They are, more or less, three concrete walls and a concrete base, aren't they?

Mr McLoughlin—That is correct, Minister. These will be large concrete structures that we can drag the boats up onto, with some level of quarantine assurances about escape of pests or diseases off those boats, so that we can burn them safely, sift through the remains and ensure that there is no quarantine risk. The contracts and tenders that we will have to let for that will be done.

Senator O'BRIEN—What happens now?

Mr McLoughlin—The remains, as I understand it, are collected and buried.

Senator O'BRIEN—They are burnt on the beach and buried or something, are they?

Mr McLoughlin—They are burnt. Then the area is sifted and anything that is left is buried.

Senator O'BRIEN—Are they burnt in facilities as such?

Mr P Murphy—It is different in each location. An example would be on Thursday Island where they use the council tip to conduct the burning. That is done through a contractual arrangement. In Darwin at the moment there is an industrial site that is used for the burning. This new money allows AFMA to establish the sites.

Senator O'BRIEN—Presumably, these new facilities will provide some better amenity for the burning process. Is that also for other purposes?

Mr McLoughlin—No. The facilities will purely be for a much more efficient, effective and formal way of burning these boats, rather than the somewhat ad hoc arrangements we have at the moment, as you have heard from my colleague here, about the council tip on Thursday Island and an industrial site in Darwin. It is moving from those facilities that we have been able to arrange up to this point in time, to proper facilities for disposing of vessels, with this new funding available.

Senator O'BRIEN—Do you normally burn something around half the apprehended vessels?

Senator Ian Macdonald—We do not burn any that are not bonded. How many have been bonded back in the last financial year?

Mr P. Murphy—In the last calendar year, of the 160 apprehended boats, 80 were bonded and 68 were destroyed, so 68 out of 160 is slightly less than half.

Senator O'BRIEN—When you add the 12 that sank, you get to exactly half and half.

Senator Ian Macdonald—If you had your calculator you would be able to work out the exact percentage.

Senator O'BRIEN—I can do pretty well from 160. It is when you are starting to get funny numbers like millions and thousands that it gets difficult. Essentially, unbonded boats are burned?

Mr McLoughlin—Yes.

Senator O'BRIEN—I turn to the issue of so-called ghost nets.

Mr Quinlivan—Senator, before you do can I return to a conversation we were having earlier about sightings in northern waters. Paul mentioned the number of 4,120-odd sightings. I wanted to emphasise, Paul mentioned that they include multiple sightings but they also include vessels that are legally in Australian waters, in and around the MOU box, transiting to and from the MOU box; vessels involved in innocent passage through Australian waters. It is not possible to give you a reliable number or the proportion of that 4,100 that are actually illegal Indonesian vessels because even a lot of the Indonesian vessels in that number are in Australian waters legally. It is not possible to draw any simple conclusions from that number.

Senator O'BRIEN—How do you calculate the necessary effort? Simply on those apprehended or the potential for apprehension? If so, how do you calculate the potential?

Mr Quinlivan—We do not make those judgments. We request an apprehension, or rather AFMA does, whenever they are informed of a vessel that is believed to be fishing illegally. The response measures lie with Coastwatch, Customs and Defence.

Senator O'BRIEN—Does that mean last year there were 160 requests?

Mr P. Murphy—The 160 is the number apprehended.

Senator Ian Macdonald—Another 12 of them sank on the way.

Senator O'BRIEN—They are included in the 160.

Mr P. Murphy—For the calendar year there were 161 vessels apprehended and a further 128 that were subject to the catching gear only forfeiture. The process is that when a sighting is made, Coastwatch are notified. Coastwatch then notify client agencies, of which AFMA is one. AFMA makes an assessment, based on the sighting, of the likelihood of getting an apprehension. There are some instances where AFMA would not seek an apprehension—for instance, if the vessel is leaving the zone and it is unlikely that a patrol vessel could intercept it before it had got back into Indonesia. AFMA assesses from the sighting whether it is likely to get an apprehension. It informs Coastwatch. Coastwatch then looks at available patrol vessels. If it can get a patrol vessel there and board the vessel, there is another relay back to AFMA to advise of the evidence on the vessel. Based on that, there is a decision made about whether or not to apprehend.

Senator O'BRIEN—How many boardings did not lead to an apprehension or a catching gear forfeiture?

Mr P. Murphy—I would have to take that on notice.

Senator O'BRIEN—How many boardings were requested? On how many occasions did you request pursuit and apprehension of a vessel?

Mr P. Murphy—I do not have those figures here.

Senator O'BRIEN—If you could give us those figures on notice I would appreciate it. Back to ghost nets. On 1 December the minister announced an allocation of \$2 million for the removal of abandoned foreign fishing nets and debris from the Gulf of Carpentaria. Is that the same \$2 million that was announced for the same purpose back on 28 July?

Senator Ian Macdonald—I do not know if anyone can help us with this but the most recent one was a decision of the NHT board. Can anyone else help with what was happening in July? If nobody knows anything, we will see if we can find what you are talking about. Perhaps you could help us, Senator. Do you have some reference for the July comment?

Senator O'BRIEN—The July comment is reference to a National Heritage Trust grant. Where does the \$2 million in December come from?

Senator Ian Macdonald—It is a National Heritage Trust grant.

Senator O'BRIEN—Are they both one and the same or are they two \$2 million National Heritage Trust grants?

Senator Ian Macdonald—I am surprised to hear the other one was announced in July. I will have to look at that. It is an issue that I follow quite closely. The people up there have spoken to me a number of times about it. To the best of my knowledge there is only one \$2 million grant which was only finalised just before Christmas.

Senator O'BRIEN—There are two press releases: 28 July and 1 December.

Senator Ian Macdonald—Is 28 July my press release?

Senator O'BRIEN—Yes.

Senator Ian Macdonald—It should be easy for me to find that.

Senator O'BRIEN—It should be. Both say \$2 million.

Senator Ian Macdonald—Granted or seeking \$2 million, in the first instance?

Senator O'BRIEN—They are granted. 28 July starts:

Communities along the coastline of the Gulf of Carpentaria will be able to protect marine life such as dugongs and turtles thanks to a \$2 million Australian Government initiative to help remove and manage ghost nets and marine debris.

1 December begins:

Fishermen and environmentalists will be celebrating this morning with the Australian Government committing \$2 million to clear abandoned foreign fishing nets and other debris in the Gulf of Carpentaria.

Senator Ian Macdonald—I will have a look into that.

Senator O'BRIEN—Will you put a press release out if it is a double-up?

Senator Ian Macdonald—No, I would just emphasise again, perhaps with a third press release, what a great initiative it is. It is such a good news story you don't want to go silent on it!

Senator O'BRIEN—Could we put one out saying, 'Shameless third release of the same information'?

Senator Ian Macdonald—First, let me do the third one! The NRM people are coming along later. They may be able to throw some light on that.

Senator O'BRIEN—It is National Heritage Trust money?

Senator Ian Macdonald—Yes.

Senator O'BRIEN—In both cases or, should I say, the case. How big a problem are these ghost nets?

Mr Hurrey—There has been an ongoing problem with marine debris in north Australia for a number of years and it is the way the currents actually come down out of Asia and circulate in the gulf. It first came to light when the Dhimarau rangers south of Gove started to find significant quantities of net washing up on the beaches on the western side of the Gulf of Carpentaria and started to track it. There was some initial work done with WWF and money from the National Oceans Office was contributed to try and identify where this gear actually came from. A lot of it comes out of the South-East Asian fleets. I suspect that with the increase in activity with shark fishing in north Australia there is probably growing

concern about the level of ghost fishing that occurs, but it has been a problem for some time and it is one that is basically difficult to manage. It is not an issue for Australian fleets. We tend to bring our gear back. It is basically a problem with the way the currents move the discarded or lost gear from the Asian fleets south into Australian waters.

Senator O'BRIEN—What is the process of removal of the ghost nets?

Mr Hurry—From what I understand about it, it is probably sensible that we take this on notice and get a better understanding from Environment Australia of the work that they have done on it. I understand that it is particularly difficult, because of the weight of a lot of this stuff, to actually lift it out of the water and get it. It is bulky and hard to handle.

Senator O'BRIEN—Are areas other than the Gulf of Carpentaria affected?

Mr Hurry—Possibly, but the gulf is the one where the currents move in such a way as to make it more of a concentrated problem.

Senator O'BRIEN—Has the process started?

Mr Hurry—I understand that Environment Australia have been involved in a number of issues up there. If you like I will take it on notice and come back to you with a better explanation of it.

Senator O'BRIEN—Thank you. Can I turn now to the illegal fishing in the Southern Ocean. During budget estimates questions were asked relating to the new patrol vessel for the Southern Ocean which had been expected to operate for a two-year period starting on 1 July last year. Minister, you said in answer to one question:

If we do not have the new vessel, if I can call it that, available on 1 July we will have a vessel available on 1 July.

I understand that the *Ocean Viking* only completed sea trials and became ready for deployment in late November. That is right, isn't it? What were the arrangements for protecting the southern fishery prior to the *Ocean Viking* becoming operational?

Senator Ian Macdonald—We used the *Aurora Australis*. You might recall that with much fanfare we bolted some guns onto that in Hobart Town and it did one or two patrols.

Senator O'BRIEN—Do you know when those two patrols were, if there were two?

Senator Ian Macdonald—We can get those details for you. It certainly did one. It may have done two before the *Oceanic Viking* came on board.

Senator O'BRIEN—Is it the *Oceanic* or the *Ocean Viking*?

Senator Ian Macdonald—*Oceanic Viking*.

Senator O'BRIEN—Named after a pub in Coogee?

Senator Ian Macdonald—It is formerly a North Sea cable-laying vessel, so I do not think it would have been named after the pub in Coogee.

Mr McLoughlin—There is some additional information there. I can advise that AFMA provided one of our senior compliance officers to participate in a French patrol on a French naval ship in August-September 2004 in the area under a cooperative arrangement with France which covered some of the gaps before the *Oceanic Viking* commenced.

Senator O'BRIEN—As well as the *Aurora Australis*?

Mr McLoughlin—Yes.

Senator O'BRIEN—They were representing the Australian government, were they?

Mr McLoughlin—That is correct. It was a cooperative effort on that patrol.

Senator O'BRIEN—When did the *Oceanic Viking* commence patrolling our southern fishery?

Mr P. Murphy—I know it arrived at the end of October and it has completed one patrol. I do not have the exact dates of that patrol.

Senator Ian Macdonald—We can give you the dates of past patrols on notice, but don't ask about future patrols. You understand.

Senator O'BRIEN—I probably know about as much about them as you do.

Senator Ian Macdonald—I hope not. You may not leave here alive!

Senator O'BRIEN—How many voyages has the *Oceanic Viking* made into our southern fisheries to date?

Mr Hurry—It has made one patrol so far.

Senator O'BRIEN—When you are giving me the other information you can tell me how much actual time was spent there.

Senator Ian Macdonald—This information is certainly available. Apparently we do not have it, but we will give you the dates and duration of both the *Aurora Australis* and the *Oceanic Viking*.

Mr McLoughlin—I would also make the point that the manning, planning and tasking of that vessel was a function of Customs rather than AFMA, but we contribute to those voyages.

Senator O'BRIEN—Has the *Southern Supporter* ever gone into the Southern Ocean fishery?

Senator Ian Macdonald—It was the vessel that chased the *Viarsa*. We were hiring it from P&O back in those days on a very ad hoc basis. The *Oceanic Viking* is ours for two years.

Senator O'BRIEN—When does the two years run from? 1 July, 1 November, 1 January?

Mr Quinlivan—There is funding for two financial years. The exact dates will probably depend on the contract timings and I am not sure they coincide with 1 July and 30 June, but roughly two years.

Senator O'BRIEN—Can you supply that information on notice?

Mr Quinlivan—The problem might be the one the minister was alluding to.

Senator O'BRIEN—I do not know what is going to happen at the end of the two years. Do you?

Mr Quinlivan—The government will be making another decision about that in due course.

Senator O'BRIEN—The two-year period has already started, so there is no surprise in that one, is there?

Mr Quinlivan—I hope there is. That is what I am suggesting. We will give you the information when we think we prudently can.

Senator O'BRIEN—I understand the budget for the current financial year for these patrols was \$47.8 million and \$41.4 million for the coming financial year. Was the contractor subject to any financial penalties because the vessel was not available to start at the beginning of the financial year?

Senator Ian Macdonald—Those figures sound correct to me, but as I think Mr McLoughlin mentioned, Customs have done the contractual work with P&O, who was the successful tenderer, and they would be the better ones to give you that detail.

Senator O'BRIEN—So it is their contract, not this department's?

Senator Ian Macdonald—Yes, it is operated by Customs on behalf of Customs and Fisheries.

Senator O'BRIEN—I think those figures should be familiar to you, Minister. They come from your press release of 19 November.

Senator Ian Macdonald—That is what I said. I thought they sounded accurate without having the press release in front of me.

Senator O'BRIEN—Given that the larger amount is in the first year, and you are only beginning sea trials on Friday, 19 November, it can hardly have been available for the whole year. Is there some special reason?

Senator Ian Macdonald—It depends what the arrangement was with the *Aurora Australis*. We did not get that for free either. My recollection was that P&O got the contract but it was arranged that, until they could get it on side, they would supply us another boat. As I say, they are probably questions more appropriately put to Justice and Customs, but I think you probably missed that, so we will try and get the information for you and put it in this.

Senator O'BRIEN—Who employs the crew? P&O or the government?

Senator Ian Macdonald—P&O.

Senator O'BRIEN—I cannot think of the term for the opposite of a bareboat charter.

Mr Quinlivan—There is probably a mix, actually, because P&O do provide some crew but the Customs Marine Unit is providing the sort of paramilitary components.

Senator O'BRIEN—The crew to operate the vessel is provided by P&O, and the security and Fisheries officers are separate?

Mr Quinlivan—That is correct.

Senator O'BRIEN—I assume the processing of the sale of *Maya V* has been completed. How much was raised from the sale?

Mr P. Murphy—The process is not completed. We ran a tender process for the disposal of the *Maya V* and we did not manage to select anyone from that process, so we are now considering whether to go to another tender process or to dispose of it in some other way.

Senator O'BRIEN—Would it be a good dive wreck?

Mr P. Murphy—I am not sure how you would judge that.

Senator O'BRIEN—I do not dive, but I thought you might know.

Senator Ian Macdonald—They are good dive wrecks but they are not without their costs to make them so. There is a lot of cleaning up to do. I can tell you there is a queue a mile long of people wanting to acquire any boat we have for dive wrecks, but they really need a bit of money behind them to clean them up. That is a matter for AFMA, of course.

Senator O'BRIEN—There are no tenders, or no acceptable tenders, at this stage?

Mr P. Murphy—We had three tenderers originally and then one pulled out, and the two tenderers that stayed in the process did not meet the criteria, so neither was selected.

Senator O'BRIEN—Is that code for 'The vessel might end up back in the fishery'?

Senator Ian Macdonald—No.

Senator O'BRIEN—Is that what you mean? I am not sure of 'did not meet the criteria'.

Mr P. Murphy—There were a number of criteria that tenderers had to meet, such as provision of a bond, the criteria you just mentioned, that they had to ensure that it would not make it back into the fishery, and some other things. It is simply that the two tenderers did not adequately meet those criteria.

Senator O'BRIEN—If someone purchases the vessel, how do we ensure that it does not end up again fishing illegally in Australian waters?

Mr P. Murphy—One proposal is that they would have to secure a bond with AFMA and that if they transferred the vessel without approval from AFMA they would forfeit the bond, and we would enter into that arrangement by contract. Certainly it is of the utmost concern to us that that does not happen.

Senator O'BRIEN—That must have some impact on the value of the vessel, if only that you have got to put the bond up, whatever your intentions.

Mr P. Murphy—It is difficult. These vessels are highly specialised and they really are best used for fishing in the Antarctic, for long-lining the toothfish.

Senator Ian Macdonald—I can assure you the government goes to a great deal of time and effort to arrest these boats, and there is no way in the world the government will allow them to return to fishing, and every one that we have caught so far is now adding to the West Australian economy by attracting international divers to these dive wrecks. Decisions still have to be made on the *Maya* and there are another two still under legal challenge, but none of them will be going back into any situation where they could ever possibly be used for illegal fishing in the Southern Ocean again.

Senator O'BRIEN—Turning to the issue of the supertrawler the *Veronica* that did spark a deal of concern in the fishing industry last year. In a press release dated 14 September, headed 'Veronica will not harm Oz fisheries', Minister, you announced that AFMA had frozen boat nominations for fishing permits in the Commonwealth's small pelagic fishery. Is this still the case? Are these permit nominations still frozen?

Mr McLoughlin—Senator, I will answer that one. That is indeed the case and we are continuing to refuse new boat nominations in that fishery. That includes the *Veronica*.

Senator O'BRIEN—Only vessels with current permits will be allowed to operate, pending any final decision by—

Mr McLoughlin—It is a bit more restricted than that. It is only those vessels that were nominated to a permit prior to the freeze being announced that are allowed to fish in that fishery. The *Veronica* was essentially a symptom of a potentially larger problem that we had in that fishery, of rapid build-up of capacity and capital in that fishery. We moved forthrightly to deal with that, ahead of longer term management arrangements, including a quota management system and allocation of quotas, and that process is advancing at the present time.

Senator O'BRIEN—That has advanced.

Mr McLoughlin—That process is under way with the preparation of a management plan and the appointment of a quota allocation panel that is under way at the present time.

Senator O'BRIEN—Do the owners of the *Veronica* or any other supertrawler currently hold permits to fish in Australian waters at all?

Mr McLoughlin—No. In terms of your definition of supertrawler, I assume it is much the same as mine, which would be anything that is bigger than what we already have here, but they certainly do not.

Senator O'BRIEN—I want to turn to the aquaculture industry. What has happened with the aquaculture action agenda?

Mr Hurry—The action agenda process has almost been completed. The marketing report was presented to a workshop up in Sydney last week to have industry determine how they would best move that forward, and we are going through a process with the National Aquaculture Council, who are looking at developing an industry program for out years at the moment.

Senator O'BRIEN—And when will that be concluded?

Mr Hurry—I would expect to get it within the next month. I think there is a draft available now that departmental officers have been considering.

Senator O'BRIEN—I think you told the committee that the Primary Industries Ministerial Council had instructed the Aquaculture Committee to develop a best practice arrangement for regulation and legislation for Australian aquaculture development. What has happened with that?

Mr Hurry—They did and the aquaculture managers in Australia brought back a draft paper for approval by the Marine and Coastal Committee at its meeting two weeks ago. That was accepted and moved back to ministerial council for adoption.

Senator O'BRIEN—Will that be on the agenda at the next MINCO?

Mr Hurry—It should be.

Senator O'BRIEN—Have any particular problems been identified with the current regulatory processes?

Mr Hurry—No, except that there are differences between states, which causes some problems to companies who want to invest in aquaculture. In the past there have been a number of agencies involved in giving permits for aquaculture. This is a process of trying to tighten up those arrangements and facilitate a better licensing and regulatory arrangement to encourage investment.

Senator O'BRIEN—Where is the Aquaculture Initiative up to at the moment? I recall that it aimed to find a better-structured aquaculture science and policy research and it was scheduled to conclude sometime this financial year.

Mr Hurry—The Aquaculture Action Agenda had 10 initiatives and one of those was on research. My understanding is that paper has been completed and is being considered by the implementing committee for the action agenda. I would need to check that and come back to you.

Senator O'BRIEN—If you would, thank you. Will this process be completed within budget? I recall \$1 million being the budget for these reviews.

Mr Hurry—Over the two-year program of the action agenda there is \$3.5 million allocated to this process and it will be completed within budget.

Senator O'BRIEN—Turning to the 1998 Threat Abatement Plan for the Incidental Catch of Seabirds, during budget estimates last year Mr Roberts told the committee that the industry is having trouble meeting the target of .05 birds per 1,000 hooks and that the Threat Abatement Team was reviewing the plan of action and expected the review to be completed within three to six months—in other words, before the end of last year. Was that review completed?

Mr McLoughlin—The review did take place but my understanding is that it is still continuing in some respects because of comments from the industry about the applicability of some of the research that was being undertaken to determine some seabird by-catch mitigation measures. It was focused on the sink rate of long lines in that fishery and whether increased sink rates might decrease bird catches. That TAP process is still running in terms of looking at two issues: the further modification of the gear that they use and night setting of lines rather than day setting. There have also been some recent decisions by the AFMA board to move the measurement line north and to require the use of Tory poles and night setting. Those are additional management measures as an interim.

Senator O'BRIEN—Who is doing the review now?

Mr McLoughlin—The review is being undertaken by the Threat Abatement Plan Team, chaired by the Australian Antarctic Division, who are essentially our chief advisers on the management of seabirds.

Senator O'BRIEN—Do we have an end day in sight?

Mr McLoughlin—That TAP is in the hands of the TAP team and we will get advice from them. They are due to meet in March. We are in their hands about how quickly they move with that large group; there are about 20 people on that team.

Senator O'BRIEN—We might be a little more advanced, come budget estimates.

Mr McLoughlin—I certainly hope so.

Senator O'BRIEN—Do you think it will be finished by then?

Mr McLoughlin—As I said, we are in their hands about how quickly they move but we have implemented interim measures to further mitigate against seabird by-catch until we get final advice from that group.

Senator O'BRIEN—It is not sounding like we can be confident that we can effect a reduction in the number of seabirds hooked down to the target amount.

Mr McLoughlin—The target is just that. We have to work towards it. There is significant concern in the industry, in AFMA and conservation groups about seabird take. None of us like the idea of seabirds being caught from time to time but it is a reality. It is about how we minimise it.

Senator O'BRIEN—The target of—

Mr McLoughlin—Point 05.

Senator O'BRIEN—What is that? One every 20,000 hooks?

Mr McLoughlin—That is correct.

Mr Quinlivan—This is not a problem in all fisheries. It is a problem in the east coast tuna fishery particularly. As Richard mentioned earlier, the authorities made changes in response to events and are not just waiting for the products from the TAP team before implementing management changes.

Senator O'BRIEN—With regard to the Torres Strait finfish fishery, Indigenous fishers continue to express some concern about the management of that fishery, in particular the finfish fishery. This is a complex area involving a number of jurisdictions. Are we any closer to an effective management plan for the Torres Strait finfish fishery that could give the Indigenous fishers of that region some comfort and security?

Mr Quinlivan—There is no biological problem in the finfish fishery in the Torres Strait. The issue is one of resource allocation between commercial fishers, most of whom are not from the Torres Strait, and from the islanders. At the meeting of the Protected Zone Joint Authority, which occurred only two weeks ago, the authority agreed to a program of work which is going to hopefully lead to decisions on resource allocations in the finfish fishery and in the tropical rock lobster fishery at the next meeting, which is scheduled for July. Whether it is ever going to be possible to make decisions which are satisfactory to both sides, and in particular to the islanders, is a question that awaits time. We are certainly trying to achieve that.

Mr McLoughlin—Even though the management plan is not in place, there has been significant progress over the last 18 months. AFMA has led a process to remove latent effort, particularly from non-Indigenous fishers in the area. I trust you understand the difficulty of making rapid progress in fisheries management with so many communities and non-Indigenous fishers involved. I am pleased to say that a process to remove the latent effort that could have come into that fishery and impacted particularly on communities and their local

resources has been recently completed. We removed approximately 90 per cent of the authorisations in that fishery, leaving nine primary licences only in total.

Senator O'BRIEN—Does 'latent effort' mean licences that are not being used?

Mr McLoughlin—That is correct. The criteria was relatively low. We were not looking to consciously throw people out of that fishery but we had to deal with the latent effort problem because it could have killed off some resources if it had been activated. The criteria was that they had to have caught one tonne of finfish or reef finfishes in any two of the years from 1999 through to 2001. Since the conclusion of that process we have eased up on the remaining people so that they can run a more profitable business.

In addition, the first significant research on coral trout is being undertaken and will be completed by June next year. We are starting to get an assessment of the state of the stocks up there. The removal of that latent effort, plus some additional information around coral trout as a key target species, sets up the management environment to get that management plan done a lot more quickly than otherwise would have been the case.

Senator O'BRIEN—On 20 October the minister announced that the government would establish a toll-free line for consumers to report retailers not properly labelling seafood. Is this 1800 number now up and running?

Mr Hurry—We are negotiating with the Seafood Industry Council to establish this number and service. They will conduct the service in conjunction with Seafood Services Australia. We expect to have it up and operating towards the end of March.

Senator O'BRIEN—What is the estimated cost of the hotline and where will the funds come from?

Mr Hurry—The estimated cost of the service is about \$30,000.

Senator O'BRIEN—Will that come from government funds?

Mr Hurry—Yes.

Senator O'BRIEN—The minister's release said:

The service would also compile and publish information on mislabelling and the subsequent action taken by those agencies.

The Seafood Industry Council will be getting reports from agencies about what they have done on those sorts of things, will they?

Mr Hurry—We expect that the Seafood Industry Council would report back to us, probably on a monthly basis, on the number of calls that have come in and the action that has been taken on them. That would be part of the contract arrangements for the service.

Senator O'BRIEN—Would it be a report to government, not to the public?

Mr Hurry—It would be a report back to the department.

Senator Ian Macdonald—I would intend to make it very public, Senator.

Senator O'BRIEN—Good. Would it be mostly state government agencies that would be responsible for follow-up action?

Mr Hurry—Yes.

Senator O'BRIEN—Page 10 of the additional estimates statement lists funding of \$100,000 per year for RecFish, which meets an election commitment by the government. Is this simply a one-off cash grant or is it to be repeated on an annual basis?

Senator Ian Macdonald—The election commitment was for \$100,000 a year for four years.

Senator O'BRIEN—Is it tied to any particular outcomes?

Mr Hurry—It is to enable RecFish to have the capacity to provide the government with advice on key policy issues; at this stage, mainly resource sharing and marine environment issues.

Senator O'BRIEN—In the press release of 21 September announcing the commitment to the funding, the minister announced grants of up to \$100,000 for activities such as improving boat ramps and restocking programs. Will that money come from this portfolio?

Senator Ian Macdonald—Yes. That is a different one. That is the election commitment for a \$15 million program over three years for small grants to 'assist the fishing experience', I think the words were. That will be new money, I think.

Mr Quinlivan—That is right. It is three times \$5 million, commencing next year.

Senator O'BRIEN—In a joint press release with the environment minister on 10 December last year, Minister Macdonald announced that the government—

Senator Ian Macdonald—I don't know what you'd do without my press releases!

Senator O'BRIEN—They give us a lot of entertainment, I must say. The government will buy commercial fishing licences back under the Great Barrier Reef Marine Park Adjustment Scheme. In a previous press release on 16 November, the fisheries minister—that is, Mr Macdonald—announced that 580 licence holders had sought to avail themselves of this buy-back. What is the basis of the decision to buy back, apparently, only 114 of the 580 licences offered?

Senator Ian Macdonald—I am not sure it was 580. Who has the details of that?

Senator O'BRIEN—It is your press release, again, Minister.

Senator Ian Macdonald—I just want to be accurate. Again, we can give you some information, but—as you know—this is a DEH program. Whatever is said here would be accurate. If you are quoting from my press releases, then there would be—

Senator O'BRIEN—Absolutely! 16 November:

580 applications for licence buy-out.

Senator Ian Macdonald—Yes.

Senator O'BRIEN—10 December:

Government to buy 114 commercial fishing licences.

Senator Ian Macdonald—Yes.

Mr Quinlivan—Sorry, what was the question, Senator?

Senator O'BRIEN—What is the basis of buying back only 114?

Senator Ian Macdonald—That is the number that the relevant fisheries management authority said was needed to have a reduction in fishing effort commensurate with the reduction in fishery by the Great Barrier Reef Marine Park Authority.

Senator O'BRIEN—Can we be certain that those 466 remaining will not move their effort to other fisheries? Has any assessment of the likelihood of this happening, or the impact of it happening, been made?

Senator Ian Macdonald—Again, you would be aware that this fishery is not managed by the Commonwealth. It never has been. It is managed by the Queensland Fisheries Service. GBRMPA, a Commonwealth agency, made a decision, for marine biodiversity reasons, to shut about a third of the reef, and that meant a consequent reduction in the fishery. What we did in conjunction with the Queensland Fisheries Service, who manage the fishery, was bought out what we were advised was the appropriate number of licences to ensure that there was a commensurate reduction.

Senator O'BRIEN—So there has been an assessment that there is no likelihood of those who remain in the industry moving their effort elsewhere.

Senator Ian Macdonald—I assume so because, as I say, this is a matter for the fisheries manager, which is the Queensland Fisheries Service. The Commonwealth has no control over where people fish.

Senator O'BRIEN—Was it the Queensland government that said you only need to buy out 114?

Senator Ian Macdonald—There were consultations with the Queensland Seafood Industry Association, which is the fishermen's organisation, our department and the Department of Environment and Heritage.

Senator O'BRIEN—What role did they play in selecting the number 114?

Senator Ian Macdonald—I do not really know. Does anyone here know that?

Mr Quinlivan—This is a program administered by the Department of Environment and Heritage, Senator, and these are technical questions about their administration of the program.

Senator O'BRIEN—The first of the press releases is under Senator Macdonald's header only and the second is jointly with Senator Ian Campbell. That is why I am asking the questions of this minister.

Senator Ian Macdonald—But, Senator, the first one you are talking about is a factual press release. It says that 580 have applied. The second one—the joint one—says that, of those that applied, we are going to buy back 114 and it goes on with a bit more detail. What is not in the press release—and it is a pretty detailed press release—you could get from the Department of Environment Heritage, whose program this is. I would be at pains to remind everyone that this is not a fisheries management exercise, it is an environmental exercise. It has had an impact on the fisheries and the government has been determined to help out those who, through no fault of their own, have been adversely impacted upon by the decisions of GBRMPA.

Senator O'BRIEN—The adjustment scheme has a number of components in addition to the buyback provisions. Are these under the control of this department?

Senator Ian Macdonald—No, DEH. It is a DEH program. We have been consulted insofar as it involves fisheries issues. We have been keen to see that those in the fishing industry who have suffered have been looked after in one way or another. That has been our approach. The program and the detail of it you would have to get from DEH.

Senator O'BRIEN—We will give them some questions on notice. Can you tell me where the plans to collect fishing gear and equipment and to distribute to fishers in Indonesia and elsewhere affected by the tsunami are up to? Can you tell me what role if any the department or AFMA will play in the collection and distribution of this equipment?

Mr Hurry—We have had an initial phone discussion with the state agencies and with AusAID about this program. Our focus was on getting it right and not collecting gear that was not useful in the context of affected Asian fisheries. There is a fair bit of information coming our way from both the FAO regional office in Bangkok and also from the network of aquaculture centres in Asia.

The decision taken was to collect some basic gear: dinghies, outboard motors, monofilament line, hooks and monofilament nets. That has been collected by the state agencies. There is a meeting scheduled to be held in Bangkok from 28 February to 1 March. That will include affected countries and donor agencies. It is being run by the FAO and it is the first real look at where reconstruction and assistance can best be provided to these Asian countries. At the completion of that meeting a report will be provided to agencies in Australia and then we will collect the gear that has been promised and distribute it throughout Asia.

Senator O'BRIEN—Nothing has been distributed yet?

Mr Hurry—There has been some go in, more on a private basis. It has come in from the state agencies or interested people and it has gone in more on an ad hoc basis than in any structured way, but there was concern that some Australian gear and equipment did not necessarily fit that Asian fishing environment. We were trying to get the process right so that there was not a lot of unusable gear or motors and equipment sitting around that did not help in the process of reconstruction.

Senator O'BRIEN—Thank you for that. I have some questions about forestry next.

Proceedings suspended from 9.14 pm to 9.31 pm

Senator O'BRIEN—The coalition made some significant commitments on Tasmanian forestry during the election campaign. In particular, the Prime Minister committed the environment and forestry ministers to further identify boundaries to add over 170,000 hectares to the current reserve system and advise on the social and economic impacts of protecting Tasmanian forests by 1 December 2004. How did the government arrive at this deadline?

Senator Ian Macdonald—That was the day by which we had hoped to have these matters resolved. It is a matter of fact that that has not been achievable in that time frame.

Senator O'BRIEN—Why not?

Senator Ian Macdonald—The negotiations that need to be done with the Tasmanian government have not been able to be satisfactorily completed.

Senator O'BRIEN—Has the Prime Minister or any other member of the government received advice on the social and economic impacts of protecting this additional 170,000 hectares of forest?

Mr Quinlivan—One of the elements of the government's package was that the reservation measures would—and I think the words of the policy were 'an expectation that there would be no jobs lost' through that process. As the negotiations with Tasmania and the policy work in the Commonwealth has been undertaken, we have been doing continuous tests against that criteria. All of the advice that has been provided to the Prime Minister and to the relevant ministers has dealt with that issue as part of the process.

Senator O'BRIEN—What is the state of the negotiations with the Tasmanian government? Has a proposal been supplied to them?

Mr Quinlivan—The negotiations started in November and they continued until Christmas. They have been in abeyance and we have our next meeting with Tasmanian officials on Thursday of this week.

Senator O'BRIEN—Has a proposal with boundaries been supplied to the Tasmanian government?

Mr Quinlivan—Possible boundaries have been discussed with Tasmanian officials.

Senator O'BRIEN—Are those proposals documented?

Mr Quinlivan—They are.

Senator O'BRIEN—Are they maps showing the areas?

Mr Quinlivan—They take various forms.

Senator O'BRIEN—What are those forms?

Mr Quinlivan—I do not feel that I can discuss this matter because the discussions are confidential to

the small number of people who are involved. That was agreed by correspondence between the Premier and the Prime Minister. The information that has been available to both sides has come from a variety of sources, from within governments, and we have had suggestions from the timber industry and also from environmental NGOs. A good deal of that information has been provided on a confidential basis, and some of the information that has been used in the process has been supplied on a confidential basis for the purposes of those negotiations, so that I do not feel that I am in a position to discuss any of the detail.

Senator O'BRIEN—Which environmental NGOs?

Senator Ian Macdonald—If I might add to that: the work that the officers are doing is in the way of providing advice to government and, under the Senate rules, that is not something we talk about here.

Senator O'BRIEN—The proposals provided to the Tasmanian government are protected by the ministerial advice convention? Is that what you are saying, Minister?

Senator Ian Macdonald—We are seeking advice from our officials—who are talking with Tasmanian officials and discussing a lot of things—on how best to implement the commitment that the government has made.

Senator O'BRIEN—So the Commonwealth does not have a firm proposal?

Mr Quinlivan—No, I did not say that. I said a range of ideas have been put forward by both parties, as you would expect in a negotiation. Some of them you could fairly describe as proposals; others are more in the nature of exploratory ideas. I feel that I cannot go any further in describing the process.

Senator O'BRIEN—When was the proposal supplied to the Tasmanian government, in various forms?

Mr Quinlivan—The main proposal was the one provided in the election commitment. That is the heart of it. Really, the task that we have had in working with Tasmania was to fill out the detail of that election commitment, but the actual proposal, the costed elements and the general parameters of it are all outlined in the election commitment, including the specific areas in which the reservations are to occur. There is quite a detailed policy in that respect.

Senator O'BRIEN—So it did not have maps. I take it that the description of the areas takes various forms.

Mr Quinlivan—I did not say that it did not have maps. I said that the information that we are looking at now takes various forms; some of that is maps, some of that is other criteria—descriptors of relevant areas.

Senator O'BRIEN—When were these maps and various descriptors of areas prepared?

Mr Quinlivan—Sorry?

Senator O'BRIEN—When were these maps and the other descriptors of various areas prepared?

Senator Ian Macdonald—Since 9 October. It has been done on a continuing basis, I think, hasn't it?

Mr Quinlivan—That is correct.

Senator O'BRIEN—When did the work commence?

Mr Quinlivan—What do you mean by 'work'?

Senator O'BRIEN—The work on the maps and the various forms of description of the areas sought to be preserved?

Mr Quinlivan—As I said at the outset, we began talking to the Tasmanian government in November. It commenced with a meeting between Minister Lennon and Tasmanian officials and Ministers Macdonald and Campbell, and Commonwealth officials. I am not sure of the precise date.

Senator O'BRIEN—Is that when the preparation of the various documents and maps which describe the area was commenced?

Mr Quinlivan—Obviously there was preparatory work done within the Commonwealth, as you would expect, and I am sure the same happened elsewhere in Tasmania.

CHAIR—You have been working on it for two years.

Senator O'BRIEN—Were you working on it, Senator? Perhaps the officers can answer for themselves.

Senator Ian Macdonald—There is a limit to which the officers can answer, for the reasons that I have indicated to you.

Senator O'BRIEN—Where that can be justified, that is fair enough. I am asking when the work commenced on preparing these various forms of descriptors of the areas sought to be protected.

Senator Ian Macdonald—I think the officer said it is ongoing.

Senator O'BRIEN—No. I am asking when it commenced. It is ongoing from a certain date. I want the date.

Senator Ian Macdonald—We will have to take that on notice, I assume. We do not have that—

Senator O'BRIEN—You have to take it on notice? You don't know?

Mr Quinlivan—Obviously, as you know, we prepare incoming government briefs. We were briefing against all contingencies, as always. One of those was a return of the government, so we began work on it before the election because we had to be prepared to brief the incoming government on the ways in which they might implement their election commitment.

Senator Ian Macdonald—They are still trying to work out what the alternative government might have looked at.

Senator O'BRIEN—When before the election did you commence work on these maps and various documents describing the area of 170,000 hectares? Can you give me a date?

Mr Quinlivan—Those of us who have responsibilities in this area would have begun thinking about it as soon as the government made the announcement during the election campaign, as we would have for any major commitment that was being made during the campaign.

Senator O'BRIEN—Minister, was any work done outside the department before that day?

Senator Ian Macdonald—You want us to tell you how we make our election policies so that you can follow it next time!

Senator O'BRIEN—I know how you made the election policy. I want to know whether anyone else was preparing these maps or documents described in the area to be preserved prior to the department's work.

Senator Ian Macdonald—Senator, you tell me about the Labor Party's election policy processes and I will tell you about ours, but until that happens you would not expect me to answer and I am not going to answer. Suffice to say, though, that the election policies we make we intend to keep, and they are done in a businesslike way, with a lot of advice from various different sources.

Senator O'BRIEN—Has the department been working from any material, other than the government policy, in its commencement process on the preparation of the maps and other documents describing the area of 170,000 hectares?

Mr Quinlivan—I think I have already answered that by saying that we have had suggestions and proposals from the range of interested parties on this, including most of the relevant environmental NGOs and so on.

Senator O'BRIEN—When did you receive that information?

Mr Quinlivan—That has been an ongoing process, too. We have had a range of submissions and meetings. The minister has had intensive round of meetings with representatives from the NGOs in Tasmania and the industry associations over the course of a couple of days. There have been follow-up meetings and submissions and so on. It is not sensible to locate it in dates because it has been an ongoing thing.

Senator Ian Macdonald—I get lots of letters every day from well-meaning people who have a good idea of how these things can be implemented and we consider them all.

Senator O'BRIEN—I take it they are submissions about how you would implement the promise of selecting the 170,000 hectares. Is that right?

Mr Quinlivan—Sorry, I did not understand.

Senator O'BRIEN—The submissions that the minister has just described as receiving, are they submissions about how you would select the 170,000 hectares to be protected?

Senator Ian Macdonald—What you do with 1080; how you deal with all of the other issues that were mentioned in our election policy.

Senator O'BRIEN—You have actually received suggestions about the areas to be protected. Has the Tasmanian government provided a formal proposal?

Mr Quinlivan—We have been discussing options and scenarios with the Tasmanian government, including those proposed by some of the third parties that we have been talking about.

Senator O'BRIEN—What work is being done within the department on the social and economic impacts of protecting the additional 170,000 hectares of forest?

Mr Quinlivan—I mentioned earlier that we are using that test of job losses, no job losses, continuously through the process. That is a touchstone for the Commonwealth side of the transaction. We will be prepared when the time is right to be modelling the impacts of the proposals. When they reach that stage, then that is possible.

Senator O'BRIEN—What do you mean 'when the time is right'?

Mr Quinlivan—We need to have a defined proposition before assessing the impacts of it.

Senator O'BRIEN—When you have a defined proposition you can then begin assessing the economic impact?

Mr Quinlivan—We have been doing it on an ongoing basis, as I have said, because everything we do is being related back to that test in the election commitment, so it is an ongoing process as well.

Senator O'BRIEN—You cannot have it both ways, Mr Quinlivan. You are prepared to do the work when the time is right was your earlier answer.

Mr Quinlivan—Well, no. What I was saying was that as the work evolves and various elements of it have sufficient definition to be tested against their economic impacts, we are doing that.

Senator O'BRIEN—You are doing it now?

Mr Quinlivan—We are doing it on an ongoing basis.

Senator O'BRIEN—When you said you are prepared to do it when the time is right, when the area to be protected has been defined, what do you mean by that?

Senator Ian Macdonald—I thought you said 'modelling' when the time is right.

Mr Quinlivan—I suppose there are two different processes I am envisaging here. One is the sort of continual testing against the elements of the election commitment, and then when the negotiations are finished with Tasmania, we will be doing a final set of assessments which will become part of the final advice to the two governments on the proposed package. But, as I said, we are still discussing, negotiating, so we have not reached that stage yet.

Senator O'BRIEN—Is all the work being done within the department?

Mr Quinlivan—No, it is a shared task between the Prime Minister's department and Senator Campbell's department.

Senator O'BRIEN—Is DAFF the lead agency?

Mr Quinlivan—The Commonwealth team is led by a senior official from the Department of Prime Minister and Cabinet.

Senator O'BRIEN—Will any of the additional 170,000 hectares fall within the current reserve system?

Mr Quinlivan—As I understand the terms of the policy, it talks about additional reservations. That is the objective we are pursuing.

Senator O'BRIEN—Areas that are currently reserved will not be included in the 170,000 hectares? Should I understand you to be saying that?

Mr Quinlivan—As I said, we have not finished negotiating and defining the 170,000. I cannot give a definitive answer, but the literal meaning of the policy is that they will be additional. That is the objective we are pursuing.

Senator O'BRIEN—So no area that is currently reserved, on the literal meaning of the policy, will be included in the 170,000 hectares? Is that right? You could answer that certainly, Minister? You should know the policy.

Senator Ian Macdonald—We will 'act immediately to add over 170,000 hectares to the current reserve system. As a result, this addition will mean that over 1 million hectares of old growth forest in Tasmania will now be protected from logging.'

Senator O'BRIEN—Will the 170,000 hectares comprise entirely of old-growth forest? Is that what that means?

Mr Quinlivan—No. What it means is that 170,000 hectares will be added to the reserve system and separately that over one million hectares of old-growth forest in Tasmania will be protected from logging.

Senator O'BRIEN—Does that mean that no area currently reserved will be included in the 170,000 hectares?

Senator Ian Macdonald—Senator, which part of the English language don't you understand?

Senator O'BRIEN—That part. That is why I am asking you the specific question.

Senator Ian Macdonald—'Act immediately to add over 170,000 hectares to the current reserve system'. If it is a current reserve system and you are adding to it, what more can I say?

Senator O'BRIEN—The English language can be a difficult language to understand unless you fully appreciate the meaning of all of the terms. I want to know what 'reserve' means. I am talking about areas that are now reserved and whether any of those areas will be included in the 170,000 hectares.

Senator Ian Macdonald—The policy says—I cannot think what clearer English language I can use—they will add 170,000 hectares to the current reserve system, so if they are the current reserve system, they will not be added to it, will they?

Senator O'BRIEN—Minister, if they are currently reserved, do you rule out adding areas that are currently reserved to the 170,000 hectares?

Senator Ian Macdonald—No. Senator, we are going to be here all night.

Senator O'BRIEN—We could be.

CHAIR—We will not be.

Senator Ian Macdonald—It is particularly clear. We will act immediately to add over 170,000 hectares to the current reserve system.

Senator O'BRIEN—What does 'the current reserve system' mean in that statement? Can you explain that to me?

Senator Ian Macdonald—Any areas that are part of the current reserve.

CHAIR—I take it that includes the 70,000 hectares of informal reserves?

Senator Ian Macdonald—Yes.

Senator O'BRIEN—Areas that are reserved in any way, shape or form will not be included in the 170,000 hectares?

Senator Ian Macdonald—The commitment is to the current reserve system.

Senator O'BRIEN—I know what that says. I want to understand what it means.

Senator Ian Macdonald—There are private reserves, there are informal reserves, there are different sorts of reserves. We said, whatever is the current reserve system, we will add 170,000 hectares.

Senator O'BRIEN—If it is currently reserved under the Forest Practices Code, streamside, heritage or some other private reserve—private forest which has been reserved—that will not be included in the 170,000 hectares. Is that how I should understand it?

Senator Ian Macdonald—No. What you should understand is that we will add 170,000 hectares to the current reserve system.

Senator O'BRIEN—You will not rule out adding areas that are currently the subject of reserve under the Forest Practices Code to the current reserve system?

Senator Ian Macdonald—I am not going to rule out that I will not get home by midnight tonight either, Senator. This 'You won't reserve out' is a trick of junior journalists from the not so professional media.

Senator O'BRIEN—What I want to know is, does the term 'current reserve system' have a particular meaning which we should understand—that is, does it mean areas set aside in formal reserves, as I think the chairman referred to, or does it include in your terminology areas that are reserved by virtue of things such as the Forest Practices Code which require areas within forest harvest areas not to be logged and therefore to be preserved?

Senator Ian Macdonald—It means the current reserve system, and we are going to add 170,000 hectares to it.

Senator O'BRIEN—It does include, then, things like streamside reserves set aside under the Forest Practices Code but not included in the formal reserve area?

Senator Ian Macdonald—You have had my answers. I cannot be clearer than that.

Senator O'BRIEN—You can be. You can say yes or no to that.

Senator Ian Macdonald—I can only keep repeating what our commitment is, which has been there for everyone to see.

Senator O'BRIEN—It has been there for everyone to see. I am not sure everyone understands it, hence my questions. That is why I am keen to know, or for you to explain if you cannot rule it out, whether we should understand it to mean that the 170,000 hectares will not include informal reserves such as streamside reserves.

Senator Ian Macdonald—Senator, if you look through the policy you will see that we have said:

In accordance with the Regional Forest Agreement, a re-elected Coalition Government will negotiate with the Tasmanian Government to immediately add over 170,000 hectares to the current reserve system.

This will include the:

immediate protection of an additional 76,100 hectares of rainforest in the Tarkine, Southern forests (including the Huon and Weld Valleys) and North East Tasmania;

There are rainforests there and old-growth forests. We talk about the Styx, the Florentine along the eastern boundary World Heritage area. It is all set out there. All will no doubt be revealed by the Prime Minister and the Premier when the final negotiations, as we say in the policy, are complete.

Senator O'BRIEN—I had thought that the Prime Minister committed to identifying the boundaries to the 170,000 hectares by 1 December 2004. When were the boundaries to the 170,000 hectares finally identified?

Senator Ian Macdonald—They have not been.

Mr Quinlivan—The Prime Minister said, just before 1 December, that we were going to take a little bit longer over this to make sure we got it right.

Senator O'BRIEN—Almost three months after that deadline, the boundaries have not yet been identified?

Senator Ian Macdonald—You can count the months, Senator—2½ months. Today is only 15 February. You need your calculator. December is one month, January is the second month and 15 February is about half a month.

Senator O'BRIEN—I will concede it is 2½ months. You have had a win. Now, let us get down to tintacks.

Senator Ian Macdonald—These are self-evident. I have indicated we have not done that by—

Senator O'BRIEN—So 2½ months after the deadline, those boundaries have not yet been identified.

Senator Ian Macdonald—I said that right at the beginning. If you enjoy repetition—

Senator O'BRIEN—If you had given me a straight answer earlier, we would have progressed a lot further. You have been dodging questions for the last half an hour. If you want to add to our time, that is your problem. I am here till we finish.

Senator Ian Macdonald—The very first words I said were, 'Yes, we had hoped to have it done by 1 December but it is self-evident we haven't.' I think I said negotiations and discussions are continuing.

Senator O'BRIEN—Do you know how areas to be reserved will be reserved, what mechanism will be used?

Senator Ian Macdonald—That will be announced I would assume jointly by the Prime Minister and the Premier in due course.

Senator O'BRIEN—Has the government a view on that or is that a matter simply for negotiation? Do you have an idea or are you making it up as you go?

Senator Ian Macdonald—We will have a view when the discussions are completed and the final t's are crossed and i's dotted.

Senator O'BRIEN—Will these reserve areas be administered by the Tasmanian government or the federal government?

Senator Ian Macdonald—That is part of the discussions.

Senator O'BRIEN—Which other reserves does the Commonwealth now administer in Tasmania?

Senator Ian Macdonald—I suspect we do not manage any.

Mr Quinlivan—Macquarie Island, probably. That is my understanding.

Senator O'BRIEN—Macquarie Island is probably the only one. Will there be special funding arrangements from the Commonwealth to allow for the proper management of conservation reserves included in any package?

Senator Ian Macdonald—Again, we have indicated in our policy that there was a certain amount of money to be committed with this package. There are perhaps obligations under the RFA.

Senator O'BRIEN—I thought that was a fixed amount. I am looking for the ongoing cost of managing reserve conservation areas.

Mr Quinlivan—You can safely assume that is part of the discussions.

Senator O'BRIEN—That would be additional to any moneys promised in the lump sum?

Mr Quinlivan—No. I did not say that.

Senator O'BRIEN—So if there is an ongoing cost of managing these reserves it will come out of the lump sum amount committed?

Senator Ian Macdonald—Senator, I can understand you are very anxious and you are perhaps writing a new policy, one that might be a bit more successful in the future.

Senator O'BRIEN—I am not writing a new policy; I am asking questions here tonight.

Senator Ian Macdonald—Okay. I am going to say to you, our policy is there, we are in the process of implementing it, and it is unreasonable—I say, with respect—for you to keep asking additional questions about the detail when I have made it quite clear to you that the discussions are continuing. When they are completed and the details are finished and the i's are dotted and the t's crossed, I assume the Premier and the Prime Minister will reveal all.

Senator O'BRIEN—Four months after you announce the policy you cannot answer these basic questions?

Senator Ian Macdonald—Senator, that is again a comment by you. Some would say I am answering them; some would say I am not. They are judgments that you can make.

Senator O'BRIEN—Are you saying that the provision is determined but you cannot announce it or will not announce it?

Senator Ian Macdonald—No.

Senator O'BRIEN—Or are you saying that you are negotiating it and you have not reached the end yet?

Senator Ian Macdonald—Discussions are continuing. I think I said that from the second sentence I uttered.

Senator O'BRIEN—That is right. Four months after the election, you are unable to announce what the policy actually means.

Senator Ian Macdonald—That is an interpretation by you.

Senator O'BRIEN—I will be joined by many, I can assure you.

Senator Ian Macdonald—The answers I have been giving can be interpreted by anyone in whatever way they like.

Senator O'BRIEN—Is the Commonwealth going to require some special fire prevention and control arrangements for these new reserve areas?

Senator Ian Macdonald—All will be revealed when the details are announced.

Senator O'BRIEN—Does the Commonwealth have a position on that matter, or is it part of negotiations?

Senator Ian Macdonald—All will be revealed when the details are announced.

Senator O'BRIEN—Is there something in the policy which would indicate that that matter has been dealt with in the policy?

Senator Ian Macdonald—You tell me. You have looked at it very carefully.

Senator O'BRIEN—No, you tell me. You are the one with the document. You are one of the announcers. I am asking: is there something in the policy which indicates that that matter is contemplated?

Senator Ian Macdonald—I do not recall seeing it myself, but then I may have—

Senator O'BRIEN—Hence the question.

Senator Ian Macdonald—No, thank you. I have received—

Senator O'BRIEN—So it is not contemplated?

Senator Ian Macdonald—No, nothing explicit in it.

CHAIR—Is it in the present reserve system in the 1997 RFA? Are those provisions in that?

Senator Ian Macdonald—Fire prevention provisions in the RFA?

CHAIR—Yes.

Senator Ian Macdonald—I think there is, yes—a good point, Senator.

CHAIR—I do not know the answer. I do not even know what \$800 million and 240,000 hectares means. I do not think we will know in 10 years time what that was all about.

Senator O'BRIEN—If we had won the election, you would have. There is no costing provided in the election policy for compensation associated with the reservation of an additional 170,000 hectares of Tasmanian forest. Why is that?

Senator Ian Macdonald—It is not written there. That is why it is not there. It is not written there.

Senator O'BRIEN—The government has no commitment to paying compensation. Is that what that means?

Senator Ian Macdonald—We have made a commitment and we will ensure that that happens.

Senator O'BRIEN—Is it fair comment to say that, to require the reservation of 170,000 hectares of forest available under the regional forest agreement, it would require under the

RFA legislation the Commonwealth to compensate the state of Tasmania? You put the legislation through.

Senator Ian Macdonald—I put the legislation through, supporting the RFA.

Senator O'BRIEN—Yes.

Senator Ian Macdonald—I did not quite draft the actual RFA, which was drafted and signed long before I came into this job.

Senator O'BRIEN—By the Prime Minister. It was not drafted; it was signed by him, wasn't it?

Senator Ian Macdonald—It was certainly signed by the Prime Minister.

Senator O'BRIEN—The government knows what it means.

Senator Ian Macdonald—Yes.

Senator O'BRIEN—So I am asking you.

Senator Ian Macdonald—If you are asking me for a legal interpretation of a document—

Senator O'BRIEN—No.

Senator Ian Macdonald—notwithstanding it is contrary to the rules of this committee hearing, if there are specific things you want to know, I will get some of the lawyers to have a look at the 70 pages of the RFA—was this one?—or the 40 pages, whatever it was. It is a few months since I have looked at it. If you have specific questions about the RFA, I will try and help to tell you what is in the RFA.

Senator O'BRIEN—Has the government taken legal advice on its obligations in relation to reserving areas set aside for timber harvesting under the regional forest agreement with Tasmania?

Senator Ian Macdonald—The government is confident of its obligations under the regional forest agreement. Do not ask me in detail what they are, but we are confident of what is in it and we are confident that we, unlike many of the states—not Tasmania, I might say—will abide by the regional forest agreement.

CHAIR—Is that driven by tonnage or hectares?

Senator Ian Macdonald—It would be tonnage.

CHAIR—One of the things that came to my attention was that with core recovery rates in waste you could halve the area you were knocking down and get double the timber to the sawmills of 300,000 cubic metres a year without any trouble, if you were the least bit committed to better yield from the forest floor. I do not think hectares have anything to do with it.

Senator O'BRIEN—I am happy if you can provide the legal advice that the government needs, but the question was, has the government sought legal advice? I would have thought that is an entirely appropriate question and one that the government must answer. Has the government taken legal advice on the requirement for it to pay compensation to the state of Tasmania for the protection of additional forests currently set aside for harvesting under the regional forest agreement with Tasmania?

Senator Ian Macdonald—Senator, whatever the RFA says, and whatever provisions are required, the Commonwealth will be aware of them and we will abide by them.

Senator O'BRIEN—Does that mean you have not taken the advice, or you have? Do you know? Do you know whether advice has been taken?

Senator Ian Macdonald—Do you mean since the agreement was first signed? Do you mean last week? Do you mean since the election? What do you mean?

Senator O'BRIEN—Let us say, from the time that the government's policy on setting aside a further 170,000 hectares was announced, has the government sought legal advice in the terms, or similar, that I outlined?

Senator Ian Macdonald—I have not.

Senator O'BRIEN—Are you aware of whether the government has or not?

Senator Ian Macdonald—No, I am not. I am aware that government officials and people in my office and the Prime Minister's office are very well aware of what the RFA says and what the legal obligations are, and we will comply with them. I have made that statement any number of times publicly.

Senator O'BRIEN—Has the department prepared any advice on the method of calculating compensation for areas protected which are currently set aside for forestry operations under the Tasmanian RFA, should that eventuality occur?

Senator Ian Macdonald—They have provided advice to me in the time that I have been the forestry minister. That is advice to me about these issues and, as such, it remains advice to me.

Senator O'BRIEN—About the Tasmanian forestry agreement?

Senator Ian Macdonald—About the provisions of regional forest agreements generally and specifically, including the Tasmanian one.

Senator O'BRIEN—When was that advice provided?

Senator Ian Macdonald—Over the period since I have been minister, which is now 3½ years.

Senator O'BRIEN—Was that advice in writing?

Senator Ian Macdonald—Some of it would have been; some of it would not have been. It is advice to me as minister.

Senator O'BRIEN—Is there any advice which is specific to the Tasmanian Regional Forest Agreement and the government's policy to reserve 170,000 additional hectares of old-growth forest?

Senator Ian Macdonald—I have not asked for advice since 9 October, but I have had advice over the time since I have been minister about all of these sorts of issues.

Senator O'BRIEN—Mr Quinlivan, has advice been provided without request?

Senator Ian Macdonald—When?

Senator O'BRIEN—Since the government announced its election policy of reserving a further 170,000 hectares et cetera.

Senator Ian Macdonald—I do not think my department—

Mr Quinlivan—I am sorry, that is not a self-contained question, Senator.

Senator O'BRIEN—It probably required you to have heard the question I asked the minister, and his answer, which was, 'I have not asked for advice.' I am asking if, without request, the department has provided the minister with advice on the requirement under the Tasmanian RFA and the RFA legislation, if any, to provide compensation to the Tasmanian government.

Senator Ian Macdonald—Legal advice?

Senator O'BRIEN—I have asked if Mr Quinlivan has provided the advice, or his department or his officers.

Mr Quinlivan—I am not aware of having discussed it specifically or provided any written advice to the minister since the election.

Senator O'BRIEN—Can you check that?

Mr Quinlivan—I do not need to. I am sure that it is correct. We have discussed RFA issues continuously since he was minister, and general issues about our obligations have been discussed many times, as the minister said.

Senator Ian Macdonald—And obligations of other parties to it, too, I might add.

Senator O'BRIEN—Is it fair to say, Mr Quinlivan, that compensation for further reservation is required if the Commonwealth requires the Tasmanian government to set aside further areas from harvesting; areas currently set aside for harvesting under the RFA?

Senator Ian Macdonald—That is horribly like asking Mr Quinlivan to give you legal advice on the regional forest agreement which, as you know, he is not required to try. I do not know whether he wants to but he is—

Senator O'BRIEN—Do you know?

Mr Quinlivan—All I would say is that compensation only arises if there is a disagreement and the principle underlying those clauses in the RFA is that any such compensation be related to the economic damage, so there are a whole lot of variables in there which would need to be tested before the answer to your question would be a yes, and I am not in a position to do that.

Senator O'BRIEN—Is the period of the RFA a limiter on compensation?

Mr Quinlivan—Obviously the compensation clause in the RFA and the support it gets in the RFA Act are limited to the life of the RFA, because it only relates to decisions made pursuant to the RFA.

Senator O'BRIEN—Is it possible to extend the life of an RFA?

Mr Quinlivan—It is possible for two parties to agree to do anything, just about.

Senator O'BRIEN—That might be true, and I am asking for your opinion as someone who has had a lot of dealing with it. It is opinion, or 'understanding' is probably a better way of putting it.

Senator Ian Macdonald—Senator, you should not be asking opinions or understandings, but let me give you the benefit of my great legal training as a lawyer. What Mr Quinlivan said is exactly true: two parties can agree to anything, and if two parties agreed to extend any of the RFAs, then they could be extended to whatever they agreed to.

Senator O'BRIEN—Were that to occur, is the extended agreement protected under the regional forest agreement? I think the answer is yes.

Mr Quinlivan—I would say that is a speculative question because it would depend on the terms of the extension and so on. It would be a matter of agreement.

Senator O'BRIEN—Are there any provisions of the legislation which have specific impact on such an extension?

Mr Quinlivan—I do not know.

Senator O'BRIEN—Perhaps you can take that on notice.

Mr Quinlivan—I do not know.

Senator O'BRIEN—You have not looked at that?

Mr Quinlivan—Not specifically, not the legislation.

Senator O'BRIEN—Senator Campbell said on 7 October on ABC television that more than 76,000 hectares of the Tarkine available for logging now would be reserved by a re-elected Howard government. Mr Glen Britton, of Britton Bros, Smithton, which relies on deep red myrtle resource in the Tarkine, is on record as saying that he believes the area of myrtle resource to be set aside would amount to about 30,000 hectares of forest that is not planned for logging under the current RFA in any case. Can you at least advise which areas of the Tarkine are to be reserved under the government's Tasmanian forest policy announced during the election?

Senator Ian Macdonald—I again refer you to the policy that says 'immediate protection of an additional 76,100 hectares of rain forest in the Tarkine, southern forests, Huon and Weld Valleys and north-east Tasmania'.

Senator O'BRIEN—What does 'immediate' mean?

Senator Ian Macdonald—As soon as the discussions are finished.

Senator O'BRIEN—So 'immediate' might mean 12 months?

Senator Ian Macdonald—I would certainly hope not.

Senator O'BRIEN—You have left that option open, have you not, with that answer?

Senator Ian Macdonald—No. I find the Tasmanian government very responsible, very honourable. They have an election in 12 or 15 months time. I am sure they would not want to be—

Senator O'BRIEN—So 12 months time is conceivable? It might be a good announcement before the election.

Senator Ian Macdonald—I would certainly hope not.

Senator O'BRIEN—They could announce something a few days before the election.

Senator Ian Macdonald—Here is an opportunity to show to the world that of the 1.2 million hectares of Tasmanian old-growth forest, one million hectares will be locked away from harvesting, putting the lie to the fraudulent campaign you get from the Greens and others that there is hardly any old growth left, so that will be put to bed. We are putting a lot of money into Tasmania to upgrade the industry. It will be a vibrant industry and it will be an industry and a conservation area that the Tasmanians like and, indeed, the rest of Australia likes as well.

Senator O'BRIEN—Can you provide us with a map showing the boundaries of the Tarkine?

Senator Ian Macdonald—That is one of the problems, Senator. Post the election, I spoke to some of the Tarkine coalition one day and saw what I thought was the Tarkine. Then a few days later someone came up to me and said, 'No, we've extended the Tarkine.'

Senator O'BRIEN—So what does the government understand? That is what I am trying to find out.

Senator Ian Macdonald—I think there is a generally accepted understanding of what the Tarkine is, but we are not interested in this moving goalpost issue of some of the conservation—

Senator O'BRIEN—Tell us where the goalposts are. I am happy for you to take that on notice and supply us with maps or descriptors of what the government means by the Tarkine.

Senator Ian Macdonald—Before then, hopefully, you will have had the detail of where the 'rainforest in the Tarkine, southern forests, Huon and Weld Valleys and north-east Tasmania' are being reserved.

Senator O'BRIEN—Before 1 April?

Senator Ian Macdonald—What is 1 April?

Senator O'BRIEN—That is when the answers to questions on notice are due.

Senator Ian Macdonald—Are they? 1 April sounds like a good day; as good a day as any. Anyhow, we will see.

CHAIR—Where do you think they are?

Senator O'BRIEN—I will tell you, off the record.

Senator Ian Macdonald—It is the Arthur Pieman Reserve, isn't it?

Senator O'BRIEN—One descriptor is on the register of Australian Heritage, isn't it? But then again I think that is already all reserve. Do you know whether Mr Britton's assessment of the deep red myrtle resource is correct?

Senator Ian Macdonald—No, I do not. I do not know if Mr Quinlivan does.

Senator O'BRIEN—Does the department know?

Mr Quinlivan—I do not feel that I am in a position to comment on anybody's particular claims about deep red myrtle resource or, indeed, any other elements of this package at the moment.

Senator O'BRIEN—Does that mean you know but you will not comment?

Mr Quinlivan—I am not saying yes or no. There are a variety of views about the deep red myrtle resource, as you are well aware from the Tasmanian RFA review, the Senate inquiry and so on.

Senator O'BRIEN—What is the status of the proposal to purchase 2,400 hectares of forest at Mole Creek?

Mr Quinlivan—That is the subject of the same process of discussions with Tasmania.

Senator O'BRIEN—Do you know whether the land-holders are prepared to sell the land?

Mr Quinlivan—The land-holders will not know whether they are prepared to sell the land or not until they know what the proposal is.

Senator Ian Macdonald—We will not be compulsorily resuming it, even if we could.

CHAIR—I take it everyone has a price.

Senator Ian Macdonald—Not we politicians, Senator.

Senator O'BRIEN—I think someone is going to drag that out of me sometime.

CHAIR—Did you say you bought racehorses? Buy chaff and try and convert chaff—

Senator O'BRIEN—I did not say that everyone had a price. Who will administer the \$4 million allocated for enhanced skills and training opportunities in the forest and forest products industry?

Mr Quinlivan—The decisions about administrative responsibilities of the elements of the Commonwealth package will be made when those programs are defined, and that will be done in announcing the package.

Senator O'BRIEN—Will the Tasmanian government, the union and the industry be included and involved in skills and training decisions and the allocation of this \$4 million?

Mr Quinlivan—As for the subject we were discussing earlier, we have had a range of ideas and suggestions proposed to us about how these things might be done when the decision is made. Who is involved, the administrative arrangements and so on, will be announced at the time.

Senator O'BRIEN—What is the status of the other policy commitments outlined in the government's election policy, which include plantation investment, alternatives to clear-felling, elimination of 1080, water quality auditing, industry revitalisation retooling of country sawmills, education, awareness, the Tarkine bushwalk and the conservation of the Tasmanian devil.

Senator Ian Macdonald—We are proceeding to implement them all.

Senator O'BRIEN—How?

Senator Ian Macdonald—We are working, we are negotiating, we are discussing. We are wanting to get it right. You understand what policies are. Policies make commitments, allocate moneys, and we do that without the benefit of the professionalism of the public service. Having been elected, we are determined to put them into effect, to implement them, and we have to work with other stakeholders to make sure that that happens in the best possible way.

Senator O'BRIEN—You are still working it out then?

Senator Ian Macdonald—Yes.

Senator O'BRIEN—I cannot identify the \$18 million allocated on these programs for the 2004-05 year in the additional estimates document. Can you point to where they are included or confirm that they are included?

Senator Ian Macdonald—2004-05?

Senator O'BRIEN—Yes, the PAES, in other words.

Senator Ian Macdonald—The election was well after the budget.

Senator O'BRIEN—That is what we are here for now; the portfolio additional estimates, when expenditure for the current financial year is approved. Is it going to be spent in this financial year?

Mr Quinlivan—That matter will be dealt with when discussions with Tasmania have been completed and the Prime Minister announces the outcome.

Senator O'BRIEN—How do you deal with it if it is not in the portfolio additional estimates statement?

Mr Quinlivan—You will recall that last year there were appropriation bills until quite late in the financial year.

Senator O'BRIEN—There usually are, but they are for the following year.

Mr Quinlivan—No, there were some for the current year. I cannot discuss how this is going to be done, because it will await a judgment when the discussions have been completed.

Senator O'BRIEN—Is it fair to say that, for those programs to occur during the financial year, there would have to be additional legislation passed by the parliament or can the government fund them from other measures?

Senator Ian Macdonald—We will find a way to do what is right and to meet our commitments. It really is getting into the realms of—

Senator O'BRIEN—Is that a 'whatever it takes' approach? I am trying to understand how you do it.

CHAIR—Don't you worry about that!

Senator Ian Macdonald—Everything will be all right. It is a great package for Tassie, it is great for the industry, it is great for conservation, it is based on good science. You will be very happy with it, Senator O'Brien. As a great Tasmanian and as a supporter of workers and as a conservationist, you will be thrilled with all of the detail.

Senator O'BRIEN—When you work it out, I might be! What is the status of the Commonwealth government's involvement in planning and environmental approvals, major project facilitation and strategic investment attraction for the proposed Tasmanian pulp mill?

Mr Quinlivan—That is a question for another portfolio.

Senator O'BRIEN—It is not a matter for this portfolio?

Mr Quinlivan—Major project facilitation and all the processes that go with it are a matter for the industry portfolio.

Senator O'BRIEN—Would they be dealing with a matter such as that in consultation with this department?

Mr Quinlivan—I do not know if they have received an application for major project facilitation from the proponent as yet. I know the Prime Minister has announced that the government will provide some funds to assist with a feasibility study.

Senator O'BRIEN—Up to \$5 million.

Mr Quinlivan—Yes. But most of the other processes you have just talked about will occur when the proponent has made an application for major project facilitation status and the government has agreed to accept it. Then the normal processes unfold. There are a range of portfolios involved in that.

Senator O'BRIEN—Has there been consultation with this department to date about that matter?

Mr Quinlivan—Not to my knowledge.

Senator O'BRIEN—Can you check that?

Mr Quinlivan—I can.

Senator O'BRIEN—As I understand the government's commitment in terms of financial or other assistance for a pulp mill, it is limited to a contribution of up to \$5 million towards the cost of a feasibility study. Is that a correct understanding?

Senator Ian Macdonald—I think it is in the Prime Minister's media release.

Senator O'BRIEN—In terms of environmental approvals, are there any approvals required for a pulp mill proposal under Commonwealth legislation? I am thinking of EPBC, but there may be others. Can you advise me if there are others?

Mr Quinlivan—It depends entirely on the nature of the proposal, because that will determine whether it triggers the various elements of the EPBC Act, but that is really a question that needs to be directed to Senator Campbell's portfolio.

Senator O'BRIEN—Does this department have any role in those environmental assessments?

Senator Ian Macdonald—It depends what they are. Sometimes BRS are asked to do things, but it is really a matter for DEH. If we were to do something, it would be at the request of DEH, I think.

Senator O'BRIEN—What is the status of funding for the CRC? What programs have been funded and for how long?

Mr Quinlivan—The Tasmanian CRC? I would have to take that on notice.

Senator Ian Macdonald—The CRC is an Industry portfolio, isn't it?

CHAIR—If it is an Industry portfolio, do you want to take it on notice?

Mr Quinlivan—It is reasonable for us to get the answer to that question. It relates specifically to the forestry industry.

Senator O'BRIEN—I will put the rest of my questions on notice and we will get on with Natural Resource Management.

CHAIR—All right. Thank you very much.

[10.35 pm]

Natural Resource Management

CHAIR—Can we ask you a couple of questions on water design? The New South Wales government has announced something like a 67 per cent cut in the allocation for the Barwon irrigators. Does anyone know anything about that? That is pretty unfair, given that nothing is happening in Queensland, and the Menindee Lakes, for instance, evaporate more water than the upstream blokes use. Isn't there a role for some discussion? I realise we do not have any constitutional power on water, but this is going to put a lot of people out of business.

The New South Wales government, from my understanding, feels it should act because if we do not do something it will be an even greater mess. It seems to me for rivers that come across the border from Queensland, the environmental plan—which I have described as 'first in, best dressed and bugger all the rest'—is most unfair to downstream users. There is no better example of that than the Lower Balonne. Are we just going to sit around and see all these people downstream go broke while they do whatever they like up over the border there?

Mr Thompson—Essentially, the New South Wales management of water resources and how they make those changes to make their allocations are things that, as you say, are being done within the purview of the state. The National Water Initiative is intended to bring some consistency across security and pricing but, as you are aware, that is still in process.

In the case of Queensland—we have discussed this at previous estimates committees—the Queensland government have put a moratorium on new allocations in the Condamine-Balonne and have been through the process of putting in a water sharing plan on those rivers. As I understand, in the case of New South Wales and Queensland, the waters of those border rivers are subject to the Border Rivers Agreement and they are involved in some ongoing discussions over those issues. In the case of the Condamine-Balonne there have been some debates about the volume of water, where it flows and how much of it and those sorts of things, and we have contributed to a study to get a better understanding of that situation.

CHAIR—Mr Grabbe—who I notice is for Queensland on the Murray-Darling Basin Commission, the advisory body—himself says they think they took about 50 per cent of the entire flow of the river system in that last event in January last year. What is going on? Why do we have to put up with that? Here we have blokes downstream who are going to lose

67 per cent of their allocation from a river that used to deliver 26 per cent of its flow. I fail to understand how that is reasonable and fair. Obviously nature did not design rivers to stop at the border and have a change of regulation. Are we just going to put up with this until everyone downstream goes broke?

Mr Thompson—As I said, the responsibility for the direct allocation and management of water in those states does reside with those states. From a Commonwealth point of view, we are looking at the Queensland issue through the Murray-Darling Basin Commission and the cap arrangement for Queensland which still has not been finalised, but there are real limitations about how the Commonwealth can get involved in allocations that are made under state legislation.

CHAIR—I can only say that what is happening up there is a graphic national disgrace.

Senator O'BRIEN—Wasn't it the Deputy Prime Minister who railed against a proposal by Premier Beattie to buy out the water rights of Cubbie Station?

Mr Thompson—I cannot recall the detail of his statements at the time but the Deputy Prime Minister did—

Senator O'BRIEN—It was a couple of years ago but he did—

Mr Thompson—There was a proposal to acquire Cubbie Station to acquire their water rights, yes.

Senator O'BRIEN—And he did it.

Mr Thompson—The Deputy Prime Minister did say that that proposal, which had been developed with little or no consultation and was essentially a compulsory acquisition, was an inappropriate process and they should go through a water planning process to allocate water.

CHAIR—If you want to buy Cubbie Station you can go and buy it. It is all for sale, as are two or three of the places downstream that are in the 'bugger the rest' category. Would the Commonwealth be concerned if that were bought by an overseas outfit?

Mr Thompson—The responsibility for foreign investment in Australia is a responsibility of the Treasurer and I do not think there are constraints placed upon who buys property and land in Australia when it is of that size. Land changes hands between domestic and foreign individuals regularly.

CHAIR—You would be conscious of the evaporation rates of the Menindee Lakes system? You would be equally conscious of the evaporation rates of the Cubbie Station storages, about 28 kilometres long and five kilometres wide. None of this makes sense. These blokes evaporate more water than the rest of the blokes pump.

Mr Thompson—I think the point you are making is that shallow surface storage is an inefficient way of storing water. The Menindee Lakes storage was put in place in the 1960s and early seventies to regulate the flow of water into South Australia. Without that, it would be very difficult to meet South Australia's entitlements. Trade-offs have to be made between storage losses and the capacity to provide water at times when people can use it.

CHAIR—My understanding is our only constitutional outcome up there is what happens for the flow down to the Narran Lakes—the environmental effect. Last January, this last year,

the event that happened in the Narran Lakes was nothing much to do with the flow down the river; it was to do with local run-off. I am aware that when they got that agreement to do bank work in the Lower Balonne, they brought it down from 10 metres to under five metres to avoid any environmental planning. Everyone should hang their head in shame for the waste and greed in what has happened there.

I do not care what the politics are. Part of the argument was the economic argument for durum burning. Perhaps that is a good argument. It is much the same argument that was used in Tasmania: the economic argument on the old growth down there. That does not mean that in a hundred years everyone will look back and say, 'How the hell did those stupid people back in those days allow all that to happen?' It is a bloody disgrace. Thank you, I have had my little go.

Senator O'BRIEN—The first item in table 1.1 on page 10 of the portfolio, additional estimate statements, relates to a \$20 million allocation over four years for defeating the weed menace. I am assuming it is nothing to do with the other weed. Can you give us an outline of what is intended under this program?

Mr Thompson—This is a new program that is intended to supplement the efforts that have been achieved under the Natural Heritage Trust for addressing serious weed problems. It is intended to have a couple of components: a regional component, which is the major component, to put action on the ground to address serious weed problems, and to do that in a manner that is consistent with regional strategies; then a national component to pick up things like further communicating the need to manage the cause of weed infestations. People growing weeds in their gardens and having garden escapees is a problem. The National Weed Strategy will be revised to get a consistent national approach to things like declaration of weeds from one state to another. There will also be best practice management guides and recognition guides and those sorts of things to help people identify new infestations and then act on them. At this stage the program is in its very early stages of development.

Senator O'BRIEN—What is the breakdown between those two components of the \$20 million?

Mr Willcocks—Sorry, Senator, the breakdown between which two components?

Senator O'BRIEN—The two components that Mr Thompson just described—the regional component and the national component.

Mr Willcocks—I think ministers made a decision last week on the elements of the program. I would not want to pre-empt any announcements the ministers might want to make.

Senator O'BRIEN—The decision was made on that last week?

Senator Ian Macdonald—I am not sure that is absolutely right. As soon as we do make an announcement, Senator, I will make sure you get a copy.

Senator O'BRIEN—Has the decision been made?

Senator Ian Macdonald—I am not sure that it has been finalised.

Senator O'BRIEN—Will expenditure under this program be allocated through an advisory group?

Mr Willcocks—The policy announced by the government prior to the election made provision for an advisory group.

Senator O'BRIEN—Has that group been formed yet?

Mr Willcocks—Not yet, but the election commitment did specify the organisations that would be represented on the advisory group.

Senator O'BRIEN—Does this expenditure depend on matching expenditure from the states?

Mr Willcocks—Matching expenditure from the states will be sought.

Senator O'BRIEN—I am taking that to be a 'no' in answer to my question. It doesn't depend on it?

Mr Willcocks—The wording of the election commitment is that matching commitment will be sought from the states.

Mr Thompson—There will be a further decision by ministers as to whether sufficient effort had been made to get the matching component and whether it was going to be obtained, so we could not say whether it is dependent on it or not, but the commitment is that it should be sought.

Senator O'BRIEN—Have the states been consulted about the program?

Mr Thompson—The states have been made aware of the broad nature of the program but the detailed consultation has not yet taken place. As Mr Willcocks indicated, we were only considering some elements of the program as recently as last week. As Senator Macdonald said, some of the matters still have not been finalised. We did not want to go to the states too quickly.

Senator O'BRIEN—They haven't been asked for money?

Mr Thompson—They have not been asked for money yet but they are aware that the program exists. They are aware of the amount of money. They are aware of those broad areas and they are aware that we will be approaching them, seeking matching funding.

Senator O'BRIEN—How does this program relate to the National Weed Strategy?

Mr Thompson—As I said, one of the things we have to do is revise the National Weed Strategy. In conjunction with the states, through the Natural Resource Management Ministerial Council, we have commenced that process. It is desired that our program be implemented in accordance with a national strategy in a strategic way. You can spend a lot of money addressing the symptoms of weeds and spraying them, but you really want to put in place a strategic approach which gets to the causes of the problems or contains those that can be contained. The roll-out of this program will be very much informed by the work that is going on in the revision of the National Weed Strategy. It would certainly be consistent with the National Weed Strategy in its implementation.

Senator O'BRIEN—The second item on that same page refers to savings of \$109,000 in each of 2004-05, 2005-06, 2006-07 and \$59,000 in 2007-08 in funding for the National Tidal Centre. Is that a part of the Bureau of Meteorology?

Mr Thompson—Yes. The Bureau of Meteorology is a significant part of that initiative.

Senator O'BRIEN—It is not part of the bureau; the bureau is part of a particular initiative.

Mr Thompson—I am not sure of the details. It is something that will be administered by the bureau.

Senator O'BRIEN—Can you make yourself aware and provide us an answer on notice?

Mr Thompson—Yes, we could.

Senator O'BRIEN—Thank you. I was assuming that the funding had been appropriated from this portfolio to contribute towards a particular project. Is that a fair understanding?

Mr Thompson—Yes.

Senator O'BRIEN—Can you give us a description of the project and tell us what the impact of these savings will be?

Mr Thompson—I am not in a position to do that at the moment. I may be able to get some information which could help. The information I have is that it is for the establishment of a National Tidal Centre within the Bureau of Meteorology. The contributions have been made from a group of portfolios and our contribution is the amount of \$400,000 that is indicated in this statement. As to the impact on this portfolio, \$400,000 is a relatively small amount of money that could be drawn from a range of funds.

Senator O'BRIEN—The table on page 10 talks about savings or reductions in appropriations.

Mr Wonder—What it is, Senator, is that \$109,000 per annum over four years has been made available by this portfolio. That is how Mr Thompson can provide the \$400,000 towards a contribution. I understand the total cost of the centre will be \$2.3 million over four years. In terms of the impact, the source of that funding I believe has been taken from our departmental expenses, rather than from any specific administrative item, so it will not impact on any administered item of the government.

Mr Thompson—The amount that is produced in our portfolio is an appropriation to the Bureau of Meteorology. Essentially, it is a transfer of money from our portfolio to that centre in the Bureau of Meteorology. There is no net change to the overall Commonwealth budget.

Senator O'BRIEN—In table 1.10 on page 22 of the PAES, there is shown an estimated expenditure for the national action plan that has been revised down by \$32.655 million. The explanation on page 25 is that the expenditure has been rephased. Can you tell me what programs or projects funded through the national action plan will be impacted by this rephasing?

Mr Thompson—In summary, what has happened is that elements of the national action plan in some states, particularly Western Australia, have been running slow as the regional plans and development agreement is reached with the regional bodies and the state on investment strategies. That money is being rephased into future years. It has not been lost to the program, but it does mean that there will be delayed expenditure on salinity projects such as reforestation and changing land-use practice, and those sorts of things, in a number of states but particularly the ones in Western Australia from that rephasing.

Senator O'BRIEN—It is simply deferring money that cannot be spent this year?

Mr Thompson—It is deferring money that will not be spent this year.

CHAIR—Is there any chance that some of that money could be used to encourage plantation forestry into areas where you could get a salinity credit as well as the forest?

Mr Thompson—Some of the projects that are being looked at in Western Australia include a major reforestation exercise which will provide salinity benefits and commercial timber. Some of the activities that will be going on in other states are also related to afforestation and timber production. Western Australia has a significant one as part of the proposals that are being finalised.

Senator O'BRIEN—I do not have any further questions for this evening.

CHAIR—Thank you very much, ladies and gentlemen, for your patience and time.

Committee adjourned at 10.55 p.m.