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SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT
LEGISLATION COMMITTEE

Estimates

(Public)

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SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT LEGISLATION COMMITTEE

Tuesday, 18 October 2016

Members in attendance: Senators Abetz, Back, Carol Brown, Lambie, Leyonhjelm, Lines, McCarthy, O'Sullivan, Rhiannon, Rice, Sterle, Williams, Xenophon.

AGRICULTURE AND WATER RESOURCES PORTFOLIO**IN ATTENDANCE****Senator Ruston, Assistant Minister for Agriculture and Water Resources****Department of Agriculture and Water Resources****Executive**

Mr Daryl Quinlivan, Secretary
Ms Cindy Briscoe, Deputy Secretary
Ms Lyn O'Connell, Deputy Secretary
Mr David Parker, Deputy Secretary
Mr David Williamson, Deputy Secretary

Grains Research and Development Corporation

Dr Steve Jefferies, Managing Director

Rural Industries Research and Development Corporation

Mr John Harvey, Managing Director
Mrs Kay Hull, Chair
Mrs Christine Quick, General Manager, Corporate Affairs

Fisheries Research and Development Corporation

Dr Patrick Hone, Executive Director
Mr John Wilson, Business Development Manager

Cotton Research and Development Corporation

Mr Bruce Finney, Executive Director
Mr Graeme Tolson, General Manager, Business and Finance

Horticulture Innovation Australia Limited

Mr Selwyn Snell, Chair
Mr John Lloyd, Chief Executive Officer

Australian Pesticides and Veterinary Medicines Authority

Ms Kareena Arthy, Chief Executive Officer
Mr Alan Norden, Executive Director, Registration Management and Evaluation
Mr Jason Lutze, Acting Executive Director, Scientific Assessment and Chemical Review
Ms Stefanie Janiec, Chief Operating Officer
Ms Geetha Nair, Executive Director, Legal and Compliance
Ms Helen Stokes, Director for the office of the Chief Executive Officer

Australian Grape and Wine Authority

Mr Andreas Clark, Chief Executive Officer

Animal Health Australia

Mr Duncan Rowland, Executive Manager, Biosecurity and Product Integrity Services

Plant Health Australia

Mr Greg Fraser, Executive Director and Chief Executive Officer

Australian Fisheries Management Authority

Dr James Findlay, Chief Executive Office
Dr Nick Raynes, Executive Manager, Fisheries Management Branch
Mr John Andersen, Acting General Manager, Corporate Services Branch

Dairy Australia Limited

Mr Geoff Akers, Chair
Mr Ian Halliday, Managing Director

Mr Ross Joblin, Company Secretary
Mr Stephen Harnett, Chief Financial Officer
Mr Charlie McElhone, Group Manager, Trade and Strategy

Meat and Livestock Australia Limited

Mr Richard Norton, Managing Director

Australian Livestock Export Corporation Limited

Mr David Galvin, Chair
Mr Samuel Brown, Chief Executive Officer

Landcare Australia Limited

Ms Tessa Jakszewicz, Chief Executive Officer
Dr Shane Norrish, Head of Landcare Services

Finance and Business Support Division

Ms Emily Canning, Chief Finance Officer
Ms Vanessa Berry, Assistant Secretary, Financial Strategy Branch
Mr Matt Ryan, Assistant Secretary, Industry Support Branch

Corporate Strategy and Governance Division

Mr Simon Smalley, First Assistant Secretary
Ms Melissa Brown, Assistant Secretary, Parliamentary and Portfolio Business Branch
Mr Travis Power, Assistant Secretary, People Capability Branch
Mr Lionel Riley, Assistant Secretary, People Services Branch
Ms Victoria Anderson, Assistant Secretary, Corporate Governance Branch

Information Services Division

Mr Paul Morris, Chief Information Officer
Ms Debbie Lutter, Assistant Secretary, Strategy, Architecture and Strategic Projects
Mr Bob Smith, Assistant Secretary, ICT Services and Operations
Mr Ashraf Atteia, Assistant Secretary, Applications

Service Delivery Division

Tina Hutchison, Acting First Assistant Secretary

Office of the General Counsel

Mr Jadd Sanson-Fisher, Acting General Counsel

Australian Bureau of Agricultural and Resource Economics and Sciences

Mr Peter Gooday, Acting Executive Director
Ms Julie Gaglia, Assistant Secretary, Information Management Public Data Branch
Mr David Galeano, Acting Assistant Secretary, Agricultural Productivity and Farm Analysis Branch
Mr Alistair Davidson, Acting Assistant Secretary, Strategic Policy and Biosecurity Branch
Ms Trish Gleeson, Acting Assistant Secretary, Agricultural Commodities and Trade Branch
Dr Bertie Hennecke, Acting Assistant Secretary, Fisheries, Forestry and Quantitative Sciences Branch

Farm Support Division

Mr Greg Williamson, First Assistant Secretary
Mr Simon Murnane, Assistant Secretary, Farm Business Branch
Mr Paul Pak Poy, Acting Assistant Secretary, Drought and Farmer Assistance Branch
Mr Cameron Hutchison, Assistant Secretary, Concessional Loans Branch
Ms Cassandra Kennedy, Assistant Secretary, Regional Investment Corporation

Sustainable Agriculture, Fisheries and Forestry Division

Mr Ian Thompson, First Assistant Secretary

Mr Peter Ottesen, Assistant Secretary, Sustainable Agriculture Branch
Mr Martin Walsh, Acting Assistant Secretary, Agvet Chemical Taskforce
Mr Gordon Neil, Assistant Secretary, Fisheries Branch
Ms Michelle Lauder, Assistant Secretary, Forestry Branch

Agricultural Policy Division

Ms Fran Freeman, First Assistant Secretary
Ms Lara Musgrave, Assistant Secretary, Rural, Research and Innovation Branch
Ms Sally Standen, Assistant Secretary, Crops, Meat and Horticulture Branch
Mr Nick Blong, Assistant Secretary, Food, Competition and Investment Branch
Ms Jo Grainger, Assistant Secretary, Wool, Dairy, Wine, Small and Emerging Industries Branch
Ms Anna Willock, Assistant Secretary, Levies Reform Taskforce
Mr Andrew McDonald, Assistant Secretary, Working Holiday Maker Visa Review

Trade and Market Access Division

Ms Louise van Meurs, First Assistant Secretary
Ms Elizabeth Bie, Assistant Secretary, Bilateral Engagement and International Cooperation Branch
Mr Matthew Worrell, Assistant Secretary, Bilateral Engagement and International Cooperation Branch
Mr Paul Ross, Assistant Secretary, Bilateral Engagement and Trade Policy Branch
Mr John Southwell, Acting Assistant Secretary, Trade and Market Access Strategy Branch

Exports Division

Mr Greg Read, First Assistant Secretary
Mr Duane Roberts, Acting Assistant Secretary, Residues and Food Branch
Ms Barbara Cooper, Assistant Secretary, Meat Exports Branch
Dr Narelle Clegg, Assistant Secretary, Live Animal Exports Branch
Mr David Cunningham, Assistant Secretary, Export Standards Branch

Biosecurity Animal Division (including Australian Chief Veterinary Officer)

Dr Mark Schipp, Chief Veterinary Officer, Australian Chief Veterinary Office
Mr Tim Chapman, First Assistant Secretary
Dr Robyn Martin, Assistant Secretary, Animal Health Policy Branch
Ms Jackie South, Assistant Secretary, Animal and Biological Import Assessments Branch
Dr Carol Sheridan, Acting Assistant Secretary, Animal Biosecurity Branch

Biosecurity Plant Division (including Australian Chief Plant Protection Officer)

Dr Marion Healy, First Assistant Secretary
Dr Sally Troy, Acting Chief Plant Protection Officer and Chief Scientist
Ms Sarah Hilton, Acting Assistant Secretary, Plant Health Policy Branch
Dr Chris Parker, Assistant Secretary, Plant Export Operations Branch
Ms Lois Ransom, Assistant Secretary, Plant Import Operations Branch
Mr David Heinrich, Assistant Secretary, Plant Biosecurity Branch
Ms Deb Langford, Assistant Secretary, Plant Strategies and Systems Branch

Compliance Division

Ms Raelene Vivian, First Assistant Secretary, Compliance Division
Mr Wayne Terpstra, Assistant Secretary, Targeting and Enforcement Branch
Mr David Mackay, Acting Assistant Secretary, Pathway Compliance Branch
Dr Robyn Cleland, Assistant Secretary, Compliance Arrangements Branch
Mr Mark Phythian, Director, Imported Food section,

Biosecurity Policy and Implementation Division

Mr Matthew Koval, First Assistant Secretary

Ms Monica Finlayson, Assistant Secretary, Biosecurity Policy and Response Branch

Ms Lee Cale, Assistant Secretary, Biosecurity Implementation Branch

Ms Barbara Jones, Assistant Secretary, Intergovernmental Agreement on Biosecurity Review

Water Division

Mr Tony Slatyer, First Assistant Secretary

Mr Richard McLoughlin, Assistant Secretary, Water Resources Branch

Mr John Robertson, Assistant Secretary, Water Infrastructure Southern Branch

Murray-Darling Basin Authority

Mr Phillip Glyde, Chief Executive

Ms Jo Schumann, Executive Director, Corporate Division

Mr Carl Binning, Executive Director, Environmental Management Division

Mr David Dreverman, Executive Director, River Management Division

Mr Russell James, Executive Director, Policy and Planning Division

Mr Colin Mues, Chief Economist, Policy and Planning Division

Mr Brent Williams, General Manager, Northern Basin, Policy and Planning Division

Ms Vicki Woodburn, General Manager, Partnerships and Engagement

Committee met at 09:00

CHAIR (Senator O'Sullivan): Welcome. I declare open this public hearing of the Senate Rural and Regional Affairs and Transport Legislation Committee. The Senate has referred to the committee the particulars of the proposed expenditure for 2016-17 and related documents for the agriculture and water resources portfolio. The committee may also examine the annual reports of the departments and agencies appearing before it. The committee has before it a program listing agencies relating to matters on which senators have given notice, and the proceedings today will begin with the examination of the Grains Research and Development Corporation.

The committee has fixed Friday, 2 December 2016 as the date for the return of answers to questions taken on notice. Senators are reminded that any written questions on notice should be provided to the committee secretariat by close of business on Friday, 28 October 2016.

Under standing order 26, the committee must take all evidence in public session. This includes answers to questions on notice. I remind all witnesses that in giving evidence to the committee they are protected by parliamentary privilege. It is unlawful for anyone to threaten or disadvantage a witness on account of evidence given to a committee, and such action may be treated by the Senate as a contempt. It is also a contempt to give false or misleading evidence to a committee.

The Senate, by resolution in 1999, endorsed the following test of relevance of questions at estimates hearings:

Any questions going to the operations or financial positions of the departments and agencies which are seeking funds in the estimates are relevant questions for the purpose of estimates hearings.

I remind officers that the Senate has resolved that there are no areas in connection with the expenditure of public funds where any person has a discretion to withhold details or explanations from the parliament or its committees unless the parliament has expressly provided otherwise.

The Senate has resolved also that an officer of a department of the Commonwealth 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 a minister. This resolution prohibits only questions asking for opinions on matters of policy, and does not preclude questions asking for explanations of policies or factual questions about when and how policies were adopted.

I particularly draw the attention of witnesses to an order of the Senate of 13 May 2009 specifying the process by which a claim of public interest immunity should be raised.

The extract read as follows—

Public interest immunity claims

That the Senate—

(a) notes that ministers and officers have continued to refuse to provide information to Senate committees without properly raising claims of public interest immunity as required by past resolutions of the Senate;

(b) reaffirms the principles of past resolutions of the Senate by this order, to provide ministers and officers with guidance as to the proper process for raising public interest immunity claims and to consolidate those past resolutions of the Senate;

(c) orders that the following operate as an order of continuing effect:

(1) If:

(a) a Senate committee, or a senator in the course of proceedings of a committee, requests information or a document from a Commonwealth department or agency; and

(b) an officer of the department or agency to whom the request is directed believes that it may not be in the public interest to disclose the information or document to the committee, the officer shall state to the committee the ground on which the officer believes that it may not be in the public interest to disclose the information or document to the committee, and specify the harm to the public interest that could result from the disclosure of the information or document.

(2) If, after receiving the officer's statement under paragraph (1), the committee or the senator requests the officer to refer the question of the disclosure of the information or document to a responsible minister, the officer shall refer that question to the minister.

(3) If a minister, on a reference by an officer under paragraph (2), concludes that it would not be in the public interest to disclose the information or document to the committee, the minister shall provide to the committee a statement of the ground for that conclusion, specifying the harm to the public interest that could result from the disclosure of the information or document.

(4) A minister, in a statement under paragraph (3), shall indicate whether the harm to the public interest that could result from the disclosure of the information or document to the committee could result only from the publication of the information or document by the committee, or could result, equally or in part, from the disclosure of the information or document to the committee as in camera evidence.

(5) If, after considering a statement by a minister provided under paragraph (3), the committee concludes that the statement does not sufficiently justify the withholding of the information or document from the committee, the committee shall report the matter to the Senate.

(6) A decision by a committee not to report a matter to the Senate under paragraph (5) does not prevent a senator from raising the matter in the Senate in accordance with other procedures of the Senate.

(7) A statement that information or a document is not published, or is confidential, or consists of advice to, or internal deliberations of, government, in the absence of specification of the harm to the public interest that could result from the disclosure of the information or document, is not a statement that meets the requirements of paragraph (1) or (4).

(8) If a minister concludes that a statement under paragraph (3) should more appropriately be made by the head of an agency, by reason of the independence of that agency from ministerial direction or control, the minister shall inform the committee of that conclusion and the reason for that conclusion, and shall refer the matter to the head of the agency, who shall then be required to provide a statement in accordance with paragraph (3).

(d) requires the Procedure Committee to review the operation of this order and report to the Senate by 20 August 2009.

(13 May 2009 J.1941)

(Extract, Senate Standing Orders)

Witnesses are specifically reminded that a statement that information or a document is confidential, or consists of advice to government, is not a statement that meets the requirements of the 2009 order. Instead witnesses are required to provide some specific indication of the harm to the public interest that could result from the disclosure of the information or the document.

An officer called to answer a question for the first time should state their full name and the capacity in which they appear, and witnesses should speak clearly and into the microphones to assist Hansard to record proceedings. Could I please remind everyone present to switch off their mobile phones or render them inaudible?

Before we start, I want to put on notice that the committee may well go into a private session sometime after 10 o'clock to deal with some correspondence that the committee has received from the minister.

I now welcome Senator the Hon. Anne Ruston, Assistant Minister for Agriculture and Water Resources, representing the Minister For Agriculture And Water Resources, Mr Darryl Quinlivan, Secretary of the Department of Agriculture and Water Resources, and officers of the department. Before we start, I would like to congratulate Cindy Briscoe and David Williamson on their appointments to deputy secretary. Minister Ruston, do you or Mr Quinlivan wish to make any opening statements?

Senator Ruston: I will not, but I believe Mr Quinlivan would like to.

Mr Quinlivan: I have not so much a statement—just a couple of explanatory comments to explain where we are with implementing election commitments. Like most departments, since the election we have been busy working on commitments by the government made during the election campaign. A number of those have already been implemented. A dairy symposium to engage with industry representatives across the supply chain was held

on 25 August in Melbourne. The outcome of the review into the Working Holiday Maker visa arrangements was announced by the government on 27 September 2016.

However, the implementation of some other election commitments—and I know some of these will be of interest to the committee today—are currently being prepared for cabinet consideration. We are expecting that to happen in the near future. With these, there will be some limits on the content and deliberative material we will be able to discuss today. The government has committed to the establishment of a Commonwealth Regional Investment Corporation to manage \$4.5 billion in farm business and water infrastructure concessional loans, and we have established a task force to work on this project as a priority. We are expecting the government to make a decision on the implementation of that commitment in the near future.

The government is also currently considering funding and policy approvals for commitments made under the National Water Infrastructure Development Fund. The Deputy Prime Minister has written to relevant states offering bilateral schedules covering National Water Infrastructure Development Fund feasibility studies by each government.

Thirdly, there is the election commitment to relocate the Agricultural Pesticides and Veterinary Medicines Authority to Armadale. As you know, we have commissioned external analysis and advice to assist with the provision of our advice to the government and the minister's advice to the cabinet. Consistent with standard executive government practice, and to maintain the confidentiality of the cabinet process, there will be limits on what we can talk about in relation to this report today. Once that process has been completed, of course, what material is released will be a matter for the government. Beyond those comments, we will be happy to help with any other questions the committee has today.

Grains Research and Development Corporation

[09:08]

Senator CAROL BROWN: Is the GRDC aware that the Minister Joyce is seeking to relocate the APVMA to Armadale, in his own electorate?

Mr Jefferies: Yes, we are aware of the intention.

Senator CAROL BROWN: Is the GRDC aware of concerns about the relocation that have been raised by the NFF, CropLife, Animal Medicines Australia, the Australian Veterinary Association and the CEO of APVMA?

Dr Jefferies: I am not in a place to be able to understand the full workings of the APVMA or the surroundings of it. I am the new Managing Director of the Grains Research and Development Corporation and, to that end, not really in a position to speculate on the discussions around APVMA.

Senator CAROL BROWN: Dr Jefferies, I asked: were you aware of the concerns by those groups? To assist, I will provide some context around what they have said. Members of the National Farmers' Federation have voted against the relocation of the APVMA and have said:

"The farm sector has a lot to lose if new chemical technologies are stuck in the approval process and can't get to market. The approval pathway is already a disincentive to registrants and Australian farms need equal access to technologies used overseas to compete.

Matthew Cossey, the CEO of a peak industry organisation for Australia's plant science sector, CropLife Australia, has said:

... "the considerable operational disruption created by the unnecessary relocation of the APVMA will severely impact farmer access to crucial agricultural products. This will have a significant negative impact on national agricultural productivity."

"It is also disappointing that the announcement of the APVMA relocation to Armidale in the Minister's electorate has been made outside of the cost benefit analysis process ...

"Small economic benefits to the Minister's electorate from the relocation of the APVMA to Armidale pales in significance to the net loss to Australia's agricultural productivity that this relocation will cause. There's no point trying to dress this up as having any real benefit to the APVMA's operations."

The former CEO of Animal Medicines Australia, Duncan Bremner, has said:

In light of the Federal Agriculture Minister's announcement ... that a returned Coalition Government would relocate the Australian Pesticide and Veterinary Medicines Authority (APVMA), Animal Medicines Australia (AMA) reiterated its concerns that the proposed relocation risks significant disruptions to industry.

"The availability of current and future innovative animal health products is paramount to a productive Australian agriculture sector" ...

The Australian Veterinary Association has strongly opposed the move and has said in its submission to the Regulation of Agriculture Productivity Commission:

Moving the APVMA to regional centres risks loss of specialised scientists who will be very difficult to replace. Training new scientists in this specialised regulatory space may result in significant delays to the release of important new agricultural and veterinary treatments. This is likely to impact directly on animal health and welfare and thus farm gate profitability.

And Ms Arthy, the CEO of the APVMA, when she was asked by Senator Cameron while giving evidence to this committee, 'Are you concerned about the implications of the move for your organisation?' said:

I have had no reason to change the advice that I provided last year, which was based on the information at the time about the difficulty in taking the regulatory science component in sufficient numbers and that I would not be able to fulfil my statutory obligations. I have had no reason to change that view.

Senator Cameron followed that up by asking what the implications would be if she could not fulfil her statutory obligations.

CHAIR: Senator Brown, I am loath to—

Senator CAROL BROWN: I am nearly finished.

CHAIR: interrupt, but I was out of the room, I am sorry, when you started. We have a section set aside for the issues around the APVMA later in the morning. Do you want to advance this now while we have the opportunity with the Grains Research and Development Corporation?

Senator CAROL BROWN: Yes, I just want to finish the question, and then I will move on to—

CHAIR: Well, it is not quite a question.

Senator CAROL BROWN: It actually is a question. I note that—

CHAIR: I hope it will lead to a question.

Senator CAROL BROWN: you were out of the room, so—

CHAIR: We will allow latitude on this, but I do want you to focus on the fact that there is an opportunity later in the morning to—

Senator CAROL BROWN: I will be asking about the APVMA throughout the session.

CHAIR: If you want to direct questions to the grains council about it—

Senator CAROL BROWN: Dr Jefferies, now that I have indicated some of those concerns, my question to you is: were you aware of those concerns from those groups?

Dr Jefferies: Only what I have read in the media along those lines.

Senator CAROL BROWN: From those groups.

Dr Jefferies: I do not see that what any of that actually has a lot to do with the functioning of the GRDC.

Senator CAROL BROWN: My question was: were you aware of those concerns? You were saying that you were aware of those concerns, but only the concerns that have been raised in the media.

Dr Jefferies: That is right.

Senator CAROL BROWN: Do you have any concerns about the loss of capability that might occur if the APVMA is relocated?

Senator BACK: A point of order, Chair. I have got questions of the GRDC, as I am sure Senator Brown has with the APVMA. Can we get onto the GRDC?

CHAIR: I am inclined, Senator Brown, that we should focus. If you have a question in relation to the APVMA, I would urge you to consider taking it over to the other segment.

Senator CAROL BROWN: It is an important point: I am asking the GRDC about their view.

CHAIR: Let us do this: we will show great tolerance to you, but if I find that you are devoting the larger part of your examination of this witness to matters to do with the APVMA then we will intervene and ask you to take it over to later in the morning. You have the floor.

Dr Jefferies: I have very little understanding of the intricate workings of the APVMA, so I am in no position to comment about whether or not a reallocation to another site or another business model is appropriate for that organisation.

Senator CAROL BROWN: What are the current staffing numbers of the GRDC?

Dr Jefferies: We have a total staff of 79 employees, plus contractors.

Senator CAROL BROWN: How many contractors? How does that work?

Dr Jefferies: I would have to take that question on notice, but I would imagine it is in excess of 30.

Senator CAROL BROWN: If it is different can you provide that on notice? How many staff members have been relocated from Canberra?

Dr Jefferies: There have been five staff relocated from Canberra, but we have recruited many other staff in our regional office.

Senator CAROL BROWN: How many staff members are currently in Canberra?

Dr Jefferies: About 53, although, if that is not correct I may need to take that on notice.

Senator CAROL BROWN: Yes, that is fine. So five have moved from Canberra. How many have you recruited?

Dr Jefferies: An additional 21 in regional offices.

Senator CAROL BROWN: With that recruitment, is that an increase from what your staffing level was before the relocation?

Dr Jefferies: Marginally, yes. I would have to take that on notice in terms of what the difference would be.

Senator CAROL BROWN: Okay, could you please take that on notice. What process was undertaken to identify which staff members would be relocated?

Dr Jefferies: I have only been in this position for three months. I am not aware of the process that was undertaken to decide on what staff.

Senator CAROL BROWN: Can you take that on notice?

Dr Jefferies: I certainly can.

Senator CAROL BROWN: Were staff members offered voluntary redundancies due to the relocation?

Dr Jefferies: Again, I am not aware of the processes. That was before my time. I believe there were, but I would need to take that on notice to be absolutely accurate.

Senator CAROL BROWN: Could you please take on notice how many and the cost.

Dr Jefferies: Could I clarify what you mean by 'the cost'?

Senator CAROL BROWN: The cost of the redundancies. How many staff members are located at the new locations?

Dr Jefferies: We have six permanent staff in Adelaide, two in Dubbo, six in Toowoomba and eight in Perth.

Senator CAROL BROWN: And you have 53 in Canberra.

Dr Jefferies: I said that I would need to check that number, but I think that it is maybe 52.

Senator CAROL BROWN: You can check that.

Dr Jefferies: We would need to clarify that, yes. It is very close.

Senator CAROL BROWN: Do you have information available here today about the cost to relocate the GRDC, including new lease arrangements, employment ads and relocation costs?

Dr Jefferies: Yes.

Senator CAROL BROWN: You do?

Dr Jefferies: Could I clarify that? They were relocation expenditure and—

Senator CAROL BROWN: Recruitment ads, relocation costs, even though you have said that it was only five that have been relocated from Canberra. Where did those five go?

Dr Jefferies: One to Adelaide, one to Dubbo, two to Toowoomba and one to Perth.

Senator CAROL BROWN: What level are they?

Dr Jefferies: This was done before my time. I would need to take that on notice.

Senator STERLE: What about the costs?

Dr Jefferies: For relocation expenses would you like a cumulative number or a detailed number per site?

Senator CAROL BROWN: Detailed per site, please.

Dr Jefferies: The relocation expenses for Adelaide were \$7,958.36 with furniture and fit out costs of \$9,682. For Dubbo, relocation expenditure was \$10,515 with furniture and fit out costs of \$35,900. For Toowoomba, the relocation expenses were \$15,378.36 with furniture and fit-out costs of \$64,000. For Perth, relocation expenses were \$17,520.06, and furniture and fit-out costs were \$50,000.

Senator STERLE: That is all funded out of levy payers' money?

Dr Jefferies: Levy payers and federal government money, that is correct.

Senator STERLE: Could you just tell us what the split was?

Dr Jefferies: I would have to take that on notice in terms of the split, but it is approximately one-third to two-thirds—with two-thirds levy payers.

Senator STERLE: One-third government and two-thirds levies?

Dr Jefferies: That is correct.

Senator BACK: That is in terms of your general expenses?

Dr Jefferies: That is our general revenue. It is approximately two-thirds to one-third.

Senator CAROL BROWN: That is set up and relocation costs to set the officers up in those areas?

Dr Jefferies: That is right, relocation and set-up costs.

Senator CAROL BROWN: Ongoing costs would be funded the same way?

Dr Jefferies: They are funded from the same source, yes. Ongoing costs—do you want it by site?

Senator CAROL BROWN: Yes, please. To save me adding up those—

Senator STERLE: I will do it now. I am on to it.

Dr Jefferies: Running costs at Adelaide are \$30,250. Running costs for the Dubbo site are \$28,000. Those are per annum plus GST. There are all GST exclusive. It is \$52,605 for Toowoomba, and Perth is \$45,120.

Senator CAROL BROWN: What do those outgoing costs include?

Dr Jefferies: That would be lease and outgoings, I would assume. However, I would need to take that on notice to be perfectly accurate.

CHAIR: Senator Brown, could you work with me to find a break in the weather, so we can move to other things? Do people have questions in this area?

Senator STERLE: Senator Brown can speak for herself but there is not a lot more in this area.

Senator CAROL BROWN: There are only a couple more questions.

CHAIR: You have burdened me with having to give equal time around on the same subject.

Senator STERLE: I would seriously rather we finished, because if we get into the shemozzle where we start going here, left and right, it does not assist any of us, I am sorry.

Senator BACK: It is just that I have a number of questions.

Senator STERLE: Then we will be finished. That is what I am asking. Senator Brown is—

Senator BACK: I am just saying we are going to go over the 9.15 am, because it is now 9.20 am.

Senator CAROL BROWN: I will ask the question and—

CHAIR: Just one moment please, Senator Brown. This is about the management of the committee. We are already using an allocation of time that is equal to the entire time devoted to this section. By the time we do that two more times, we are going to be well and truly behind before the whistle is even blown. Proceed, Senator Brown. I will give you the tolerance to complete your line of questioning by 9.30, say, if that is possible.

Senator CAROL BROWN: So, Mr Jefferies, you are going to check the ongoing costs?

Dr Jefferies: Just the details of the breakdown and what is included in the ongoing costs.

Senator CAROL BROWN: What are the regional staff members doing to engage with the regions, in particular farmers?

Dr Jefferies: Thank you for the question. A primary reason for the relocation is to have greater engagement with growers. Recently, in fact, I spent three days touring the northern wheat belt of WA, for example, and I spent three days in the south-west of Queensland and three days in the Wimmera and south-west of Victoria. Many growers that I met on those trips commented on how pleased they were about the hub and spoke model that GRDC had implemented and the greater access they have to GRDC staff.

Senator CAROL BROWN: That is what you have been doing. What have the staff actually been doing in those areas? What is their work plan?

Dr Jefferies: The primary functions of the majority of staff in that area are to run, coordinate and supervise projects that focus mostly on agronomy, farming systems and crop protection—so issues very close and of local relevance as opposed to issues that are of national relevance, which we tend to manage from our Canberra office.

Senator CAROL BROWN: So they are going out meeting with farmers?

Dr Jefferies: That is right.

Senator CAROL BROWN: What about the office where there are only two located—I think it was Dubbo?

Dr Jefferies: The Dubbo office works in partnership with the Toowoomba office. We have chosen to split that office simply by the tyranny of distance. Our operations are broken into a northern, a southern and a western region, and the distance that needs to be covered and the complexity of the environment in the northern region warranted having a satellite office in Dubbo and a lead office out of Toowoomba.

Senator CAROL BROWN: My question was: are they going out talking to farmers, or are the farmers coming into the office?

Dr Jefferies: The intent of these offices is not to be a shopfront for growers. It is an intent of these offices to be a location from which the staff access the growers. Also they are there to establish relationships with the local research partners. For example, in Western Australia you have the University of Western Australia, Curtin, Murdoch and also, of course, the Western Australian department.

Senator CAROL BROWN: Do you have any measures in place to measure the success of the relocations? How are you going to know if that is working as intended?

Dr Jefferies: The strategy behind the relocation was discussed and decided before my time, so I would need to take on notice what performance measures, if any, have been agreed.

Senator CAROL BROWN: Alright. Thank you. That is it, Chair.

Senator BACK: Dr Jefferies, thanks for that advice, particularly in terms of the eight people now based in WA. As you know, we produce between 14 million and 18 million tonnes of wheat a year. Hopefully this year it will be closer to 18. There has always been a complaint from Western Australian producers that they never see GRDC people. Further to Senator Brown's question, which I completely agree with, what has been your experience to date in terms of this move and the response by Western Australian growers? How, again, are we actually going to objectively measure that?

Dr Jefferies: Thank you for the question. I have been here for three months and I have had very little experience in feedback from it, other than my recent tour with the Western Panel of the northern Wheatbelt of Western Australia, in which over a three-day period we toured and visited a number of the leading grower groups. We were very pleased with their very positive feedback on the much greater access of staff to them so they can raise issues, discuss constraints, monitor outcomes and capture outcomes from research in a locally engaged way, so it is very specific to their environment.

What measures? Again, that is a similar question to Senator Brown's question. What performance measures we have, if any, I would have to take on notice.

Senator BACK: In this hub-and-spoke model, do you see the opportunity for there to be greater access across Australia—across the grain-growing areas—perhaps from research undertaken in South Australia having application on the Darling Downs, or in Western Australia or beyond and vice versa? Is part of the objective of this to have people who are more local, but with a national perspective? How might that work? And how do you intend to coordinate it?

Dr Jefferies: In fact, I have spent the last 14 years as the CEO of AGT, Australia's largest market-leading wheat-breeding company. It is a wheat variety development and commercialisation company. In fact, we established a hub-and-spoke model in that business model. We did that so that we could centralise and establish critical mass and economy of scale for all functions where that was a relevant and appropriate thing to do. And we regionalised things that needed to be close to market or close to the clients in terms of either the environmental influences that were specific to that region—as you would well know in Western Australia—or in grower engagement. That business model was extremely successful and the company was extremely successful. I believe that the model that we have in GRDC is very similar in how it is applied, and I expect it to be equally rewarding.

It is really important that the people in our Canberra office see that coordination across the regions, and the types of relationships that you are alluding to, Senator, are critical to this working. It is a danger, in a model like this, to create islands. And so the national coordination of our activities is absolutely critical, and something we will be focusing on a lot going forward.

Senator BACK: Has it been your experience in the past—and do you expect it to be with this new hub-and-spoke model—that there will be greater opportunity for producer-driven demands for R&D, both at the local level and across the board nationally? In other words, what I am really asking is this: are you expecting to see better bang for the producer's buck in terms of levy payments?

Dr Jefferies: I would expect that we will have research that is much more relevant to the local environment. The key here is to identify a research activity that is specific to an environment. To that end, I think there is an opportunity for greater return on the research that is very targeted in that environment—absolutely.

Senator BACK: Thank you.

Senator LEYONHJELM: Are you aware of the Primary Industries Levies and Charges Collection Amendment Bill?

Dr Jefferies: Yes, to some extent I am aware of it.

Senator LEYONHJELM: Do you know its purpose and what it is intended to do?

Dr Jefferies: Again, I am only three months into this job—my awareness is very superficial. So, no, I would need to take that on notice.

Senator LEYONHJELM: Okay. Just to help you—I imagine there are other people in your organisation who do know about it—

Dr Jefferies: I am sure.

Senator LEYONHJELM: So in case you need a memory jogger, it is intended to allow the collection of levy payer information from agricultural industries that pay statutory levies. So the purpose is to create databases of levy payers. Are you aware of that?

Dr Jefferies: Yes, I am.

Senator LEYONHJELM: Is there anything happening at GRDC as a result of the passage of this legislation?

Dr Jefferies: To date we have had some internal discussions. We have had some dialogue with the department on this issue and I have a meeting this afternoon with one of the other RDCs, so we are in dialogue about implementation going forward.

Senator LEYONHJELM: That is as far as you have got?

Dr Jefferies: That is right.

Senator LEYONHJELM: Do you have a view as to where it might take you?

Dr Jefferies: All I can say is that I see there is great merit in it. Knowing from our point of view who our levy payers are will help us on two levels—it will help us in designing strategy to deliver the maximum benefit we can to growers, so designing it based on what we can understand about their businesses—the scale and operations of their business—and how we can optimise communication so that the outcomes of our R&D are taken up as quickly as possible so that the economic benefit can be captured as soon as possible.

Senator LEYONHJELM: I was also very actively involved in the Senate inquiry into levies that recommended this, so I intend to follow this closely. I will have a chat to you about this at another estimates.

Dr Jefferies: Great—I look forward to that.

Mr Quinlivan: This is essentially an activity of the department rather than the guarantee corporations. Those who are working on it will be here this afternoon under outcome one.

Senator LEYONHJELM: So you do not see the RDCs as having primary responsibility?

Mr Quinlivan: The policy and the framework within which this is going to work is being done by the department, in consultation with the R&D bodies and also the peak industry bodies. I think there is a shared objective in improving the flow of communication, as has just been described, from growers about their needs to the R&D corporations but also the research products back to producers. But there need to be some protections around that, obviously. We are currently looking at those kinds of questions. We can talk you through that this afternoon if that is convenient.

Senator LEYONHJELM: Just for the benefit of Dr Jefferies, in the inquiry we probably had as much noise about GRDC and its consultation, or perhaps lack of it, as any other R&D corporation, so I am particularly interested in what you will be doing as a consequence of this legislation.

Senator RICE: When did the relocation of the staff occur under your hub-and-spoke model, over what period of time did that take place and has the process been completed?

Dr Jefferies: I understand it started a little over a year ago. It largely is completed except that we are starting a new strategic planning process as we speak and, while it might be a little premature to comment on the outcomes of the strategy development, I would anticipate that we would be likely to grow our capacity in the regional offices.

Senator RICE: At the moment you have most staff still remaining in Canberra—53 compared with 22 or so in the regions?

Mr Quinlivan: That is correct. We have just under 30 per cent of staff in the regions.

Senator RICE: Is that deliberate? Do you expect that ratio to continue?

Mr Quinlivan: I think it is largely dependent on our strategy going forward. As we develop our strategy we will be looking to maximise the opportunity to create enduring profitability for Australian grain growers. If that means we are bested in achieving that by having greater resources in the regions then we will certainly be doing that. We do not have a target number at this stage.

Senator RICE: Do you think that that is the case, that that would be a better—

Dr Jefferies: I would not like to speculate whether that is a better model right now, except to say that we are very pleased, as I have articulated today, with the feedback and how the regional model is performing at the moment. So we are quite positive about that direction.

Senator RICE: Was the regional model something that the GRDC had been looking at for a while, or was it something that has been implemented because of the government policy being imposed upon you?

Dr Jefferies: Again, I was not around. I have been here for three months, so I am not really aware of the details of our strategy and what the drivers behind the strategy were initially.

Senator RICE: Could you take that on notice and get back to me on that—whether there had been any consideration of the regionalisation prior to the government's policy change?

Dr Jefferies: Yes.

Senator RICE: Have you had staff leave because of the change to your hub-and-spoke model?

Dr Jefferies: I am certainly not aware of that, but I would need to take that on notice to be absolutely certain.

Senator RICE: Have any staff been made redundant because their positions have shifted to a regional area and they have not gone?

Dr Jefferies: Not to my knowledge, but I would need to take that on notice.

Senator RICE: Senator Brown and Senator Back asked about the criteria. It sounds like you do not know whether there were in fact any criteria that were set up as to what you were achieving through that, and what those criteria are. I find that a bit odd. If you were actually changing something, surely you would have some criteria established.

Dr Jefferies: It is possible that there are criteria. However, all I can say is that I think the model is a very good functioning model. I come from a business where we established a business from day one in an almost identical model, and that was a commercial business. So I certainly am supportive of it. I am very supportive of it. I am not surprised that the GRDC chose to go down this path.

Senator RICE: But do you acknowledge that in order to determine whether it is successful or not you have to have some criteria to judge it against?

Dr Jefferies: Yes. And I think there was a question earlier about performance measures. So I think we have that on notice—have we got any performance measures about whether it has been successful or not.

Senator RICE: Was there a cost-benefit analysis undertaken about the move prior to the move occurring?

Dr Jefferies: Again, not to my knowledge, but I would need to take that on notice to be perfectly accurate.

Senator RICE: If that cost-benefit analysis was undertaken, is that a public document now?

Dr Jefferies: Again, I would need to take that on notice. I am not aware.

Senator RICE: In terms of your relocation and your success—it sounds like you think that it has gone very well—would you have any advice for the other organisations that are undertaking this type of relocation now, as to how to make it successful or lessons to be learnt?

Senator BACK: That is very brave, senator, but I do not think the witness has to answer that question. He can confine himself to his own portfolio.

Senator RICE: Any lessons that you have learnt through the process or pitfalls to avoid?

Dr Jefferies: I think—again, from my experience with the previous company and with this one—I was not automatically convinced that the regional model was appropriate for the GRDC until I had an in-depth understanding of the workings of GRDC. So I do not think I can speculate about whether this model is

appropriate for any other organisation of any form. Certainly, it appears to be working for GRDC, and it certainly worked for the company that I worked for previously.

Senator RICE: Thank you.

CHAIR: I have some questions, but we might just deal with this housekeeping matter to do with the media first. Let me apologise in advance for this disruption, but we are going to convene a private meeting to deal with this resolution.

Proceedings suspended from 09:34 to 09:35

The committee has resolved to authorise all media outlets present at a public hearing to record the proceedings subject to the following condition: the committee or a witness can object to being recorded at any time, and the committee can require the recording to cease at any time. A recording must not occur from behind the committee or between the committee and witnesses and must not otherwise interfere with the proceedings. Computer screens and documents belonging to senators must not be recorded, and flashes must not be used. Are any of the witnesses at the table opposed to the media recording proceedings?

Mr Quinlivan: No.

CHAIR: I thank you for that and I apologise for the disruption. Mr Jefferies, I have a question. We have recently passed a resolution in the Senate that allows for research and development councils to create a register of their members with their levy payers so that they can have a direct relationship in communicating with them. It is, I think, discretionary for each of the councils to decide whether they will or will not take up the option to develop a register. Is it the intention of the Grains Council to develop a register.

Dr Jefferies: To clarify: is the question relating to the database which we were discussing earlier and the recent legislation that was passed?

CHAIR: Yes, the recent bill. There was a privacy issue with you knowing the identity of your levy payers, so you will have a register or database of the levy payers, but it is optional. My question to you is: have you contemplated the question of whether you are going to create a database?

Dr Jefferies: Certainly I understand the organisation has discussed this issue. We are very supportive of the legislation and we are supportive of, as you are calling it, a register. We see it as a mechanism by which we can devise strategy that targets specific segments of our collective of levy payers, and so we can develop strategies that suit different scales of operations and multiple crop types. Similarly, we should be able to design communication strategies that ensure the better uptake of research outcomes and therefore greater opportunities for greater profitability in the industry. So we are very supportive. I am not aware whether there has been a board decision one way or the other to support it, but I would anticipate that. I am certainly aware that our organisation is supportive of the register that you are referring to.

CHAIR: All right. It sounds like there are some exciting times ahead there with the use of that technology.

Senator RICE: One last question in terms of the overall costs: have your costs at your Canberra office decreased with the reduction in staff?

Dr Jefferies: Could I clarify? Have the costs of—

Senator RICE: You outlined the extra costs of establishing your new regional offices, so I was interested in the costs of your Canberra office. Has there been any reduction in costs in the running of your Canberra office?

Dr Jefferies: I would need to take that on notice. I do not know the details of that.

Senator RICE: Okay, thank you.

CHAIR: There being no further questions for Grains Research and Development Corporation, we thank you for your attendance and wish you a safe journey home.

Rural Industries Research and Development Corporation

[09:50]

CHAIR: Welcome. Do you have any objection to the attendance of the media on the passage of your evidence?

Mrs Hull: No.

CHAIR: Senator Back.

Senator BACK: Good morning, Mr Harvey. How are you? Mrs Hull, it is lovely to see you back, gracing the walls of this building.

CHAIR: Steady on!

Senator BACK: You are looking even younger than the last time I saw you, which means I need new glasses! You have probably forgotten this process, Kay!

Mrs Hull: Absolutely not!

Senator BACK: Now, we have the relocation of RIRDC ongoing. Can you firstly tell me how this process is working from effectiveness, organisation and individual staff points of view?

Mr Harvey: Thank you for the question. Firstly, can I say the move from Canberra to Wagga Wagga is progressing smoothly. The decision to move was made by the board on 24 February this year. We have opened an office in Wagga Wagga. We opened the office on 19 September. The office we have here is based out at the Charles Sturt University campus, and the university has very kindly renovated, refurbished and refitted that facility for us. It is a stand-alone building on the campus. We are progressing smoothly in terms of the transition. We have three staff, including me, now based on that campus. We have another staff appointed who will start in mid-November. We have two more staff moving over from Canberra and we are currently in the process of recruiting two program managers, so we will have eight of the 11 positions that we will have in Wagga Wagga appointed and in place before the end of the financial year. The remaining three positions we always intended not to appoint into Wagga to ensure we had an overlap during the transition, and we will appoint those three positions once we close the Canberra office, which will probably be early February next year.

Senator BACK: This committee will want to know, if you can take some time, the costs involved in this process and the savings, if at all, to date or anticipated of such a move.

Mr Harvey: To date cost of relocation has been around \$200,000. Our expectation is that there is about \$750,000. That is an estimate of how much it will cost us to complete that move, so total cost is just under \$1 million: \$955,000.

Senator BACK: By the end of this financial year?

Mr Harvey: Correct.

Senator BACK: Is that when the move is completed?

Mr Harvey: The commitment the board made was to have the move completed by June next year. The way we are going at the moment, we will be closing the Canberra office in February next year, well ahead of schedule.

Senator BACK: And savings, if any anticipated? Presumably we will not be requiring the Canberra office to be continued.

Mr Harvey: There are certainly savings in terms of accommodation. Also, in making the move to Wagga we have taken the opportunity to look at what resources we need within the organisation, so there are also savings in salaries. The total savings we are anticipating on an ongoing basis is \$1.2 million.

Senator BACK: I know the Wagga campus well; I gave the first occasional address for the graduating veterinarians. Senator Leyonhjelm, you were not here then; otherwise, you might have given it. But I am also familiar with the University of California, Davis, where I have been on the faculty, and having research and development organisations on university campuses. Can you tell us what benefits, if any, you see to your organisation and indeed to the faculties and students from being located on the university campus?

Mr Harvey: There are a number of potential advantages, and at this stage we are yet to explore those opportunities of being on a university campus in a region and also being part of a regional community. As an organisation that serves regional Australia, there are clearly some opportunities from being part of a region. There are certainly some national programs that we run in terms of building capacity and building skills. For example, we run the horizon scholarship program. The horizon scholarship program gives incentives for undergraduates to get involved in agricultural curricula and to do leadership training. Clearly a number of those candidates are actually based at CSU. There is an opportunity for us to actually involve them a bit more in our business: get them some work experience, some internships, some opportunities to actually understand a bit more about the industries that RIRDC is involved with. There are also potential opportunities in terms of R&D programs where we have got common interests, and they are yet to be explored with CSU.

Senator BACK: My final question is about operational efficiencies. Are you exceeding them yet? Do you anticipate operational efficiencies? If so, what will they be?

Mr Harvey: At this stage it is probably too early in the transition to be able to answer that question confidently. We are right in the middle of that transition. We are still establishing staff. As for, the actual operational efficiencies and how that is going to operate, we are not anticipating any major difficulties. We have good services in terms of transport to both Sydney and Melbourne out of Wagga Wagga. We are obviously close to Canberra. But we still really have got to see how that goes over the next 12 to 18 months.

Senator BACK: CSU has a very proud history of external studies. I think more of their students study externally than on their campuses. Senator Sterle would recall that, as a result of our interventions, the CSU agribusiness degree is now run at the Muresk Institute in Northam and has been for the last three years. So it will be interesting to see whether RIRDC can actually integrate into some of those activities because of the nature of what you do. So I will follow that with keen interest. Thank you.

CHAIR: Senator Sterle.

Senator STERLE: I am going to go to Senator McCarthy.

Senator McCARTHY: Mr Harvey, I go to some of your responses. You said that the savings in accommodation and in salaries is a total of \$1.2 million. How do you break that down? What of that is accommodation and how much of that is salaries?

Mr Harvey: In terms of ongoing savings associated with accommodation, that is lease, electricity, parking and cleaning. The savings there is around \$260,000 per annum. In terms of salaries, the savings is \$985,000 per annum.

Senator McCARTHY: What process was undertaken to identify which staff members would be relocated?

Mr Harvey: All staff were given the opportunity to relocate to Wagga Wagga. For a whole range of reasons—because of families, spouses and other reasons—some of them were unable to make that move, so the staff that were unable to relocate were able to access a redundancy.

Senator McCARTHY: And how many of those were taken?

Mr Harvey: At the moment, we have had one redundancy.

Senator McCARTHY: So only one staff member refused to go and took the redundancy, or are you saying that only one staff member—

Mr Harvey: At the moment, we have paid one redundancy, but we have expectations that there may be more redundancies. Our expectation is that there will be up to four more redundancies. Clearly, this move has been on the cards for quite a while, and a number of staff have voluntarily found other employment.

Senator McCARTHY: How many of those staff?

Mr Harvey: Approximately five. If you want that exactly, I will need to take it on notice.

Senator McCARTHY: Okay, thank you. You spoke about the figures there in terms of the cost of relocation and you estimated \$750,000 to complete the move to Wagga. What are the ongoing costs?

Mr Harvey: In terms of relocation, we are not expecting any ongoing costs associated with relocation once we are actually established in Wagga Wagga. The cost that I have given you for the relocation is our expectation of the full cost.

Senator McCARTHY: That is your final cost?

Mr Harvey: But, as I mentioned earlier, we do expect some savings associated with lower rents and with less salary expenditure.

Senator McCARTHY: In relation to research and development projects, you said that is yet to be explored. Can you give us an indication of what the commonality is in your move to Wagga and being able to expand those research and development projects?

Mr Harvey: Clearly RIRDC is a national organisation. We have a mandate to invest in new and emerging industries right across Australia and also industries that do not have their own RDC. RIRDC also has a mandate to deal with issues that potentially go across sectors or across industries. We will continue to fulfil that national mandate from Wagga. What we have not done yet is explore with the university whether there are some specific partnerships that we could do with the skills and expertise that they have located at CSU. I should also emphasise that, being a national organisation, we intend to maintain our relationships and our investment across the national footprint, not just at CSU.

Senator McCARTHY: Mr Harvey, could I ask a last question which will help us as we go on through the day? What detrimental effect will the relocation of the APVMA have on your levy payers?

Mr Harvey: That is a question which I have not put a lot of thought into and probably cannot really give you a considered answer.

Senator McCARTHY: Now or could you give us one later? Would you like that question on notice?

Mr Harvey: It is probably a question that is more directed at the department.

Senator STERLE: I think it is fair. You do have levy payers. I think it is a simple question: will the move have any effect on the work that you do for your levy payers? It is simple; it is not hard. It has been around for a long time.

Mr Harvey: Senator Sterle, the answer is that, honestly, at the moment, I am not—

Senator STERLE: You have not spoken to your levy payers?

Mr Harvey: I do not know what the impact will be on APVMA as I do not know what the impact will be on our industries.

Senator STERLE: I have questions, but I will wait.

CHAIR: I just need to mention to the young man from the media: my wife sometimes watches these proceedings. You are not to film me while I am eating biscuits, all right!

Senator BACK: What about dunking them?

CHAIR: I do not dunk. Senator Rice.

Senator RICE: Could I clarify the numbers of staff? Before your relocation, how many staff did you have?

Mr Harvey: About 16 FTEs.

Senator RICE: There was an article in *The Weekly Times* in August that said, according to the RIRDC's annual report last year, the organisation had 18 full-time equivalent staff.

Mr Harvey: Numbers do fluctuate from time to time, depending on what we have on our agenda. The numbers I based my figures on are the 16.

Senator RICE: Could you take on notice the difference between the 18 that was in your annual report and the 16?

Mr Harvey: Sure, absolutely.

Senator RICE: How many staff do you currently have, halfway through the relocation?

Mr Harvey: Currently we have 15.

Senator RICE: How many of those are in Wagga now?

Mr Harvey: Currently located in Wagga are three.

Senator RICE: So you still have 12 staff in Canberra?

Mr Harvey: Yes.

Senator RICE: How many staff after the relocation is completed do you expect to have?

Mr Harvey: After we have completed relocation, we anticipate we will have 11 staff based in Wagga, we will have one staff based in Gunning and one staff based in Hay in New South Wales.

Senator RICE: So you will have 14 compared with your currently 16 staff?

Mr Harvey: We will have 13 instead of 16.

Senator RICE: What changes in programs are occurring through that reduction in staff from 16 to 13?

Mr Harvey: One of the key things I have been managing is ensuring that we still deliver quality service to the industries that we serve. Part of looking at the move was the opportunity to look at the resources we needed and how we do our business. One of absolute drivers is that we continue to maintain that level of service, but we do believe there are some efficiencies we can make in the way we do our business in some of our systems and processes, and that is where we are hoping to pick up that—

Senator RICE: Are there particular functions that you are not going to continue to undertake?

Mr Harvey: No, there are no functions such that we are actually dropping. We are keeping exactly the same functions, but the way we go about it will be slightly different.

Senator RICE: So basically you are saying there will be efficiencies in the way that you are doing things are enabling you to go from 16 to 13.

Mr Harvey: Yes.

Senator RICE: How many staff did you say you had in Canberra at the moment? Eleven. Of the, say, 16 to 18 staff you had prior to the relocation, how many will end up relocating to Wagga?

Mr Harvey: There will be three staff who relocate, including me.

Senator RICE: Only three?

Mr Harvey: Correct.

Senator RICE: So you are retaining only three out of your 16 to 18?

Mr Harvey: We also have the staff member currently based at Gunning who is continuing.

Senator RICE: So it is four out of the 16—only 25 per cent, a quarter of the existing staff.

Mr Harvey: Yes.

Senator RICE: What impact is that going to have on you and your ability to carry out your function? It seems to be a huge amount of disruption.

Mr Harvey: That is one of the things that we have been very careful to manage. Obviously potentially that could have an impact on corporate memory, corporate knowledge and the programs. One of the reasons for doing the transition in two phases is to make sure there is a really solid overlap between the existing staff that are unable to relocate to Wagga and the new staff we are appointing in Wagga. We have built into that transition a good overlap so that there is some of that transfer. Obviously we rely on our record management systems. Also, personally I have put a lot of my time into going around and talking to our stakeholders about the transition and how it is going, making sure that they know who RIRDC is.

Senator RICE: Have you set in place any criteria for maintaining that corporate knowledge or maintaining what you are trying to achieve through the move, particularly given the high levels of staff changeover?

Mr Harvey: The main focus has been on making sure we do a good handover when new staff are appointed and making sure that we have a decent length of time of actual overlap. That has certainly added to some of the cost of relocation.

Senator RICE: Did you establish criteria before the move for what you were trying to achieve through the move so that you could then objectively judge whether the move has been successful?

Mr Harvey: The board has set objectives and KPIs. The relocation is such a fundamental part of our business now that they are captured in the KPIs that we have for the organisation as a whole.

Mrs Hull: I think there is also opportunity in having the relocation in moving with new staff. That is no disrespect to the corporate memories and the capacity of existing and former staff, but it also gives us an opportunity to take RIRDC in a direction that is suited to the stakeholders. It is something that I see as a very positive move and I think the staff are seeing it as a very positive move. The board is clearly determined that this will work and that this will have benefits not only to research and development for our stakeholders and industries but generally to the nation as a whole in agriculture.

Senator RICE: Can you take on notice whether it is the KPIs and the board or the criteria that you are using to judge the success and how you are going to measure that success as you go forward?

Mrs Hull: Absolutely. The board will undertake these discussions in further detail in December and we already have undertaken discussions. We will finalise those discussions in December, so I am happy to take that on notice and provide you with the outcomes.

Senator RICE: Was there a cost-benefit analysis done of the relocation prior to it being undertaken?

Mr Harvey: My understanding is that a costing was done.

Senator RICE: But was there any articulation of the benefits?

Mr Harvey: I would need to take that on notice. That was before I joined the organisation.

Senator RICE: Could you please answer that and, if that cost-benefit analysis was done, whether it is a public document?

CHAIR: Senator Rice, Senator Sterle just wants a clarification on that subject.

Senator STERLE: Mrs Hull, did you say 25 per cent of your staff are moving and 75 per cent are not?

Mrs Hull: Sorry?

Senator STERLE: Mr Harvey said this earlier, but I just want to clarify it with you: 25 per cent of the staff are relocating?

Mr Harvey: We will have 11 positions in Wagga. Of those, three, including me, are relocating from Canberra to Wagga Wagga.

Senator STERLE: So four out of 11 are going?

Mr Harvey: Three out of 11.

Senator STERLE: You said the staff see it as a positive. I have got my figures mixed up. You and I come from the game of '50 plus one wins', and I did not see that as a resounding victory. Anyway—

Mrs Hull: I am seeing it as a positive for the organisation as well. I think the staff who are moving are clearly seeing this as a positive.

Senator STERLE: That clarifies that.

Senator RICE: So we have three staff who are moving, including you, and the one in Gunning is staying?

Mr Harvey: Correct.

Senator RICE: So how many staff who were with the organisation before the move are not going to be with the organisation afterwards—11?

Mr Harvey: It is around 11. I will need to check the numbers.

Senator RICE: How successful have they been in finding work that is equivalently skilled, satisfying and fulfilling for them?

Mr Harvey: Yes, certainly a number of staff. This has been flagged for a number of years now. They were aware this was a possibility when the decision was made by the board. They have taken the opportunity to think out what their career options might be. Most of them were at a stage in their career where it was opportune for them to consider what their next step was and seven of them have found jobs already.

Senator RICE: How about the other four?

Mr Harvey: They are still with us at the moment. We have had a couple—

Senator RICE: You have only had one redundancy so far—

Mr Harvey: Correct.

Senator RICE: but you are expecting to have more. So those four at the moment do not know what they are doing as yet? How long will they have before they are made redundant?

Mr Harvey: Between now and February.

Senator BACK: You are looking at savings of about \$1.2 million. Will that \$1.2 million find its way into further research activity? Is that where we are intending to see the fate of that saving?

Mr Harvey: Correct.

Senator BACK: Into further research?

Mr Harvey: Correct.

Senator BACK: Not consolidated revenue, but research for RIRDC?

Mr Harvey: Correct.

Senator BACK: Wonderful.

Senator LEYONHJELM: I presume you are aware of the Primary Industries Levies and Charges Collection Amendment Bill.

Mr Harvey: Correct.

Senator LEYONHJELM: I am not going to ask the same question I asked the GRDC. But I am aware that RIRDC is a little different from other RDCs: you have a motley lot of people paying levies! Now that you can collect levy payer data and establish levy payer databases, do you intend to and what do you envisage you will do with them?

Mr Harvey: We are certainly supportive of being able to access that data when it becomes available. Obviously, we interact with a number of different industries. Some of them have really well established communication networks. Some of them are really quite small and it is quite easy to identify who the players are. But we do think there is some opportunity for us to better communicate the results of our research if we can clearly access who our levy payers are. So we will be talking with our various industry sectors about how we might do that.

Senator LEYONHJELM: Do you see communication being one way—from RIRDC to the levy payers—or do you envisage that it might be two way?

Mr Harvey: It will actually be easier to do both because we will have a mechanism for being able to identify and have those conversations with our levy payers. So it will make consultation both ways easier.

Senator LEYONHJELM: Do you think there is an appetite for consultation? Do you think there is an appetite among your constituents, your levy payers, to talk more to RIRDC?

Mr Harvey: Absolutely.

Senator STERLE: When RIRDC was based here in Canberra, where were you?

Mr Harvey: We were based in Pharmacy House.

Senator STERLE: In a rental situation?

Mr Harvey: Correct.

Senator STERLE: What was the rental cost per year?

Mr Harvey: The rent RIRDC was paying was \$27,700 per month, or annual rental of \$332,000.

Senator STERLE: Did that vary each year, or was it fixed for a certain amount of time?

Mr Harvey: I would need to take that on notice.

Senator STERLE: So with the move to Wagga—and you have explained that quite well—what is the rental cost out there?

Mr Harvey: The rent at Wagga is \$120,000. That includes electricity, parking and cleaning.

Senator STERLE: And that was not concluded before.

Mr Harvey: That was not included in the question you asked me before. If you are looking for a comparison, the correct comparison would be \$386,000 in Canberra and \$120,000 in Wagga.

Senator STERLE: And you have just got that new one at Hay?

Mr Harvey: We have one person currently based at Hay and one person based at Gunning.

Senator STERLE: I knew about Gunning, but Hay was an existing position?

Mr Harvey: Correct.

Senator BACK: A quarter of \$1 million a year.

Senator STERLE: We should move the parliament out there! What do you reckon?

Senator BACK: No, move it to Perth!

Senator CAROL BROWN: I want to ask a question about recruitment. Are you still going through that process?

Mr Harvey: Correct. We are still going through that process. We have appointed four people and we are currently well down the process of recruiting another two. After Christmas, we have three remaining positions that we will recruit.

Senator CAROL BROWN: So that six plus the three that are out there makes nine—and there are two more, so we are back to 11. So there is going to be an overall reduction of five staff?

Mr Harvey: We are going from 16 to, I think, 13.

Senator CAROL BROWN: So you do not see that reduction as having an impact on the work that you do?

Mr Harvey: One thing we have been absolutely focused on is making sure we deliver a quality service to our industries. That is paramount. We do see some potential to manage the portfolio slightly differently and do our business slightly differently, and we think we can make some savings in that process.

Senator CAROL BROWN: In your recruitment, is there a reason why you have not filled all those positions? Is it because some of the vacancies have not occurred yet?

Mr Harvey: To be really clear: we have had very strong fields for people both currently located in Wagga Wagga and outside of Wagga Wagga. We are systematically working our way through the process. I have started by appointing the more senior roles first, and we are now moving our way through the other positions in the organisation. I have been pleasantly surprised at the quality and quantity of candidates who have applied for the roles out at Wagga Wagga.

Senator CAROL BROWN: Was the decision to reduce your workforce taken prior to your recruitment process commencing?

Mr Harvey: Correct.

Senator CAROL BROWN: And why was that decision made?

Mr Harvey: I guess with the decision to relocate we needed to recruit anyway because some people were unable to make the move over to Wagga Wagga.

Senator CAROL BROWN: That was 75 per cent, by the sound of it.

Mr Harvey: So we decided it was an appropriate time to look at the resources we need within the business, look at the business and make an assessment about the actual roles we needed. We actually redid all the role descriptions in the organisation as we made that move. It was in some ways an opportunity not to be missed to reorganise the business.

Senator CAROL BROWN: Do you have a consultation process you undertake? Do you talk to your stakeholders about those decisions? It was a board decision?

Mr Harvey: Correct. As I was saying earlier, I have spent a lot of the last six months going out and personally visiting our industries. That is partly because I am new and partly to understand their business, but it has also been to communicate to them the issues associated with relocation and what we are trying to achieve with the reorganisation associated with the relocation. A lot of that is about, as Senator Back put it, the fact that every dollar we save in admin is a dollar that can go into R&D.

Senator CAROL BROWN: What has the feedback from your stakeholders been?

Mr Harvey: The feedback from our stakeholders is certainly positive. However, they have made it very clear that they expect the quality of service to remain as it is—and we are very conscious of that.

Senator CAROL BROWN: They are keeping an eye on you?

Mr Harvey: They are, yes.

Senator CAROL BROWN: Is this the same situation with other RDCs—that the costs are met two-thirds by the levy payers and one-third by government? Is that the way it works?

Mr Harvey: We have a slightly different arrangement from that of GRDC. The immediate costs of relocation are coming out of our base appropriation reserves.

Senator CAROL BROWN: I think you told the committee that the university paid for the refurbishment of the office at Wagga. Is that right?

Mr Harvey: We are leasing from the university. Prior to us moving in, they did a complete renovation, refurbishment and refit—and have done a fabulous job with the office.

Senator CAROL BROWN: At their cost?

Mr Harvey: At their cost, yes. I believe we did make a one-off contribution of \$50,000 for the fit-out—the furniture.

Senator McCARTHY: You have given us the rental for Canberra and for Wagga. What about for Hay and Gunning?

Mr Harvey: They are working from home.

Senator McCARTHY: So no cost to you?

Mr Harvey: I would need to take that on notice. There may be some minor costs—but very small.

Senator RICE: Was the relocation on the agenda of the organisation before the government's policy commitment to move research and development corporations into regional areas?

Mr Harvey: I joined RIRDC in—

Senator RICE: Perhaps the chair might be able to help.

Mrs Hull: I am very new in the role of chair, so I have no idea. The board is also very new—the directors on the board have been there two years. I am not sure whether or not it was on the agenda. I have not picked up any indication from my reading of the minutes.

Senator RICE: Why Wagga? Why was Wagga Wagga chosen as the place to relocate to?

Mr Harvey: That decision was made on 24 February, before either Kay or I were appointed. One of the considerations would probably have been that it was collocated with a regionally based university, and CSU met that criterion. Other than that, I cannot provide you with any more explanation.

Senator RICE: You do not know over what period of time the board had been considering a move?

Mr Harvey: Again, I was not there, but I would have thought it would have been at least two years.

Senator RICE: Can you take that on notice—check back through the board minutes and see when they first started thinking about moving?

Mr Harvey: Sure.

CHAIR: I thank the witnesses. May I say, Mrs Hull, what a positive legacy you left around this place. You have a very positive reputation here even though you have not been here for some period of time. It is good to see you still in harness, so to speak, in supporting our rural communities and rural industries.

Mrs Hull: Thank you, Senator. This is very exciting, something very dear to my heart and something that I am very passionate about. Thank you very much for your kind words.

CHAIR: We know that you will have great input. Mr Harvey, thank you, and safe journey returning to where you come from.

Mr Harvey: Thank you.

CHAIR: We now go to Fisheries Research and Development Corporation. You should all be thankful that Senator Boswell has left the parliament.

Fisheries Research and Development Corporation

[10:25]

CHAIR: Thank you Dr Hone and Mr Wilson.

Senator CAROL BROWN: Can you tell me what your current staffing numbers are at the FRDC?

Dr Hone: Thank you for the question. Our current staffing members that FRDC fluctuate so, at the moment, our numbers are 21.

Senator CAROL BROWN: Is that 21 permanent full-time?

Dr Hone: They are not permanent. We have contract short-term staffing numbers, so 21 is the number.

Senator CAROL BROWN: What are they?

Dr Hone: It is 21 but they are not—

Senator CAROL BROWN: In what capacity are they employed?

Dr Hone: Some of them are on a one-year contract; some of them are on a two-year contract.

Senator CAROL BROWN: How many of those staff members will be relocated to Adelaide?

Dr Hone: FRDC did not relocate.

Senator CAROL BROWN: Oh you have not? Are you relocating?

Dr Hone: No, FRDC has been going through an organisational design. This has been going for some time, nearly three years.

Senator CAROL BROWN: For how long?

Dr Hone: It has been going for about three years. We finalised it all in February this year. The board approval was in November 2015. The final decision was to open a new office in Adelaide and that reflected the fact that our industry has been becoming much more capable of undertaking its own research. So we have been trying to establish expertise in regional areas and we have opened Adelaide as a first step.

One of the other things that we have been doing is, because we are now taking on a marketing role, looking for a partner so we have opened the office with Wine Australia. Obviously there is a linkage between seafood and wine and we see that as a logical step. Wine Australia has a lot of experience in marketing, so we have opened this office with six staff members in Adelaide. That is why our numbers are increasing. Our numbers are also increasing because gross value of production has gone up quite a lot in the last two years with the Australian fuel prices, the Australian exchange rates—

Senator CAROL BROWN: Sorry to interrupt—

Dr Hone: So the answer is we did not relocate.

Senator CAROL BROWN: I just want to clarify, you opened a new office in Adelaide?

Dr Hone: We opened a new office, yes.

Senator CAROL BROWN: Obviously the government was indicating that there would be a relocation to Adelaide but you have opened this new office in Adelaide. So the 21 staff that you mention, do they include the six in Adelaide?

Dr Hone: That is correct.

Senator CAROL BROWN: You indicated that that was a first step or first stage?

Dr Hone: Yes, that is right. Our goal is to provide more regional presence. You might want to call it decentralisation but the goal is to have more of our staff members in different areas. One of the areas that we have

been looking at is the north, we are looking further in the west and we are trying to do that in a structured approach. Our goal is to deliver better services to our industry. When we use the word 'industry', we have also got Indigenous, commercial and recreational. Commercial is both wild catch and aquaculture. So it is about delivering a better service.

Senator CAROL BROWN: So those areas that you are looking at, are they going to be in the capital city like Adelaide or they that actually going to be out in the regions?

Dr Hone: At the moment one of the offices we are looking, possibly, to put some people into is in Port Stephens, which is a coastal place in New South Wales. But it is really about delivering the business unit in the appropriate place for where we have the service that we are trying to deliver.

Senator CAROL BROWN: And is that the only location that has been identified to look at?

Dr Hone: At the moment that is the possible one. As I said, we are going through quite a lot of change. With this organisational change of bringing marketing functions in and changing the way we deliver our research, which is much more regionally based, we are not rushing. We have a very strong reputation for research delivery. We do not want to threaten our research delivery processes by changing it much.

Our industry tend to be relatively conservative. They do not like rapid change and we are mindful of that. Also, we do not actually have levies. We are all on voluntary contributions. When you are on voluntary contributions you tend to have to be relatively nimble and make sure that you are not losing track of who pays the money. It is about making sure that we keep on track with our industry.

Senator CAROL BROWN: Have you set yourself a time line in terms of opening other offices?

Dr Hone: No.

Senator CAROL BROWN: Given that you have voluntary payments, there is obviously a lot of consultation with your stakeholders.

Dr Hone: Correct.

Senator CAROL BROWN: How has that been carried out in terms of opening new offices?

Dr Hone: In some ways we are quite lucky. For the commercial part of our industry we have quite good visibility of who they are. They all have to be licensed because they work in a public resource. They are working commercially in marine estates et cetera. There is quite a structured process, in particular around wild fisheries. It is probably fair to say that with the rec sector, and also with the Indigenous sector, it is not quite as easy to consult. To date, the consultation process has been going very well, but the nature of fisheries is that literally you are consulting on almost a daily or weekly basis on fisheries matters. Research tends to be, in fisheries, a very active part of how we work, whether it is a stock decision or decisions about what is happening with the marine environment. It is just part of our general operational principles. We are consulting a lot.

Senator CAROL BROWN: I will just go back to the new office in Adelaide. Did the six staff members there come from Canberra, are they new, or a mix?

Dr Hone: As part of the structural reorganisation that we did we decided to create what we call regional advisory committees. As part of developing the regional advisory committees we put four people, of which two were actually job sharing, in charge of managing it. In putting those people all in one area, half of that group manage what we call the northern group—so, WA, NT, Queensland and New South Wales, though you would say New South Wales is getting a bit far—and then the other half of the team are managing South Australia, Commonwealth fisheries, Victoria and Tasmania. By having them together working with those regional committees our long-term goal is to get better connectivity between regions, in terms of how they do research, to make savings. If you take, for example, the southern states, they all share southern rock lobster as a fish. It makes sense that we manage it across Victoria, Tasmania and South Australia rather than doing it in one area. It is all about trying to develop better savings.

Senator CAROL BROWN: Sorry; my question was, I think: how many staff went from Canberra to Adelaide?

Dr Hone: We opened a new office. There were no new—

Senator CAROL BROWN: So they were all new?

Dr Hone: Yes.

Senator CAROL BROWN: That was my question. What are the costs with the new office?

Dr Hone: The cost of the new office—

Senator CAROL BROWN: And is that shared 50-50 with the wine industry?

Mr Wilson: We pay Wine Australia a lease fee—

Senator CAROL BROWN: Oh, you moved in with them.

Mr Wilson: and it is about \$15,000 a year.

Senator CAROL BROWN: Wine Australia?

Mr Wilson: Yes.

Dr Hone: Wine Australia are a fellow R&D corporation. They do not subsidise us.

Senator CAROL BROWN: I understand that. So you moved into their building?

Dr Hone: Correct.

Senator CAROL BROWN: What other ongoing costs do you have?

Dr Hone: The only ongoing costs are the costs for those six new people.

Senator CAROL BROWN: So the \$15,000 for electricity, furniture—

Dr Hone: It is the total lease cost.

Senator CAROL BROWN: It is for everything?

Dr Hone: Yes.

Senator CAROL BROWN: You only have 15 staff currently in Canberra. Is that right?

Dr Hone: Correct.

Senator CAROL BROWN: I think that is all I have.

Senator McCARTHY: In terms of your decision to move to Adelaide, why did you choose Adelaide?

Dr Hone: We did not make a move to Adelaide. We opened—

Senator STERLE: You wanted to go to Hobart.

Senator McCARTHY: Why not Darwin?

Senator BACK: Or Perth?

Dr Hone: It might be that we end up with an office in northern Australia—

Senator STERLE: That is a good idea.

Dr Hone: That could happen. We have a lot of activities, and quite positive activities, happening in fisheries and aquaculture in northern Australia, and that is one of the opportunities we have been looking at. Where the office would be—whether it would be in Broome, Darwin, Karratha or over in Queensland, in Cairns or Townsville—I do not know, but we will be watching and trying to work out the best way to deliver our service.

Senator McCARTHY: Is that long-term planning or is that something that you are working on right now?

Dr Hone: The board is committed to creating a more decentralised process for how we deliver our services to the regions. But we are not rushing to do this. The first one was Adelaide. The next one we are possibly looking at is Port Stephens, but that still has not been decided. So we are just going through a process. As I said, our industry is very conscious of costs. We have to justify every dollar. If we open a new office, we have to demonstrate that it is not going to impact on the total R&D spend, that we are going to deliver a better service.

Senator McCARTHY: How many of your staff are Indigenous?

Dr Hone: Zero. There are no Indigenous staff.

Senator McCARTHY: Given that you are obviously working in areas with Indigenous communities, have you got any plans in relation to working with them?

Dr Hone: Since we are talking about fisheries, I have to tell you that we have—you would probably know because you come from some of these areas—

Senator McCARTHY: We have lots of fish where I come from.

Dr Hone: You do. We have an amazing group called the Indigenous Reference Group, which is chaired by Stan Lui in the Torres Strait. It is all Indigenous. They just met recently and they have lots of different things that they are trying to work on. There is obviously economic self-sufficiency in terms of their research. Then they are trying to look at opportunities for them in terms of some of their cultural activities. They have a really nice project on the river Murray at the moment looking at some of the cultural aspects of fisheries. I do not know if you know Professor Stephan Schnierer over in New South Wales, but he is an Indigenous academic. We have been doing a lot of work with Indigenous people. It is fair to say that, compared to our traditional wild catch, traditional

aquaculture and recreational fishing, our Indigenous research is quite a long way behind. It is one of those areas that we are very keen to improve.

Senator McCARTHY: Do you engage at all with Indigenous rangers who are working in the fisheries area?

Dr Hone: Yes. We work very closely with people like Bo Carne at NT Fisheries. We have had scholarships with the traditional groups who are delivering a range of programs. We are very strong supporters of the science component, as you are probably aware. There has been quite a lot of work done recently with NT Fisheries and with other areas about using rangers to collect quite a lot of really useful science data. That is what I am talking about when I say we are integrating traditional and Indigenous knowledge into fisheries management, because they have a very good understanding of the environment and what is happening with fish stocks. We do not do it well in those areas where the traditional people are present, and so that is something we are very keen to progress.

Senator McCARTHY: How soon would you look at progressing it?

Dr Hone: In some fishery stocks it is already happening. If you look at some of the stocks in, for example, the Northern Territory we are already getting quite good information coming through from those Indigenous programs run principally through the ranger program to get data. That is happening. It is about making sure that that data is actually the correct data for what the fisheries people are trying to correct. That is already happening. We would like to see it spread beyond the Northern Territory into other areas. That is one of our goals.

Senator CAROL BROWN: Was the location of Adelaide announced by the government?

Dr Hone: When the government was making the announcements for GOEC for their hub and spoke, with RIRDC with their move, they announced that we were opening a new office in Adelaide.

Senator CAROL BROWN: At the back of my mind I thought the announcement was made by Senator Colbeck for Hobart. Is that not right?

Senator RUSTON: To the best of my knowledge the decision that was made for the location of the additional office in Adelaide was the first announcement in relation to an additional office for the FRDC.

Senator STERLE: I think it follows the minister at the table.

Senator Ruston: I would just like to put on record the amazing fishing industry we have in South Australia and also congratulate Tasmania for having an amazing industry—as does Western Australia and everywhere.

Senator CAROL BROWN: When did the Adelaide office actually open?

Dr Hone: The first staff person started in January this year. We finalised all the appointments by 1 May this year.

Senator CAROL BROWN: Are they all there?

Dr Hone: They are all there.

Senator CAROL BROWN: It is at full operational powers then?

Dr Hone: Correct.

Senator CAROL BROWN: How long is the lease with Wine Australia?

Mr Wilson: It is ongoing. We signed up to a year in the first instance and it will be reviewed at the end—

Senator CAROL BROWN: It is such a good deal and you only signed for a year?

Dr Hone: If we could get more space in Wine Australia we would. Part of this is about building capability around each other. For example, one of the things we have been very keen to do is get some of the executive officers from some of the fishing people to also locate to that area so that we get a fair degree of connectivity. At the moment we are just a bit constrained that grape and wine, or Wine Australia, do not have any more capacity than six for us.

Senator CAROL BROWN: So potentially you might move?

Dr Hone: No. We believe there will be some restructuring happening there from non-R and D corporations and that there could be some opportunities for extra space.

Senator CAROL BROWN: When does the one-year lease expire?

Mr Wilson: I need to confirm the date on that. Can I get back to you on that?

Senator CAROL BROWN: Yes, absolutely. Thank you, Chair.

Senator BACK: As to my fishing mates, you were saying that you rely on voluntary levies. Most of them would not make a donation to the widow of the unknown soldier. Can you tell me: if you do not impose levies

how do you, firstly, receive funding from the fishing industry and, secondly, how do you then approach government for a contribution to match the contribution from industry?

Dr Hone: First of all, we do have one levy, and it is with the Australian Prawn Farmers, through the traditional levy system.

Senator BACK: The prawn farmers?

Dr Hone: Just the prawn farmers. Everyone always wants to say the industry is different. I think we probably have some justification in saying the fishing and aquaculture industry likes to be different. Every one of our voluntary collection methods has unique properties. Let us take the Atlantic salmon industry in Tasmania. The way they collect their money is that they impose a voluntary component on their feed bill. So when they buy feed—

Senator BACK: They impose a 'voluntary' component?

Dr Hone: That money goes from the two feed companies to the Tasmanian Salmonid Growers Association. The Tasmanian Salmonid Growers Association rings John up and asks, 'How much money can we get matched this year?' or 'How much money do we have in terms of our R and D bill that we are going to be paying?'

They then send that money to the Department of Agriculture and Water Resources, that money gets matched, and then it comes to us. So that example is from salmon. In South Australia—

Senator BACK: From a research prediction point of view, how far in advance of a year's research program do you know what that sum of money is going to be, and therefore what total sum of money you can expect to expend in research?

Dr Hone: It is a good question. At the moment, we are getting about 140 per cent of the money that can be matched—so our industry contributes more than can be matched. We have been working with these industries since 1991. We have such a long-term relationship with them and we have got such a good relationship that, subject to maybe only things like a fisheries collapse or a major disease issue, we have not had an interruption to that money, so the voluntary works well. A lot of the industries will flag things to us if there is a problem. For example, if they are going to get a declining catch, or if there is a market issue, they will flag it to us and we try to average out that loss in revenue so it does not impact their future R&D programs.

Senator BACK: By way of further explanation, can I ask about the West Coast Rock Lobster Fishery and the aquaculture industry: how do they make their contributions?

Dr Hone: Western rock lobster is a different case. They are a great client. In WA, the government invoices the industry for a bill of 5.75 per cent of the GVP—gross value of production—in WA. And so all the lobster fishermen get a bill which includes this 5.75 per cent, and 0.25 per cent of that 5.75 per cent comes to us through the WA government. That is how we collect it in WA. As I said, we have different mechanisms in different states.

For aquaculture it varies. As I said, prawn farmers have a levy; in the tuna industry, Brian Jeffries has a conversation with us and asks us just how much he needs to send us—they have their own money that they collect as their association; the oyster industry have a voluntary spat for Pacific oysters on all the hatchery spat; for barramundi, they just ring us up and ask us how much they need to send us—all of them have different relationships.

Senator STERLE: What about crayfish?

Dr Hone: For rock lobster in WA it is just 5.75; in South Australia is a different mechanism, in Victoria it is a different mechanism.

Senator STERLE: Is it compulsory or voluntary?

Dr Hone: In South Australia it is voluntary. I would say in WA it is compulsory, because of the nature of the 5.75—it is a government impost.

Senator BACK: I have two final questions, just quickly because I know time is against us. One is answered by the fact that you know everyone because they are all registered, so that is not an issue. The other question is how do you satisfy yourselves, and ultimately government and us, of the effectiveness of the research spend and development spend?

Dr Hone: This is not an industry that is quiet; they will quickly tell you. Because of the nature of fisheries, you are literally meeting with the fishery or their fisheries association representatives maybe every couple of months, and they will be giving you feedback. So this week, for example, we are meeting with the southern rock lobster industry and there are meetings with the oyster industry; last week it was meetings with Indigenous industry people, which was the Indigenous meeting. Literally, are we are meeting with them regularly, and they

will tell us if our research is off. I have to say, one of the goals with fisheries though is that you do not want to be too tactical. You do want to be relatively strategic, otherwise you will be chasing yesterday's research issue.

Senator BACK: I deal with WAFIC a lot, and I have tell you that your reputation is very, very high there.

Senator RICE: Having established a new office in Adelaide, have your staff numbers in Canberra stayed the same since the change?

Dr Hone: No, they went up.

Senator RICE: How many staff did you have in Canberra prior to your—

Dr Hone: We have not obviously done any relocation—

Senator RICE: No, you have established an office.

Dr Hone: Let us say the time we did the office removal. We have actually gone up by about two new extra staff. That reflects the fact that we are trying to build better data for the marketing component of our business.

Senator RICE: Did that function stay in Canberra?

Dr Hone: At the moment that function is staying in Canberra.

Senator RICE: I am interested in the functions that you have chosen to keep in Canberra and that you have not gone down the track of the other RDCs. What functions are staying in Canberra and what functions do you expect to stay in Canberra for the foreseeable future?

Dr Hone: At the moment business group is in Canberra. All our business area, including our communications, is in Canberra. Half of our programs is in Canberra and the other half is in Adelaide. That is it.

Senator RICE: Given the government's objectives and that other RDCs are decentralising, why have you chosen to keep those functions in Canberra?

Dr Hone: At the moment with the nature of fisheries, because we are national, business makes sense because we have to talk to the department a lot with the—we are only talking two and a bit people there. Because the comms people have to work nationally and have to do all their stuff nationally it just makes sense. We have been looking at a regional component to our comms but we are not sure whether the best thing to do is to internalise that as a start or actually try to build greater capacity with our research providers. So we are still working through that particular activity.

Senator RICE: So they are the reasons that you see those functions continuing indefinitely in Canberra.

Dr Hone: The one that we are still questioning is the marketing function. We have two really very exciting marketing programs. One is the love strand prawn campaign and the other one is the Australian wild abalone campaign. It could be that they would be better suited to be delivered closer to those activities. With the Australian wild abalone campaign, because Tasmania is such a strong abalone state, it might be that it makes sense to deliver it closer to that state's delivery.

Senator RICE: Before you decided to establish your office in Adelaide, Did you establish any criteria as to what you are trying to get out of that move and some objective criteria to determine whether it has been a successful move?

Dr Hone: Yes, we did. One of the things we have been trying to do is get better collaboration across jurisdictions. The biggest criteria for us is joint projects between South Australia and Victoria or between Queensland and WA. They are objectives. That is how we are trying to measure this; it is getting better collaboration between jurisdictions.

Senator RICE: So you are objectively measuring against those criteria.

Dr Hone: Correct.

Senator RICE: Did you do a cost benefit analysis before you decided to establish your office in Adelaide?

Dr Hone: We did not need to do a cost benefit. What we did do, though, was an organisational redesign process where we went through how is the best way to deliver the services. We did consult extensively about these new regional advisory committees to work out what the best way to do that.

Senator RICE: Is that a public document?

Dr Hone: I think we have—it is called Fisheries Research Advisory Body review. I believe it is on our website.

Senator RICE: Take it on notice.

Dr Hone: I will take it on notice but I am pretty confident—our industries watch us very closely.

Senator RICE: If we could get a copy of it or a link to where it is that would be appreciated.

Dr Hone: Easy.

CHAIR: Dr Hone and Mr Wilson, thank you for your attendance. If you need any objective input as to whether wine and fish go together, the deputy chair and I would volunteer our already tortured bodies to avail ourselves in any research that you need to do!

Dr Hone: We have a great flavour wheel, if you ever want to see that. We have been copying the wine industry and developing our new seafoods flavour wheel. I'll send you a copy.

CHAIR: We will look forward to that. I just want to make a personal comment. I found your presentation here today, apart from being very competent, an exciting example of how industry seems to be able to get itself together. I think your crowd are a model that is worth watching.

Dr Hone: Thank you.

CHAIR: Thank you for your time and input.

Cotton Research and Development Corporation

[10:56]

CHAIR: Mr Finney and Mr Tolson, welcome to our committee.

Senator GALLACHER: This is in relation to the APVMA. As an aside, I drove over the Hay plains recently and saw the amazing amount of cotton that is being grown and blown across the road and that. Does the CRDC have concerns about a loss of expertise, in this area, if it shifts to Armidale? Is it going to impact on your viability?

Mr Finney: We do not have any current research projects with the APVMA. That is really a matter for our peak body, in terms of its consultation on matters regarding chemicals and biotechnology.

Senator GALLACHER: Has your peak body raised, potentially, any threats to your viability as an industry?

Mr Finney: I am not aware of their discussions, sorry.

Senator GALLACHER: So it is all business as normal.

Mr Finney: For us, our focus on R&D goes well.

Senator GALLACHER: How often do you have a project in that area?

Mr Finney: From time to time we might be called upon to help with permits. I know the rural industry's RDC has played a significant role in facilitating permits, and the department has a program at the moment to facilitate that. At the moment, we are not participating.

Senator GALLACHER: So there are no current or ongoing threats to your organisation.

Mr Finney: Not from a research perspective.

Senator GALLACHER: What about from an approval perspective?

Mr Finney: It would be best to leave that to the department or others to comment upon. It is outside of our relationship.

Proceedings suspended from 10:59 to 11:18

Senator BACK: Mr Finney, what research have you done on the reduced use of water and the reduced use of pesticides in cotton production?

Mr Finney: We have been doing research in those areas for some 25 years. Through that research effort we have been able to improve water use efficiency by some 40 per cent—not only through growing the yield of cotton to three times the world average but also by achieving remarkable improvements in irrigation efficiency on farm. That is what has contributed to that significant improvement in water use efficiency in the Australian cotton industry. In the pesticide area we have done a lot of research into integrated pest management and the development of biotechnology traits to stop the industry's major pest, a helicoverpa grub. We have been able to reduce pesticide use by some 90 per cent. It is a remarkable story of achievement based on that research.

Senator BACK: I have dobbed you in! I met with the speaker of the parliament of Azerbaijan two weeks ago in Baku. For whatever reason we got into a discussion about cotton production, which is quite important for them, and I mentioned that your industry had achieved these tremendous outcomes. They are going to be in Canberra tomorrow, so it is likely, Mr Quinlivan, that there might be a request through you for further information. Quite seriously, those are their two big problems: pesticide use and water use. Now can you tell us the basis on which

levies are charged, the proportion of your overall spend that comes from levies and the proportion that is government money? Can you also tell us about the transparency of that whole process, please?

Mr Finney: A levy is raised for R&D on every bale of cotton that is produced.

Senator BACK: Each bale?

Mr Finney: Yes, each bale that is processed at a cotton gin, so it is 227 kilograms of lint cotton that has had the seed removed. We invest in the order of \$20 million a year in research—a portfolio of some 250 research projects. We receive advice from—

Senator BACK: Before you go on, how is the \$20 million made up? What is the industry contribution and what is the government's?

Mr Finney: It is matched: fifty-fifty.

Senator BACK: The funds actually go to the department?

Mr Finney: Yes. We have a significant partnership with the growers through our peak body—Cotton Australia—and advisory panel members. A recent survey of cotton growers, to which 35 per cent of the industry responded, showed that 99.6 per cent of growers knew of CRDC, 88 per cent supported our investments in R&D, and 74 per cent have input to the research direction in which we invest. Of the 26 per cent who did not respond that they had a say in CRDC investment, half of them said that they did not seek a voice—that they were happy with what was being done.

Senator BACK: Where is the next challenge? What is industry telling you about where your further funds should go? You have already racked up those achievements in pesticides and water use. Where is your next challenge?

Mr Finney: In the short term, there are some very immediate issues with threats from disease. We are addressing that through a doubling of investment. That is a key immediate issue. Next, over a 5-year to 10-year term, is digital agriculture. There is a significant opportunity for Australian agriculture in this area, and one we are proud to lead through a rural R&D for-profit program with the 15 other RDCs that was announced in round 2. We are seeking to create a foundation of knowledge about access to data, access rights and ownership rights, and to address the telecommunications challenges that come with moving data. It is a really fundamental project for the future of agriculture. We can see the opportunity to drive yield increases from where we are now to four times the world average if we can move from managing at a field level to managing every plant with sensors and data. We think that is quite possible within the next five or ten years.

Senator BACK: Are you looking at new geographic areas in Australia for the cotton industry?

Mr Finney: The growth that has been occurring in the south has been remarkable. I know there is a trial strip of cotton going in at Karnak in western Victoria this year. There have been commercial trials at Mildura.

Senator BACK: On irrigation?

Mr Finney: Yes. We are expecting significant growth in dryland production in areas north of Emerald and Clermont and east of the Namoi Valley—back across towards Scone and Wialda.

Senator RICE: Where are the offices of the CRDC?

Mr Finney: We are based in Narrabri in north-west New South Wales.

Senator RICE: Have you always been there?

Mr Finney: Yes, since inception in 1990.

Senator RICE: How many staff do you have there?

Mr Finney: We have 13.8 FTE.

Senator RICE: We have been asking the other RDCs about decentralisation. In that context, what has been your experience of being based in Narrabri?

Mr Finney: We find it to be a significant advantage to our work, particularly for the relationship with our growers. Obviously cotton is not produced everywhere in Australia, but we are centrally located to 13 cotton-growing regions from Emerald through to northern Victoria. We also have a staff member in Toowoomba and one in Emerald. We co-invest with a number of other industry partners and commercial partners in extension and have a team of some 20-odd extension people who engage with growers on a day-to-day basis. Being in Narrabri is a great help for us in our activity and in understanding growers' needs.

Senator RICE: Is cotton unusual compared with other agricultural commodities in being so geographically focused?

Mr Finney: It is unique in the sense that it is not in every part of Australia. We do not, as an organisation, do marketing, so we do not have that function. Yes, it is a small community really, of some 1,200 cotton growers, so it is easier for us to work with that industry and they are a very united industry. If your industry is well organised, I think that certainly makes it much easier for an RDC to be effective.

Senator RICE: How much travel do your staff do from Narrabri to Canberra?

Mr Finney: On occasion. I have not actually calculated the number of times I have travelled to Canberra, other than for Senate estimates three times a year. I would have to take that one on notice.

Senator RICE: If you could take it on notice. Do you have trips to Canberra to meet with bureaucrats or to meet with the minister? How frequently do you do that and what is the cost to the organisation that Canberra travel entails?

Mr Finney: The trips are infrequent. We would enjoy a meeting every few months in Canberra with other RDCs or with the department, not necessarily with the minister.

CHAIR: I am really interested in your location in Narrabri. We have heard from a number of organisations today who are in decentralisation mode. So far, largely, their experience has been positive, and so has the feedback from their members or, in this case, their growers. Let me ask the question in reverse: if you were to announce tomorrow that you were closing your office in Narrabri and moving to Canberra, what sort of reaction would you anticipate from your grower groups?

Mr Finney: I do not anticipate they would be supportive of that, given our services are particularly around R&D and regionally located. The business case for moving to Canberra is not obvious. We would consider moving to other locations if we found it problematic to continue our services because of inability to attract the right people. When you look to the future, the new skill sets are around digital agriculture and other science platforms. That would be the basis for when we would potentially look to a change in location.

CHAIR: Have you been involved directly in the industry yourself as a grower?

Mr Finney: Yes. I was involved for some 20 years in the production of cotton and agronomy of cotton as well as other crops.

CHAIR: Not being specific about your industry or any other industry, is it fair to say that you have had decades in and about the bush with people in agriculture and primary production?

Mr Finney: That is correct. Our whole team has extensive experience in working with rural industries.

CHAIR: Over that time, casting your mind back to the extent you can, would it be fair to say that, as perennial as the daisies in the desert country, people have raised the decentralisation of government services away from the capital hubs—Canberra, Sydney, Melbourne and so on—and into the bush, into provincial Australia?

Mr Finney: I am aware that it has been a theme over the period, yes.

CHAIR: If you were to develop further sites for your organisation—apart from, perhaps, any special need to engage with government—would it be likely that they, too, would be in regional or provincial centres?

Mr Finney: I still think, even if we are looking for new skills in digital agriculture, that can be in a regional basis. It does not consume all our service needs, but I anticipate it is going to be a large part of our future. In answer to your question, yes.

CHAIR: I do not want to labour on my next couple of questions, because this committee has already decided to conduct an inquiry into one particular aspect of the use of technology and innovation with drones. Has your group been contemplating the introduction of these technologies and what challenges and benefits it might bring to cotton in particular?

Mr Finney: Very much so. In our current strategic plan we identified the rise of digital agriculture, including drones and robots, new sensor technologies and data analytics. We saw all these things coming and we have been working towards understanding how we can bring new services to growers—not necessarily inventing them ourselves, because there are large commercial investments in this area globally. The drones are a component of a system. We get excited about individual things, whether they are robotics or drones, but we are really about the whole system. They are an important component of that. There is a significant level of research and commercial activity in this space, which is to be applauded.

CHAIR: The Senate passed legislation that gives the ability for an organisation like yours to know who levy payers are. Would that extend to the types of people where you would levy this on a bale of cotton?

Mr Finney: Yes. We are very positive about the opportunity to grow our database and awareness of cotton producers. As much as we have volatility from season to season, we do have a regular cohort of producers. We have a database now, but we anticipate that would add significant value to our communications efforts and would be something that is seen positively by the industry.

CHAIR: Do you see that this will bring new capacity to you—this direct and instant engagement with people in the industry?

Mr Finney: I think it would enhance our efforts. Based on our feedback from growers already, there is always room to improve, but I do not think it is going to be transformational for us.

Senator CAROL BROWN: Is access to innovative agvet chemicals a major need for your growers?

Mr Finney: As I answered previously, it is from time to time in terms of minor-use permits. Certainly the chemical usage to control minor pests is still a significant matter for our industry. That is dealt with commercially and through our peak body, Cotton Australia.

Senator CAROL BROWN: You answered some of these questions earlier. Is the impact of the relocation of the APVMA not a concern?

Mr Finney: I have no visibility of the potential impacts of that and what that might mean for our industry. As I said, we do not have any research projects with the APVMA, so I am not able to provide you with any comment.

Senator CAROL BROWN: Do you have a board, Mr Finney?

Mr Finney: Yes, we do have board.

Senator CAROL BROWN: So has the issue of the APVMA relocation been raised?

Mr Finney: No.

Senator CAROL BROWN: Thank you.

CHAIR: It would seem that we have dealt with the Cotton Research and Development Corporation. Mr Finney and Mr Tolson, thank you for your attendance and engagement. We wish you a safe journey back home to families, if that is where your destination is. There has been a change in the schedule. We will now deal with the Australian Grape and Wine Authority.

Wine Australia

[11:33]

Senator CAROL BROWN: Does the Australian Grape and Wine Authority have any concerns about the relocation of the APVMA to Armidale?

Mr Clark: We do not have visibility of the impacts of that proposed relocation, so we do not have any particular views on that issue with respect to the grape and wine industry.

Senator CAROL BROWN: So that has not been an issue raised with the authority at all?

Mr Clark: No, no issues have been raised with us via our peak industry bodies.

Senator STERLE: What interaction do you have with them now?

Mr Clark: It is not extensive. Obviously registered pesticides are used to manage the normal range of pest and disease issues in the sector. As part of that, we publish to the industry issues regarding maximum residue levels to ensure compliance with Australian and other standards in export markets to ensure product is fit for sale in those particular markets. But, beyond that, we are not actively involved with the APVMA, to the best of my knowledge.

Senator CAROL BROWN: You are aware of the relocation issue, though?

Mr Clark: I am broadly aware of the issue, yes.

Senator CAROL BROWN: So there has been no discussion at any level within the authority about the move?

Mr Clark: No, there has been no discussion at all.

Senator LAMBIE: I want to touch on the wine tax WET rebate. Today my office has been in contact with Wine Tasmania and other major players in our state's wine industry and they are very concerned about the government's proposed changes to Australia's wine—

Mr Quinlivan: We might be about to disappoint you, because that at the moment is a policy issue which would be in the schedule of business today to be dealt with under outcome 1, which is currently scheduled for

3.15 pm with the agricultural policy area. That is one issue. The second issue is that the principal issue there is a tax policy matter, which would be dealt with in the Treasury estimates.

Senator LAMBIE: Do you not do any damage control on what is proposed? Do you have no input into those decisions?

Mr Quinlivan: We were certainly involved, and the minister here has been involved as well. I am just making clear who the relevant people are to deal with that matter. It is not a regulatory matter for the industry.

Senator Ruston: Senator Lambie, I am more than happy to address your questions in relation to policy around this. Mr Clark, from the R&D and marketing organisation, is probably not the correct person to answer your questions. But I am more than happy in outcome 1 to answer all of the policy related questions on this matter, and anything that is directly tax related we can refer through to the Treasury committee.

Senator LAMBIE: So this is all Treasury and nobody else? It is wholly and solely Treasury's?

Senator Ruston: Not at all. It is just that as it relates to taxation the principal minister is the Treasury minister. In this case it is Minister O Dwyer. However, obviously this relates to an industry that falls under the agricultural portfolio and specifically under my area of policy responsibility. So I am happy to answer questions on the policy side, but when it comes to the tax implications of it and the final decision making that still rests with Treasury.

Senator LAMBIE: Let's go from this angle. If this wine—

CHAIR: Senator, just to alert you, the other reason they have directed you to outcome 1 is that the appropriate officers who might need to support the minister or the secretary will be available at that time. I am not trying to put it off. Maybe the minister will just answer what she can. But it is scheduled for 3.15 pm.

Senator LAMBIE: That is okay. I will just come at it from another angle. I just need to know how much input the Australian Grape and Wine Authority has had into this so-called tax. What input have you had? What consultation have you had about this tax that the government intend to present in the future?

Mr Clark: This is not an issue that falls within our responsibility. As the minister mentioned, our core responsibilities are marketing and research and development. We have a regulatory role as well. So matters of policy or with respect to tax or advocacy on those issues fall to the peak industry bodies in the sector, which are the Winemakers' Federation of Australia and Wine Grape Growers Australia. So it is not a matter that falls within our responsibility.

Senator Ruston: I should just add to that. As part of the suite of measures that have been put forward for the broader reform of the wine equalisation tax rebate, there was a \$50 million grant that is in the process of being made to AGWA, or Wine Australia. They will be the body that is responsible for the administration of additional export and domestic wine tourism marketing activity that will occur over the next three years in the wine industry, so questions in relation to the \$50 million are certainly something that Mr Clark can answer. But, in terms of the actual reform on the tax itself, we will have to take the issues—

Senator LAMBIE: I know. I am just trying to connect why you would have this reform if you have not been consulting and who has been telling the Treasurer what sort of impact this will have on the industry. Whose responsibility is that? That is what I am trying to get at. You cannot just make these decisions in Treasury without having consultation with the people on the outside, so which groups—

Senator Ruston: Certainly. Discussions have been had around the impacts of the various proposed measures—and I must say, at the moment we are in the final stages of a very extensive consultation process, as part of which I was in Tasmania, in your area, and met some of your great wine industry participants—and we are in the final stages of that consultation. As part of that consultation I visited just about every wine region in Australia. I visited Tasmania twice, specifically on this issue. On the last occasion when I visited Tasmania, Mr Clark was with me for input into the issues in relation to the expenditure of the marketing money. But we also had the Winemakers' Federation of Australia and Australian Vignerons, which is the grapegrowers' representative body. We had the department with us, as well as Treasury and ATO officials. It has been probably one of the most extensive and broad consultations, taking into account all of the agencies and bodies that are impacted by it. I think I would have to say that we have a very clear line of sight over the potential implications, both positive and negative, of a wide range of proposals that have been put forward to the government from the industry about ways they would like to see the WET reform undertaken because, as you would probably be well aware, Senator Lambie, the Tasmanian industry is quite a homogenous industry—they are very similar. However, the Australian wine industry in totality, which is what we have responsibility for, is a very, very diverse industry, ranging from small producers of very high value to very large producers of a lower, more commodity-type value. So I can assure you there has been a very extensive consultation process undertaken.

Senator LAMBIE: You would know what I do: that we contribute to 0.5 per cent, because most of ours is boutique wineries; and that every Tasmanian person that is involved in the wine market would have told you that the government policy that you intend to bring down will harm them.

Senator STERLE: [inaudible]

Senator Ruston: What I would say, Senator Lambie and Senator Sterle, is that the consultation process that has taken place over the last couple of months has been very clearly around trying to work out what the issues are that industry saw with the proposal that was put forward on budget night in the attempt to make sure that we mitigate any of the problems that were caused by making changes to that policy. Now, obviously, any policy change is the subject of a process through cabinet—and Senator Sterle would be well aware of this. But at this stage there has been no final decision as to the changes or amendments to existing policy that are going to be put forward, so we have taken into account the concerns that have been raised by both the Western Australian industry and the Tasmanian industry—and I would point out that they are very similar—and I think that we are working towards coming up with a proposal that is going to be satisfactory to the broader Australian wine industry. But, at this stage, I do not think anybody is in a position to say that a particular policy position is going forward. We are still in the stage of refining any policy changes that might go forward on this particular matter.

Senator LAMBIE: Regarding this proposed rebate, did that idea to save money and to not be concerned about what it is actually going to do to the industry come wholly and solely from Treasury? How do you come up with these decisions if you have not consulted with the industry? You have come up with the decisions now on what your rebate is going to look like for the future—if you get the votes—but you are only doing your consultation now. I do not understand that. Wouldn't you consult first?

Senator Ruston: As quickly as I possibly can, through you, Chair: the process to reform the WET rebate was brought forward by the Australian wine industry through its two peak organisations—the Wine Grape Growers Association, as it was then known, and the Winemakers' Federation of Australia—with the consensus of the peak industry bodies from all of the states. They came to us two years ago and sought for some reform to take place because they believed the rebate was actually having a negative impact by distorting the domestic market significantly and probably taking the focus away from the export market, which the industry believed was where its future lay.

The start of this process came about through a request by industry—it did not come about through a government deciding that it was going to go and make the changes. That is a very important point. At that point, there was a huge amount of consultation. The industry undertook its own consultation; there was a Senate inquiry; there was an expert panel—

Senator STERLE: A fine bit of work by that Senate inquiry.

Senator Ruston: Absolutely; an exceptional Senate inquiry, Senator Sterle. But there have been a number of consultative processes that have all been taken—

Senator Williams interjecting—

Senator STERLE: She started it and then got the snots on because she couldn't come on it. But she did get promoted.

CHAIR: Order!

Senator Ruston: Yes. Senator Lambie, one thing I can absolutely commit to you is that the decision to make reforms to the WET rebate were based on improving the integrity of the measure; they were not based around achieving savings. This has never been something that the government has sought as a savings measure; it has been based on industry's desire to return integrity to the measure.

In our consultation, both before the election and subsequent to the election, quite clearly there have been a couple of issues, and I am sure they are the ones that your industry sector has brought to your attention. The first thing is that a definition of an eligible producer as having to own or have a long-term lease over a winery was not necessarily reflective of current Australian wine industry production models, and certainly is not reflective of the Tasmanian industry. That has been taken into account. The second thing that the Tasmania industry raised with us is that, because they are a very high-value industry per volume, any change to the cap would have a disproportionate impact on the Tasmanian producers as opposed to other mainland producers who are of a lower volume. We have taken that into account in our deliberations as well. So please be assured this is all progressing to a good conclusion for the Australian wine industry to try to ensure that the whole Australian wine industry has a sustainable future.

Senator STERLE: Gee, isn't it amazing that we didn't see Mr Clark's lips move through that.

CHAIR: Mr Clark is not relevant to the question.

Senator STERLE: That was brilliant!

Senator RUSTON: I am a ventriloquist, Senator Sterle.

CHAIR: Order! It has become very disruptive since Senator Williams arrived.

Senator LAMBIE: This has been talked about for two years now—is that correct?

Senator RUSTON: Yes.

Senator LAMBIE: It is just on two years, give or take. We have had a backpackers tax that has been going for 16 or 17 months that has nearly destroyed the industry for this summer. What I want to know is: while you have been doing this for the last two years, what sort of damage and uncertainty has that brought to the wine sector? I can tell you now it is starting to hit Tasmania and we are starting to feel it. Maybe, Mr Quinlivan, you can tell me about that since yours is all about advertising and all the rest: what sort of destruction is that starting to bring to the industry?

Senator RUSTON: Senator Lambie, before Mr Quinlivan or Mr Clark responds to you, can I say that I am very well aware of the need to move with great urgency to get the matter resolved so that the Australian wine industry can go to the 2017 vintage with a clear line of sight over what their taxation regime is going to be into the future. So your point is well made and it has certainly been taken on board.

Senator BACK: I am interested in knowing: you would have influence on our marketing, including our offshore marketing, of Australian wines.

Mr Clark: That is correct.

Senator BACK: Can you tell me the basis on which decision making is made? I am particularly interested in our spend overseas. Who advises you and your board? Who influences decisions made about where the Australian wine industry invests its marketing dollar offshore?

Mr Clark: We have a number of ways in which we consult with the sector to influence those decisions. To begin with we will obviously set out a strategy, which is agreed to by the board.

Senator BACK: Is that strategy publicly available?

Mr Clark: Yes it is, indeed. Then we will have our annual operating plans which lay out each year how we are going to deliver against that strategy.

Senator BACK: How do you measure it afterwards?

Mr Clark: We have a range of measures that we put in place. The top line measures that we look at are the average increase in the dollar per litre for bottled wine exports. We also look at the overall increase in the value of Australian wine exports. Pleasingly, there is a strong story in that regard over the recent year. The value of Australian exports has increased by 10 per cent, and the average bottle price is going up significantly as well. There are some really good results coming through.

Senator BACK: So there would be an influence, presumably, from those wineries that are already actively exporting?

Mr Clark: Correct. It is a collaborative exercise, obviously. We do so much in terms of setting the scene and facilitating opportunities through various mechanisms overseas—through trade shows and other events that we host around the globe—but obviously we can only set up the opportunity, then wine exporters need to come through after that and execute their own strategies and take advantage of the commercial opportunities.

Senator BACK: Do you know of any Australians who reside overseas who own wine marketing businesses?

Mr Clark: I am not aware of anyone at this point in time?

Senator BACK: That causes me to ask what engagement, if any, would you or your organisation have with Australians who are resident in overseas markets. I am sorry to be negative, but some fairly significant disappointment has been expressed to me by Australians who have wine marketing businesses overseas about the efforts and the spend in export markets overseas. I wonder whether or not you could not use the network of your wineries that do export, because obviously they export through distributors, many of whom are Australians, because I think you are probably missing out on a level of input from those Australians. Because they are Australian they obviously have a keen interest in promoting Australian wines in their markets. They are not giving me much of a sense of confidence that it is a successful spend.

Mr Clark: I will be interested to understand those details so I can respond more fully. More broadly, we have offices in a number of markets overseas and we have local reference groups that we work with. Those reference

groups are populated with people who have a strong interest in the Australian category, whether they are producers who have got people based in those markets, or if they are importers who have a strong representation of Australian product in their portfolio. For example, through our offices in London, Shanghai and San Francisco we have a local stakeholder network which we meet with frequently to ensure that whatever plans we are delivering in a market respond to their needs because, to go to your point, they can provide a lot of intelligence and local knowledge which helps inform our activities.

Senator BACK: Can you give the committee any advice on fraudulent label use in overseas markets, purporting poor quality product to be Australian labels? Is this happening, to what extent and what actions are being taken, if any, to overcome it?

Mr Clark: As part of our regulatory role we have a very strong handle on measures to ensure trading consumers can have confidence in Australian wine overseas and that the claims that are on the label, in terms of provenance, vintage, variety and region, marry up with what is in the bottle. We have a label integrity scheme and we have auditors who frequently travel around the country and conduct about 300 audits each year to ensure that people are keeping the right records through the production chain to guarantee that those label claims are accurate. Broadly speaking, there is a strong degree of compliance by the Australian sector and we have strong relationships—

Senator BACK: I am not concerned about the Australian sector—I am concerned about people in our overseas markets who are copying labels and selling poor quality product as Australian product.

Mr Clark: We have strong engagement with regulatory agencies overseas to ensure that we have visibility over any activities which we think we should be aware of and are going to be detrimental to the Australian category. We do not have any significant concerns around counterfeit product but it is always a watching brief—you always have to be alert to what is happening in the market. Brand owners look after themselves. Some of the bigger companies have got capacity to look after their own needs better than others, but we work hand in glove with the industry to ensure that the overall integrity of the Australian offering is upheld.

CHAIR: Senator Rice, as Mr Clark has a plane to catch—wheels up five minutes from now—could I ask that you contemplate questions on notice or to the minister?

Senator RICE: Yes. In terms of the discussion we have been having about the location of R&D organisations, how many staff do you have at the Grape and Wine Authority?

Mr Clark: Globally, we have 68.

Senator RICE: And how many in Australia?

Mr Clark: It is about 45 in Australia.

Senator RICE: Are they all based in Adelaide?

Mr Clark: No, the head office is in Adelaide. We have a small team in Sydney as well who are co-located with Tourism Australia, in Sydney, and we have people in some overseas markets as well.

Senator RICE: Have you considered regionalising or decentralising your offices further from the capital cities?

Mr Clark: We have been based in Adelaide, in various forms, for a long time, dating back to the Australian wine board which, I think, commenced in 1929. Adelaide, and South Australia, works as a location nationally for the industry. We have had no pressure from our industry bodies to consider moving elsewhere. That said, we are a very national industry, so we are conscious we need to be seen and to have a strong presence and engagement across the whole country. Whether from Margaret River in the West up to the Granite Belt in Queensland and to Tasmania we need to have a strong presence and engagement across the country.

Senator RICE: So you feel you can do that successfully from Adelaide, from Margaret River down to southern Tasmania.

Mr Clark: That does work for us.

CHAIR: Thank you, Mr Clark. Can I put on the record that Senator Sterle and his team have kindly indicated they will direct their questions to the minister. Thank you for your attendance and presentation and we wish you all the best, and have safe travel back to wherever you are going.

Mr Clark: Thank you, and I appreciate you moving me up the order today.

Senator STERLE: Minister, in terms of access to the WET rebate, can you tell us how New Zealand winemakers fit into that picture?

Senator Ruston: Currently, because of our trade arrangements with New Zealand, New Zealand producers are also able to claim the rebate if they meet the eligibility criteria. Prior to the budget, the eligibility criteria for access to the WET rebate was probably very generous and quite easily accessible by just about anybody who could demonstrate they were in the wine industry.

The proposal on budget night to change the criteria of eligible producer and the definition of 'rebatable wine' significantly tightened up the capacity for somebody in the wine industry to access the rebate. It is largely proposed that that level of restriction will remain, no matter what the changes are to the current budget-night position, which will restrict, significantly, access to the rebate for people from offshore.

Changes have not recommended the express removal of ability to claim the rebate from New Zealand, simply because it would be in breach of trade obligations. However, the definitions are going to make a significant difference to people's ability to access it, which will see a significant reduction—in fact, a very significant reduction—in the number of people from offshore who would be able to access it.

Senator STERLE: I am on the record, through the whole hearing—I do not agree with it and I am gobsmacked. I understand there are World Trade Organization obligations and all that sort of stuff—it does not make it right. But now we have free trade agreements with other countries. One country, China—before we start the anti-Chinese stuff, I am not saying that, but we have to be mindful that the Chinese are very active in trying; they want to buy wineries and that sort of stuff. Would they be able to access the WET rebate, as it stands now and with the future changes you envisage could come through?

Senator Ruston: That would depend on the individual circumstances of that particular purchase. Obviously, any foreign ownership of any assets in Australia need to abide by Australian law. Before making any comment, I would like to see the specific circumstances of that particular business, but also I would say that I have not made my final recommendations to government, with Minister O'Dwyer, as to what they are finally going to look like. Until I actually know that final detail of what is accepted, I would prefer not to give you a definitive answer, but I would certainly say that the eligibility criteria are going to be significantly tightened to restore the integrity.

Senator WILLIAMS: Just to follow up Senator Sterle: Minister, the WET rebate was for small wineries in Australia, to help them compete—correct?

Senator Ruston: The original WET rebate came about with the implementation of the GST and the taking-off of the sales tax.

Senator WILLIAMS: Basically to help small wineries?

Senator Ruston: At that time the intention was much like a cellar-door rebate, to assist small regional producers who had significant investment in their regional communities through things like cellar door. It also recognised that they were giving wine away at tastings at cellar door and a lot of them were giving wine to their local football club as sponsorship and the like, and this wine technically would have been taxed. It was in recognition of the fact that that would not be the case. Subsequent to that, there was a broadening of the eligibility criteria that enabled a wider range of people, or a wider range of business models, to get access to the rebate. What we are seeking to do is to have a look at—

Senator WILLIAMS: Senator Sterle may have made this point previously: are New Zealand wineries benefiting from the Australian WET rebate?

Senator Ruston: Currently they are.

Senator WILLIAMS: That is crazy. We are here for the Australian wine grower, not the New Zealand ones.

Senator STERLE: Can I just add, if I may—

Senator WILLIAMS: Go for it. It is your question time. Thank you.

Senator STERLE: I am not against the WET rebate. I made it very clear. It was also set up to create employment in rural and regional Australia, and it has been exploited through some of our trade agreements. Just my last one there, Minister: do we envisage your proposal back to cabinet before the budget next year?

Senator Ruston: Yes.

Senator STERLE: I understand there is a work in progress.

Senator Ruston: As I mentioned to Senator Lambie, we are very mindful of the need to get some clarity back out into industry before the 2017 budget as to what the ongoing taxation regime is going to be for the industry.

Senator STERLE: I have got the fix for you, Minister; it is in my report. But we still have to address Western Australia's concerns.

Senator Ruston: I can assure you Western Australia have not been shy in coming forward and putting their case on the table.

Senator STERLE: I know, and Senator Back would know too. They have been very good at that.

CHAIR: Are there any other senators who have any questions for the Australian Grape and Wine Authority? No. We will close that section now.

Horticulture Innovation Australia Limited

[12:02]

CHAIR: Mr Snell, Mr Lloyd, welcome. Thank you for your attendance. I will go to Senator Back.

Senator BACK: Mr Snell, how are you?

Mr Snell: Good thanks, Senator.

Senator BACK: Mr Lloyd, good to see you. I am very keen to know about this new two-tiered R&D program. Are you breaking new ground in the agriculturally related R&D space? Tell us about it.

Mr Lloyd: It is not really two-tiered; it is two separate investment pools. As an RDC, we are challenged—particularly in our industry, which has some 40 different commodities—with doing R&D for the purposes of benefiting specific industries. We are also charged with doing R&D that takes a very long-term view of the industry and addresses some of the major cross-industry issues. Most of our levies—not all of them but most of our levies—that originate from the industries are quite small because the industries themselves are quite small. Much of the investments that are done at industry level are maintenance-style R&D—permits and research that is specific to that industry. There was also a need to do the type of research—in things like robotics or pollination or fruit fly—that could benefit the broader industry and have a longer sustainable investment. That is also not to say, however, that there are not some industries which are quite robust and have large levies and can do their own strategic research as well. So we developed a model whereby our pool 1 investments are levy dollars paid by specific growers. Let us say a mushroom grower will pay a statutory levy that will go into a mushroom fund.

Senator BACK: Matched by government?

Mr Lloyd: Matched by our board. Our board receives money from the government and then makes a decision on how it shall be spent. In this particular case our board has determined that a Pool 1 levy fund—let's say, the mushroom fund that gets \$100 in there—will be matched by \$100 of Commonwealth co-contribution. That fund then has its own strategic plan. It has its own strategic industry advisory panel drawn from growers, and it gives us advice on the needs of the industry and how that money should be spent.

Senator BACK: How is the weighting of the growers—mushrooms are good example, aren't they, because there is a dominance by one or two players—so how does everyone's voice get heard?

Mr Lloyd: The purpose of the panel is to give advice to us. We try to make the panel similar to a board, for instance—as balanced as possible, based on skills. We also have a weather eye to some degree of representation, obviously, but it is really to give good advice on how the money should be spent. We go through an independent process and advertise to be on those panels. We publish a set of skills criteria and we go through an independent firm to take nominations and screen candidates and put together a committee for that purpose. It is one source of information. We also seek as much other information from the industry as possible as to what the industry requirements are.

Senator BACK: So that is Pool 1. Presumably there must be a Pool 2?

Mr Lloyd: Pool 1 accounts for just over half of the R&D money we spend. Pool 2 is, as a consequence of us doing a series of consultations over the last few years—white paper and green paper consultations—looking at the major issues that face the horticultural industry in the next 10 to 20 years And making the appropriate investments to try and solve those issues. We have taken the view that this should be a co-investment pool as opposed to a levy-based pool, so that in fact most of our funds in Pool 2—we now have six—are largely funded by co-contributions from a myriad of contributors. Sometimes they are levy payers, but often they are not. They are also partly funded by the Commonwealth money that is available to us.

Senator BACK: On the decision of the board?

Mr Lloyd: A decision by the board, but we also have advisory panels for those, drawn from industry and from subject matter experts as well. So we now have six funds in Pool 2. One is fruit fly, the purpose of which is to remove fruit fly as our number one trade barrier. Future leaders of horticultural industries is another fund. Some 20 to 25 per cent of horticulture is non-edible, so it is an amenity horticulture—nursery, garden, turf—and we have major fund there which is the greening of Australian cities and towns, where it is self-evident what the spin-

off would be for the industry. We have a fund which is based around healthy eating, which is the USP of horticulture—the unique selling proposition—plus food safety, which is a major issue for the fresh produce industry. We have a fund specifically focusing on Asian markets and seeking co-investors to develop more Asian markets. And we have a recently announced fund for pollination, to ensure that our crops are pollinated.

Senator BACK: That gets me to my next question, being the Varroa mite. Senator Sterle and I actually saw the Varroa mite in New Zealand, if you recall. The gentleman talking to us seemed to be the authority in New Zealand on this topic. He said that when you get Varroa mite—not if, but when—you need to be prepared. Where is our level of preparedness for the invasion of the Varroa mite, and what are your predictions of the impact on pollination?

Mr Lloyd: The pollination fund is made up of three legs. The first one is a total recognition that the majority of crops, not just in the horticultural sector, are pollinated by the European honey bee and are therefore susceptible to the Varroa mite. For horticulture it is perhaps less critical, given the fact that horticulture is less reliant on open or what I would call non-domesticated honey bee pollination—in other words, volunteer pollination from wild populations of European honey bees, which we are led to believe will suffer more intensely from Varroa mite infestation than managed honey bee hives would.

The first leg of our pollination fund is ensuring European honey bee health. I will come back to that in terms of Varroa mite. The second leg is, as a backup to that, looking for alternative biological pollinators. These include flies, potentially bumblebees, wasps and all types of other pollinators. The third leg of our pollination fund is looking at non-biological pollinators. These are mechanical pollinators or genetic pollinators—in other words, self-pollinating crops.

So it is taking a very long term view. If I come back to the Varroa mite issue: our cornerstone investor in our fund for pollination is Plant & Food Research New Zealand. That was a deliberate decision on our part and their part. They are obviously New Zealand based. We have significant restrictions in Australia on doing any type of Varroa mite research, for obvious reasons. They are one of the world-class Varroa mite and pollination researchers in the world and they are cornerstone investor with us, as indeed they are cornerstone investor with us on the fruit fly fund as well.

Senator BACK: And you would be liaising with other agencies across Mr Quinlivan's portfolio to be surveying the likely incursion of Varroa mite?

Mr Lloyd: Yes, particularly PHA and others.

Senator BACK: It is not here yet, is it?

Mr Lloyd: We do not know yet. There is a variety of Varroa that has arrived in Townsville, as I understand it, but it is not a destructor, if that is right term. I am not an expert on bees, but I am told that it is a matter of when, not if. Our whole program on that leg of European honey bee health is based around protecting that source of pollination. So it covers many things. It will cover genetics; it will cover chemicals; it will cover remediation; it will cover preventative matters as well.

Senator BACK: I will finish up with the observation that our past colleague and then Senator Sean Edwards says that when the discussion in this committee was around bee semen between himself, Senator Heffernan and the officials, it was the highest number of hits that Sean had ever had on his website or his Facebook page. I will not take you there, but thank you very much for the responses you have given to my questions.

Senator STERLE: When you raised that the Varroa mite is up in Queensland, if anyone caught the end of that conversation they would think, 'Oh, my God!' But you were going to say something, Secretary?

Mr Quinlivan: We have Plant Health Australia and the biosecurity group later in the day, who are actively involved in that and have expertise in the area. As Mr Lloyd described, that is roughly the situation. I think it would be worthwhile coming back to that issue and getting a proper briefing from those people when they are at the table.

Senator STERLE: I say that just so that someone does not run off and give us an irresponsible headline during our lunch break.

Senator RICE: It is very interesting hearing the type of work you are doing, Mr Lloyd and Mr Snell. I want to follow the theme of the structure of the R&D corporation and where you are located. How many staff do you have?

Mr Snell: We have about 70, give or take one or two, depending on the situation. That is quite similar to the number we had before in the old Horticulture Australia Limited, which was 65. The structure is now in place for

the new company fully running, fully resourced and running the new models with two pools. It is located in Sydney.

Senator RICE: Your industry is right across the country, obviously. There are whole range of different segments. Where are your offices based?

Mr Snell: In Sydney.

Senator RICE: How do you feel that being based in Sydney works for you in having that central capital city location?

Mr Lloyd: First of all, we are probably the most dispersed industry in Australia, so it is very difficult to land on a particular spot where we should be, given that there are some 40 major commodity groups and 80 different crops. Secondly, we are actually based in the centre of the richest horticultural district in Australia. The Sydney Basin is the richest horticultural district in Australia in terms of production. So it is relatively easier for us to access some of the biggest growers, who are actually on the peri-urban fringe of Sydney. It could be in any city, of course, but it is the richest one.

Mr Snell: We have offices in Melbourne and Brisbane as well.

Senator RICE: Has there been any pressure from you growers to have decentralisation of your offices?

Mr Lloyd: No, not from our growers. And when we were owned—in our previous structure—by the peak bodies of the industry, it was not a frequent but a periodic debate as to where we should be: in Sydney, Canberra, Brisbane or Melbourne, and inevitably they always settled on Sydney as being the most convenient location.

Senator RICE: Obviously, the issue is that you have a very diverse grower base. Can you explain the reasons why you feel it works for you to be located in a capital city rather than being decentralised? We have heard of other organisations that are moving to the 'hub and spoke' model.

Mr Lloyd: For us it is more about the diversity that we have. If we were based in Brisbane, for instance, the tropical industries, I am sure, would be more pleased, but the southern temperate industries would not. There is no particular concentration of horticulture, perhaps, any greater than we find in—well, quite frankly, in the peri-urban area around Melbourne, the peri-urban area including the Lockyer Valley around Brisbane, and the Sydney basin. So if you were going to look at where you were going to be based, it would be one of those three anyway. Were we to be based up in—with the greatest respect to the banana industry—Innisfail or somewhere like that, we would only be exposed to the banana industry and some of the more tropical fruits. There is no ideal location in that sense. What has come about over the years is convenience and given the diversity of industry, ranging from the Huon Valley in Tasmania to just outside Darwin, the most convenient location has always been determined to be Sydney.

Senator RICE: Right. So it is convenient, it is efficient, and it works effectively for you as a diverse industry.

Mr Lloyd: Yes.

CHAIR: Senator Rice, let me put on the record that I apologise to Senator Sterle and his colleagues, who had the call before and I inadvertently took it away.

Senator CAROL BROWN: Is the HIA aware of the APVMA relocation to Armidale?

Mr Snell: Yes

Senator CAROL BROWN: Have there been any concerns raised within your organisation about that relocation?

Mr Snell: Just general discussion—will it happen or won't it happen—but no other observations or formal discussions around the board.

Senator CAROL BROWN: So it has not been discussed at board level, is that correct?

Mr Snell: APVMA is discussed from time to time around our board table with regard to minor use, of which we hold a number of labels. Of course, our growers have demands for different chemical combinations and cocktails which need permits and that is the contact that we have with the APVMA.

Senator CAROL BROWN: Are you aware of the concerns that have been raised by other groups about the relocation?

Mr Snell: Yes, I have heard other people discuss the concerns.

Senator CAROL BROWN: Do you have any concerns about loss of capability, for example?

Mr Snell: I do not know what is the most efficient model for APVMA. For us, I think it would be a very small impact if they did move. I suppose you would have to ask the true stakeholders like the chemical companies to get the real answer.

Senator CAROL BROWN: Thank you. Is the backpacker tax an issue that has been raised at your board level?

Mr Snell: Again, in general discussion. The backpacker tax is something that has been out there for some 16 to 18 months. While we do not involve ourselves in the politics of that, there are concerns that, 'will we have enough labour to pick the crops and deliver the product?' I think that would be our concern. What the formula is, I do not know.

Senator CAROL BROWN: Have you expressed concern to government?

Mr Snell: Through general conversation, yes, I suppose. Yes.

Senator CAROL BROWN: I am sorry, Mr Snell; what does that mean?

Mr Snell: Nothing formal but yes, we have had conversations that—what is happening, and where is it at; that is all we know.

Senator CAROL BROWN: I am from Tasmania and we have had a lot of concern; is that concern expressed because—

Senator STERLE: You sound like you are apologising. You should be proudly from Tasmania.

Senator CAROL BROWN: I am proudly from Tasmania! I certainly was not apologising. But there has been a lot of concern about the labour that will be available.

Senator STERLE: Yes.

Senator CAROL BROWN: I am just trying to ascertain from you, Mr Snell, is that the sort of concern that you have expressed to government?

Mr Snell: Yes, we would show concern that the crop will be affected. We believe that what we are seeing is there may not be sufficient labour to get the maximum yield. Of course our growers are concerned about that and they do talk to us about it. But again, we take a very firm view that our role is for research, development and marketing and we do not get into the political scene.

Senator CAROL BROWN: So there has been no consultation with the HIA about this move?

Mr Snell: No.

Senator CAROL BROWN: In the discussions that you have had with some of your stakeholders, have they indicated what sort of labour shortages they are experiencing or expecting to experience?

Mr Snell: I have heard from several and they think it will be up to 40 per cent effect. That is the figure that has been explained to me.

Senator CAROL BROWN: And is that across all those stakeholders?

Mr Snell: That would be some major stakeholders, particularly in the export marketing. They are concerned that they can get their crop off.

Senator CAROL BROWN: Now with the change from 32.5 per cent tax rate down to 19 per cent, has that concern dissipated or has that remained?

Mr Snell: I believe so. That is my impression but I cannot really answer that question. Mr Lloyd?

Mr Lloyd: No.

Senator CAROL BROWN: But is there no indication that the concern has lessened because of the new position that the government has taken?

Mr Snell: No, I think the message we are getting is: can government move this on, get it solved and allow people that want to come to this country the time frames to organise themselves. I think that is the issue.

Senator CAROL BROWN: The issue is whether 19 per cent is enough of an incentive to come. What I am asking you, Mr Snell, is whether your stakeholders are saying that 19 per cent is any real difference in terms of backpackers coming here to work and whether that will actually be an incentive?

Mr Snell: All I can reflect on are conversations that I have had. Industries have said to us that what is on the table now, if you can move forward, will most probably resolve the issues so that is all I can say.

Senator CAROL BROWN: Really?

Mr Quinlivan: We will be able to explore that issue a bit later when the relevant people are at the table under output 1.

Senator STERLE: Can I just touch on this? Mr Snell, at the last sitting period here, so probably a month ago, things changed because of the uncertainty that was out there. There was absolutely no direction as to where government was going to land on this. As we know, former senator Colbeck was trying to put forward a position then the election was called. We were bombarded by Tasmanians—not that that was a bad thing at all. They were all of your mob from down Tasmania—horticulturists, grape growers everything—and they were fuming. In fact, they were that mad that they made Senator Lambie look like a pussycat. But they are all happy down there now, are they? I am not having a crack at you but is that the case now? Because what they were saying was it did not matter what it was; it was the uncertainty. They said, 'We cannot get people to come to Tasmania. We need people to pick and we recruit now.' I did come in on the back of your answers to Senator Brown but am I right to say that in the last couple of weeks or week since the announcement of that backpacker tax rate at 19 per cent that all of those problems have gone away and they have now found people?

Mr Snell: I cannot say the problems have gone away but I can say that there has been a decision made and a statement made and there is a lot more certainty about what the situation is. I think the uncertainty has gone away to a certain degree. Whether they are satisfied, I cannot tell you.

Senator CAROL BROWN: But that was not actually my question. My question was not about the government's now position, which has changed after a number of reviews. My question was actually what your stakeholders have indicated what they think about it. I know from talking and listening to what they have had to say in Tasmania, but it is not completely the case in Tasmania that 19 per cent will actually offer any real difference in providing an incentive for backpackers to come and work in Australia.

Mr Snell: Let me try to summarise it from our point of view. The backpacker scenario, and how it works for Australia, has been very successful over the years. We have seen that success in that people prefer to come to Australia on some sort of program to pick crops and deliver them. That has been very successful.

That is all I would like to say: it has been a successful program. However you change that, you would want improvement. Can you give improvement? I think there are places where you could get improvement. Obviously, you are looking at the structure, the model, the taxation and how those might affect it. Does it incentivise them to come here? I just think it has been a source of labour for the horticulture industry that has been reliable and, up until today, it has been very successful.

Senator STERLE: No-one is arguing that. We agree.

Mr Lloyd: That level of dialogue about particular rates and those types of things is not one that we would generally have in any specifics with any of our stakeholders. They do not generally talk to us about that.

Senator CAROL BROWN: I understand that, and I thank you for your comments.

Senator STERLE: Information was provided to me from the tourism industry, particularly in WA. I am not going to argue with Mr Snell. If we did not have tourists working in the Kimberley, the IGAs would not be open, the pubs would not be open, the resorts would not be open, fuel would not get pumped—do I need to go on? You understand what I mean.

Has your association, in horticulture, had it reported to you that there has been a drop-off in applications for foreign workers to come and perform fruit picking, or is it just all systems go and no-one is worried?

Mr Lloyd: No, nothing has been reported back to us in any factual form. The most we ever hear is anecdotal discussion, but I have not been party to those.

Senator STERLE: What about you, Mr Snell?

Mr Snell: No, I have not heard anything formal.

Senator STERLE: You said that there was a 40 per cent drop-off?

CHAIR: No, that is not what the witness said.

Mr Snell: No, I have not had anything formal telling me that there has been a drop-off.

Senator STERLE: Oh, there has not been?

Mr Snell: No.

Senator STERLE: Are the Tasmanians all members of your mob?

Mr Lloyd: We have a lot of Tasmanians; Tasmania is very important to us.

Senator STERLE: They are up here kicking the doors down—they did not tell you the same stuff?

CHAIR: We have had a fair go with editorialising on some of this. We might move on if we can.

Senator STERLE: I do not think the Tasmanians would think like that, Chair!

Senator WILLIAMS: I have a simple question to any three of you out the front there beside the minister: is there unemployment in Tasmania?

Mr Snell: Are you asking me?

Senator WILLIAMS: Yes.

Mr Snell: I believe so.

Senator WILLIAMS: You believe so?

Mr Snell: Yes.

Senator WILLIAMS: Do you think some of those unemployed might be young and in healthy physical condition?

Mr Snell: Yes.

Senator WILLIAMS: I wonder if it is ever possible to get the young, healthy, fit unemployed to pick fruit, or do you need a tertiary degree to do that?

Mr Snell: I do not know where your question is going to, but—

Senator WILLIAMS: My question is this: we have this backpacker's argument and we have 735,000 unemployed Australians, many of them young and fit, and they cannot pick fruit. I think it is outrageous. I am doing a bit of a Bill Heffernan here, sorry, Chair.

Senator CAROL BROWN: Yes.

Senator STERLE: Look at—

CHAIR: Yes. Thank you, Senator Williams. We will take that as further editorialising.

Senator STERLE: Uncertainty, created by your mate Barnaby!

CHAIR: Order! I am losing control of the meeting!

Senator Ruston: For the record, in relation to some questions that Senator Brown was asking HIA: Growcom, which is one of the peak horticultural industry bodies, made a statement when the announcement of the 19 per cent backpacker tax rate was made, basically expressing relief at the decision having been made—

Senator STERLE: I bet.

Senator Ruston: and also indicating that they believed it would be competitive with other working-holiday destinations, and that backpackers would no longer be discouraged from working in Australia. I will just put that on the record as a direct quote from Growcom.

CHAIR: If I might, I want to go to the legislation that went through the Senate that is going to allow HIA to create a register of your 'stakeholder levy payers', for want of a better description. Mr Snell, do you see that as a positive measure for your industry, in R&D and marketing?

Mr Snell: Yes, I do. I think it is a good step forward. I think the register is necessary for us to understand who is out there, what action and what they are growing. Obviously, it means we would be able to track that and know the information. That is one of the things that has been bugging the horticultural and agricultural industries for a long time—having registers of growers and knowing who is who and where they are. So, yes, I see it as possible.

CHAIR: Now, I will not labour on this because it is a matter of public record now that this committee has determined to make an inquiry into the use of drones. Has your industry, generally—and I am now looking at the R&D side—considered this and other developing technologies? In particular, drones—whether you think they are going to be important to the industry and what part they might play?

Mr Snell: I will answer that question first and then pass on to Mr Lloyd. I would have to say that Horticulture Innovation Australia—that is our name—is looking at all of those things, and we have investments in some very creative robotics. Mr Lloyd might like to explain that to you, so that—

CHAIR: Including unmanned vehicles—

Mr Snell: Unmanned vehicles particularly.

Mr Lloyd: A couple of weeks ago the minister and I opened the horticulture hub at the Australian Centre for Field Robotics at Sydney university. This is a longstanding investment that has now matured into a structure. I think there is a lot of concentration on the robot side of things. What we are finding is that the most exciting area is actually data, and it is the data that is changing things. So this Centre for Field Robotics is capable of utilising

drone technology and robotics technology, effectively managing the crop by individual plant. But the thing that facilitates it more than anything else is not the mechanics, it is actually the data—and particularly the data sourcing and interpretation, and algorithms associated with that.

So that is a very big investment that we have made over the last five or six years, and we will continue to invest in that area.

CHAIR: So you would be aware that there is technology that could give each plant, in most instances, its own specified identity?

Mr Snell: We have the technology now.

CHAIR: Okay. With the application of drones, is it within consideration that a drone might deliver a payload specific to that plant, unique to its requirements: its stage of growth, its performance and so on?

Mr Snell: It depends on what type of plant you are talking about. I think it comes down to a mathematics and physics equation. If you are talking about a major productive perennial tree, perhaps a drone might have a relationship with that. If you are talking about a piece of cut lettuce, then it will probably be a machine that does that. But drones are particularly useful in sourcing data about the field itself and many aspects of that—moisture, disease, nutrients and these types of things as well.

So it is not a drone solution and it is not a robot solution; it is a combination of many solutions, largely based on data.

CHAIR: Do you see the use of drones in the application of pesticides and herbicides, and some uplift in the volume of the payload that might be required and the ability to put it on the job—mitigating against spray drift, waste and overuse?

Mr Snell: I am probably not the best qualified to speak on the drone issue itself. The information I have to hand is that the drones will be data sourcers, largely, in our area of horticulture—I cannot speak for other parts of agriculture—whereas the method of application and addressing individual issues will probably be done mechanically.

Senator McCARTHY: Mr Lloyd, HIA invests around \$100 million in research, development and market programs annually—is that correct?

Mr Lloyd: A little more than that, yes.

Senator McCARTHY: How much of that would be done in the Northern Territory?

Mr Lloyd: I cannot give you a definitive figure on that now. I can give that to you later on, after I make an inquiry. These regional figures are often difficult to come by, because there may be research applicable to the Northern Territory that has been done in collaboration with the Department of Agriculture and Fisheries in Queensland, for instance. That is a very similar story to other states.

But in terms of commissioned research there: I know we do a lot of tree crop research in the Northern Territory at the moment. We have just done a major program on magpie geese, for instance, up in the Northern Territory, which is almost unique to the Northern Territory.

Senator McCARTHY: What is your research with magpie geese?

Mr Lloyd: Magpie geese have an effect on tropical fruits as a pest. Again, I will find more information for you if you require that. The Northern Territory is becoming increasingly important to the horticultural sector. As you are obviously familiar with, there has been a lot of trial and error, but I think we are now down to the crops which are highly effective up there. My chairman and I attended the northern futures conference earlier this year, in April, specifically for that purpose.

Senator McCARTHY: It is certainly an area we are looking at with northern development generally, especially in horticulture. When you say it is becoming increasingly important, in what way are you looking at the Northern Territory?

Mr Lloyd: It is really the way the market looks at the Northern Territory. To a large degree the Northern Territory has solved some of its own issues recently. It has now become a major centre of mango production, for instance. That is very different, perhaps, to 10 years ago. And it is the commercial operators who are heading north to take advantage of the environment up there for mango production, diversifying their production from elsewhere. There are some other smaller industries, particularly the vegetable industry, that we are working with as well in the Northern Territory. We have also worked with a number of industries which are probably not as suited to the northern climate—or for economics or other reasons.

Senator McCARTHY: What about in Central Australia?

Mr Lloyd: In Central Australia, as opposed to wine grapes, which are part of the grape and wine organisation, table grapes are part of the horticultural organisation. We do work and have done work in Central Australia on table grape production as well.

Senator McCARTHY: Are you aware of discussion around a vapour heat treatment plant possibly for the Northern Territory?

Mr Lloyd: No, I am not, Senator.

CHAIR: Thank you, colleagues. That brings to an end Horticulture Innovation Australia Limited. I want to thank you both. We wish you safe travel back to your destination. I now call to the table the Australian Pesticides and Veterinary Medicines Authority.

Australian Pesticides and Veterinary Medicines Authority

[12:37]

CHAIR: Welcome.

Mr Quinlivan: Just while they are coming to the table, Chair, for the sake of clarity I want to explain the difference between the role of the authority and the department in this area.

CHAIR: Just before you do I have a quasi-formal announcement to make with respect to this passage. The minister has written to the committee claiming public interest immunity regarding the production of a class of documents. Without disclosing the operation of the committee, that matter has been dealt with by the committee in a private meeting and the minister's claim has been accepted. We will operate now under the burden of that decision with respect to those pursuing access to documents that are covered by that claim.

Senator STERLE: On behalf of the Labor senators on the committee we are totally opposed to it. We do not agree. We had the meeting and will just leave it at that and will note on the committee website that we do not support it and we do not accept the minister's position.

CHAIR: Thank you. Mr Quinlivan.

Mr Quinlivan: That is relevant to the point I was going to make, which is that the authority is the operating agency in this area but the department and the government are responsible for policy matters. The relocation policy is one of those policy matters. There are certainly things that the authority and the CEO will be able to talk about in this area. There will also be some areas that are more relevant for the department, and the relevant people are appearing later in the day.

CHAIR: I am very conscious of the fact that we are five minutes late for the lunch break. I expect Senator Sterle, Senator Rice and Senator Back are going to have their passages on this. Senator Lambie, do you have an interest in this area and is it an interest that you might be able to deal with, or at least attempt to resolve, in five minutes?

Senator LAMBIE: I do not think I have any questions for this area.

Senator CAROL BROWN: Chair, I would like to get some clarification of the letter that has been provided to the committee by Senator Ruston.

CHAIR: Yes, Senator Brown, we will deal with that in the five minutes we have before we suspend for lunch.

Senator CAROL BROWN: I just want to clarify that the claim for public interest immunity is that the document feeds into a cabinet submission process. Is it feeding into it or is it being provided holus-bolus to the cabinet?

Senator Ruston: My understanding is that it is an attachment to the cabinet submission.

Senator CAROL BROWN: So the whole document is an attachment?

Senator Ruston: Correct.

Senator STERLE: Minister, could you tell us when the minister first announced his intention is to move APVMA out of Canberra to Armidale?

Senator Ruston: I will have to get that information.

Senator STERLE: Sure. I will put it on notice and we can come back to it.

CHAIR: Senator Sterle, we are now starting to drift. Do any senators have any further questions in relation to the public interest immunity claim?

Senator CAROL BROWN: Has the document already been provided to cabinet? Has the submission gone forward?

Mr Quinlivan: The submission is in the very advanced stages, so we are expecting cabinet consideration shortly, as I mentioned earlier in the day.

Senator CAROL BROWN: So elements of the cost-benefit analysis are feeding into the cabinet submission?

Mr Quinlivan: That is true. But, more importantly, as the minister said, the cost-benefit analysis work will be part of the cabinet submission.

Senator CAROL BROWN: I understand. I am just interested in when the decision was made to attach the whole document to the submission.

Mr Quinlivan: I think it was always envisaged that that analysis would be part of the cabinet consideration. That was really part of the point of commissioning it.

Senator CAROL BROWN: Thank you.

CHAIR: With your indulgence, we will go to the lunch break. I thank you and your officers and the minister for your attendance this morning.

Proceedings suspended from 12:43 to 13:44

CHAIR: Thank you, everybody, and welcome back. The committee will now resume questioning. Senator Back.

Senator BACK: Thank you, Chair. I will kick off with some of the reforms that were initiated as part of the agriculture white paper, which had impact in the ag vet chemical regulation, and get your response to actions that may have been taken. The first reform was removing re-registration to reduce red tape in terms of re-registration of chemicals which would otherwise cost significant amounts of money for the manufacturer or the marketing organisation to keep registered. Has that been implemented? If so, what has been the response from industry?

Ms Arthy: That question is one for the department. The removal of the re-registration requirement was done before we were able to give it effect. So any further comment about what industry may think about it should be directed to the department, which I believe is on later today.

Senator BACK: I will do that. Outcome 1, is it?

CHAIR: I am not sure we are going to be able to avoid all questions in that space with you here. I think there will be questions that are relevant that you might consider whether you want to answer. I would just provide you that for assistance.

Senator BACK: Is it appropriate to deal with them now or later on? I will also be asking questions related to the minor use program. I am going to be asking you questions about improved oc health and safety assessments, where you have brought your skills back in house. I am going to ask you about the use of international approvals. Where do all these fit?

Ms Arthy: The last one, in terms of things that pertain to the APVMA around occupational health and safety, we can definitely answer. On minor use, it depends on what the question is. For example, the department manages the \$8 million program, so the department will handle that. But I am happy to answer any other questions about our operations and the reforms and how we have implemented them.

Senator BACK: Within the \$8 million minor use program, there have been changes to registrations allowing minor changes to pack sizes et cetera minimising the amount of work and red tape. Is that in your space?

Ms Arthy: That is correct.

Mr Quinlivan: I think this little exchange shows how difficult it is going to be to distinguish between matters that are the authority's responsibility and those that are ours. So we are just going to see whether we have the relevant people from the department here. If we do not have them all here, we will get them here as soon as possible.

CHAIR: I want to be careful with that because we have other senators interested in the proceedings who are anticipating that their attendance here is on specific topics. To the extent that we can do it—and I would seek the cooperation of colleagues; I think the mechanics of the decision is the substantive elephant in the room—what is the possibility of pushing as much of that as we can over to outcome 1 and just deal with the agency in terms of what it does tickety-tock?

Senator STERLE: Chair, I put the question to APVMA—which I was absolutely right in taking down when you started speaking—

CHAIR: Senator Sterle, you put me on notice that there is a lot of interest in the policy decision to locate this agency away from Canberra. So there will be a lot of mechanical questions about what led to that—the decision-making process and so on. The secretary has indicated—and this is within my scope of knowledge—that these

matters are properly dealt with under outcome 1, which is scheduled for 3.15. The secretary has just offered to, if necessary, bring officers in on this session. I am cautious about that because there are other senators in the building who manage their day around wanting to have an opportunity to cover some of this stuff also. So my question to you and Senator Rice is: is there a possibility that we can hold that body of questions over to outcome 1, which is scheduled at 3.15, and concentrate for the moment on garden variety questions that we might have for APVMA?

Senator BACK: My preference would be to have matters related to APVMA people at the table now, and then those officers who may be—

Senator STERLE: Well, the question was to me, and I am going to say completely the opposite: no, we would want those officers in outcome 1 here now—

Senator BACK: Yes.

Senator STERLE: Oh, I am sorry: I thought you were saying, 'No, leave them out.' My apologies.

Senator BACK: You and I are singing from the same song sheet.

Senator STERLE: Let's get it done.

Senator BACK: So, why don't I go back to the first question, and that was: under the reform process, the agricultural competitiveness white paper, we tried to remove the processes, the red tape, associated with the requirement for re-registration of chemicals that were only going to add immeasurably to costs for the people marketing them and producing them and unavailability to farmers or others who might need them. Has that been implemented? And, if so, how has industry repeated it?

Mr Thompson: Yes, the provision for re-registration has been removed.

Senator BACK: And what is industry's response to it?

Mr Thompson: Industry is quite pleased, without the additional work of having to regularly re-register chemicals.

Senator BACK: Can I then go to the question of the minor use program? What is or will be expended under the \$8 million minor use program? Have minor changes like pack sizes, minimising paperwork et cetera been implemented? Are they being implemented? What is the response of industry?

Ms Arthy: There are two separate issues in that question. The first one is around the \$8 million minor use program and the second part is around what is known as notifiable variations. That is the part I can answer. With respect to that, when the legislation was introduced there were a number of requirements that were no longer to be an application. Rather, applicants could just notify us of a particular variation. They were things like label names and removal of uses. Last financial year we handled 696 of those sorts of variations. In July of this year we passed another legislative instrument to add another five notifiable variations to the list. That has only just been implemented, a couple of weeks ago, so we do not have any early figures yet about how many applications that will save.

Senator BACK: And there have been no legal challenges? It is not relevant that there be legal challenges to the actions taken?

Ms Arthy: No, not in respect of this one. We have gone out for consultation, with broad support from industry.

Senator BACK: Excellent. I then want to go to OH&S assessments. My understanding in the white paper process is that APVMA would bring those skill sets back in-house and outsource to third parties only where you did not have the capacity. Can you tell us where that process is? And what, if any, has been industry's response to it?

Ms Arthy: We started outsourcing both the health and the environmental assessments last financial year. In 2015-16 we had the Department of Health do 73 per cent of our assessments. We had external evaluators do 22 per cent, and the APVMA, we did five per cent. So, that was last year. For environment we had the environment department do 17 per cent, we had external providers do 70 per cent and we did 13 per cent in-house. In relation to the health assessments, we have now negotiated with the Department of Health that we take over that function, so we now, as of 1 July this year, have a team in-house. They do the work. We still use the external providers as well, and so far the response from industry has been quite positive, because we have been able to improve time frame performance and our ability to have a bit more control over the time frame for the assessments and the quality of the reports.

Senator BACK: Is that management reflecting itself now in improved risk assessments and risk evaluations because you have that expertise back in-house?

Ms Arthy: I believe so. It is too early to get the financials for this year, but anecdotally inside the APVMA the evaluators and the risk managers are actually enjoying having the health experts in-house. It means that they can go and talk to them about the applications and it is much easier to register applications when we have expertise in-house.

Senator BACK: I want to go to the question of international approvals. We have had situations in the past, obviously, where a chemical or veterinary product may have been approved in the United States, the United Kingdom, New Zealand, France or South Africa, for example, but we have had to go through the full registration process ourselves for the same chemical. And we had the famous, or infamous, one of a sheep drench that was actually developed here in Australia. As a result of the white paper process, how, if at all, have we seen an improvement as a result of accepting international approvals in terms of cost and time to get approval of those equivalent products here in Australia? Again, and as usual, I am keen to know what industry's response to it is.

Ms Arthy: We are still in the very early stages of implementing this particular initiative. There are many different aspects of the international program. We have always looked at international data. There are international standards, international guidelines, international assessments. They are the risk assessments done by other regulators. And there are international decisions. Where we have done a lot of work is in looking at all the different regulators that we work with to see how we can use the assessments that they do as part of our assessment process. So, we have put out now one policy paper and one set of guidance documents to industry for comment with the detail. We will be releasing that final information in I think December—certainly by Christmas. From then on we will be working with industry to encourage them to bring the assessments in.

Notwithstanding that, we have a long program of working with other regulators on joint assessments, particularly for the nearly blockbuster chemicals. We regularly work with North America on those. The other part of it is that we have a consultation paper out at the moment around registration of products for companion animals—whether we can use the New Zealand registration as a basis for registration here. So, we have a lot happening.

CHAIR: I will just say that we have media in the room. The committee this morning passed a resolution to allow that. But we have to determine that nobody at the table has an objection to the media. If you do, we will deal with the objection. No objections? Okay. And you know the rules—no screens or paperwork on the table and so on.

Senator BACK: Now, Ms Arthy, the crop groupings and permit to label projects: would the comments you made in relation to the last question apply in a similar nature to response by industry to the actions taken?

Ms Arthy: The crop groupings work we are very excited about, because it has the potential to enable registration to a broader group of uses without the requirement for extra information to be generated. But Mr Norden is managing this project, and I will hand over to him for an update of where we are up to.

Mr Norden: In relation to crop grouping, as Ms Arthy explained, we are looking at identifying what individual commodities can be represented in particular crop groups—citrus, for example, or stone fruits. In that exercise we went out to consultation late last year and concluded earlier this year, and we are in the process of publishing a final list of crop groups with all the individual commodities in that. The second part of that exercise is then to identify what we call key representative commodities for each of those groups. A registrant, a chemical industry, would then generate data for those key representative commodities and as part of that exercise would then gain approval for an entire crop group. So, you might generate data on four or five different commodities, but that would then be extrapolated to 20 to 30 different commodities, depending on the members of those groups.

The second activity you talked about was the permit to label exercise. We are currently going through the process of reviewing all existing off-label minor use permits that the agency has issued over a number years. There are over 1,000 of those permits that we are going to be reviewing. To date we have looked at approximately 738 permits that we are currently reviewing, and that includes 156 different active ingredients. We are looking at then identifying, through that process, which ones of those permits that we have issued can actually transfer to a permanent label registration process.

Senator BACK: For colleagues who are new to the committee, it would be of some interest to learn that better than 90 per cent of the funding for you authority actually comes from industry sources—which is the reason, Ms Arthy, I am continually asking what industry's response is. Is it 90-plus per cent?

Ms Arthy: Yes, plus. Without the white paper funding it was up around 99 per cent. I would say it would now be at 97 per cent, or around about that, with white paper funding.

Senator BACK: There would not be too many agencies of government that are 97 per cent funded by industry. Speaking figures: your performance in meeting legislative frameworks last financial year was I think around 66 per cent. What are you doing now to improve those figures for APVMA?

Ms Arthy: We are very proud of what we have achieved, because in the next couple of weeks I am going to release the September-quarter figures, which are showing that for product applications we are completing 83 per cent of applications within legislative time frames. It was 78 per cent in the June quarter. The reason it was so low for 2015-16 was that we had a problem in the September quarter of last year, but we appear to have turned the corner, and our performance is going quite well, at 83 per cent.

Senator BACK: What is your target?

Ms Arthy: The legislative requirement is 100 per cent. We have also had an independent audit to look at the actual time that we take to see whether we have improved from before the legislation was put in. That audit has found that if the same rules that apply today were applied before 2014 it would have been nearly twice as long as what we do now. For example, we currently, on average, put out an application within 4.6 months, whereas, using the same rules prior to 2014, that figure was 7.8 months. So, not only are our performance time frames improving but also we are doing them much faster, from the time they come in the door to the time they go out.

Senator BACK: So, this is tremendously in the right direction. You received extra resources as a result of the white paper process. Am I to assume then that some of these improvements are being reflected as a result of your increased resourcing?

Ms Arthy: The improvements are reflected in anticipation of the extra resourcing. The extra resourcing came into effect from 1 July this year, so we started getting ready for that, and I would hope that over time the extra resourcing should see that improve further, because a large amount of that resourcing is being put towards how we can take a lower regulatory approach to registrations—whether there are things that we can put through faster. We have a program that we call fast-track registration happening now, on just a few pilots. We are also doing a lot of work looking at efficiency improvements in our business process, because there is a lot of inefficiency at times in how we handle applications, and if we can iron that out we should be able to get them through fast. Industry say to us that the most important thing to them is timeliness and the fact of whether we can give them a time and deliver on that time, and that is what we are very firmly focused on.

Senator BACK: What number of FTE staff do you have now?

Ms Arthy: At the moment we have 190 FTE.

Senator BACK: Are they represented by 190 people, or are they—

Ms Arthy: The head count is 195 people.

Senator BACK: And length of service: what is the average length of service? Do you have that figure, or can you take it on notice?

Ms Arthy: I will have to take that on notice.

Senator BACK: Now, I do not normally ask about individuals, but I notice the absence of Dr Raj Bhula, with whom members of this committee have had—well, she has usually beaten me, I must admit, in most of the discussions we have had. Has she now left the agency?

Ms Arthy: Yes, she got a promotion to be the Gene Technology Regulator.

Senator BACK: And that is a promotion?

Ms Arthy: Yes.

Senator BACK: That then allows me to ask the question, can you give us a breakdown of those who have left the agency in the last year? Is it possible to have an understanding as to where they have moved—retirement, to another agency or to the private sector? Again if you do not have the figures I can accept it on notice.

Ms Arthy: In 2015-16, 48 people left the APVMA. Seven of those resigned, 19 transferred to other agencies, seven retired and 15 completed contracts. That is for 2015-16. So far this financial year, since 1 July, we have had 23 people leave the APVMA. Seven of those people have resigned, eight people have transferred, two people have retired, five people completed their contracts and one person was terminated.

Senator STERLE: So 48 people left in 2015-16.

Ms Arthy: That is correct.

Senator STERLE: What was the other figure? I was still writing about retired.

Ms Arthy: Twenty-three have left since 1 July this year.

Senator STERLE: Thank you. Sorry Senator Back.

Senator BACK: Of the 23, seven have resigned, eight have retired—

Ms Arthy: No, eight have transferred, sorry.

Senator BACK: Eight have been transferred, two—

Ms Arthy: Two people have retired.

Senator BACK: And five have completed contracts.

Ms Arthy: That is right.

Senator GALLACHER: [inaudible]

Ms Arthy: That is an employment matter which I do not believe I can disclose in an open hearing. It was in one of our administrative areas.

Senator BACK: Regarding regulatory scientists within APVMA, can you tell us how many regulatory scientists you have, and how many applications? I think you have already told us the number of applications that have been processed, haven't you, in 2015-16?

Ms Arthy: Yes. There are around 100 regulatory scientists. I do not have the exact figure here, but it is around that 100 mark. In terms of applications, we deal with about 5½ thousand applications a year.

Senator BACK: So, 5,500? You are not the only agency that uses regulatory scientists?

Ms Arthy: No, we are not.

Senator BACK: The TGA?

Ms Arthy: TGA does, NICNAS does—the National Industrial Chemicals Notification and Assessment Scheme.

Senator STERLE: The industrial version of the APVMA.

Ms Arthy: Yes, the industrial version of us. And Food Standards Australia also does.

Senator BACK: Regulatory scientists overseas: I am keen to know how they are trained, how they are trained here, whether there is a university course, and whether there is a transfer between you and others, overseas, to ensure that skills are at an internationally competitive level.

Ms Arthy: Regulatory scientists are in short supply worldwide, so I deal a lot with my OECD counterparts in particular, and we are always collectively finding it very difficult. We have been doing work with the University of New England for some time now around potential courses. When we look at existing courses, there are not many worldwide. And this is, again, across the world: we all tend to train our own, because the training is dependent on the legislation we are dealing with. There is a general set of core skills that people can have, but really a lot of the training has to be done by each regulator according to the legislation in place.

Senator BACK: A regulatory scientist, then, would be someone who undertakes a Bachelor of Science degree, pretty heavy in statistics and mathematics, and with some understanding of regulatory processes and presumably government processes, and then you would give them the skills in-house so that they would then learn the legislation and the application of the legislation. Is that the sort of thing?

Ms Arthy: Yes, essentially. We take people who have relevant qualifications. It could be chemistry, it could be biological sciences or it could be toxicology. They do not usually come out of university with any knowledge of regulation and what to do with that. That is part of the reason we are working with UNE. And it is really then up to the agencies. We teach them essentially administrative law, so a lot of what we train in is how to make government decisions, how to work with the legislation—

Senator BACK: It could be a good program with options for someone at UNE.

Ms Arthy: As I said, we have been talking to them for awhile now. The issue is that you cannot fully train a regulatory scientist in a university situation. You can give them an appreciation, but there is still an element of training on the job.

Senator BACK: I do not think there would be space for broken-down little bits. Chair, I do want to ask questions of the department, but I think it is fair if I stop now. If you will give me the call a bit later on I will go to it, and you can go to others now.

CHAIR: We have opened the door now on what we would otherwise have considered later in the day. If you have matters that you would have raised later in the day, I would urge you to continue with it now.

Senator BACK: Leading up to 2 July, we announced a commitment to establish centres of excellence in agriculture in regional areas of Australia, the idea being, of course, that Commonwealth agencies would partner with regional universities and industry research groups to, hopefully, establish world-class agricultural research hubs. We have had them in the past; we might see them return. I know, to date, that the rural industries, the grains and the fisheries research and development corporations are participating in this program. I understand the Murray-Darling Basin Authority is also taking this on board. Can you explain what you understand to be the election commitment in the context of the department for which you have responsibility?

Mr Quinlivan: That is certainly a correct depiction of the election commitment. As I mentioned earlier, we are currently preparing a cabinet submission which will deal with the ways in which that might be implemented. I will just go to Mr Thompson on the process that we are engaged in.

Mr Thompson: As you are aware, there is a broader process whereby the government has a commitment to encourage a number of bodies to move to rural areas. As you outlined, there is a government policy to encourage centres of excellence in rural bodies. A number have moved or have decentralised in various shapes and forms. They are doing that. The Murray-Darling Basin Authority themselves decided to relocate.

Senator BACK: To where?

Mr Thompson: That is more of a question for them. They are talking about locations of community engagement offices in a number of places throughout the basin. I think it is an ongoing process. In terms of the others, as you discussed this morning, we have got RIRDC in Wagga, fisheries has a unit in Adelaide and the Grains Research and Development Corporation is looking at people being placed in a number of places around the grains belt of Australia.

Senator BACK: We had that feedback this morning.

Mr Thompson: The commitment that the government made in relation to APVMA was a move to Armidale to establish a centre of excellence, co-located, and take advantage of opportunities with the University of New England. We are now engaged in a process with government to work that through.

Senator BACK: And who did you consult with?

Mr Thompson: Consultations have been undertaken with a wide range of industry and other players: many people in the chemical industry, many people in rural industries—it would be tens of dozens of groups across Australia which have been consulted in that industry—farming organisations, sectoral organisations and the chemical groups, both on the veterinary medicine side and crop chemicals.

Senator BACK: UNE has, for many years, been very strong in the ag economic space and also in sheep research. My recollection from days gone by is that CSIRO is represented in Armidale.

Mr Thompson: UNE has got a number of rural centres. They have got the sheep industry CRC, they have got a poultry CRC and there is an institute for genomics and bioinformatics. They are also strong in agricultural economics and agricultural science and they have the normal university fields in chemistry and the like. There is an animal genetics and breeding unit, and MLA has a red meat innovation unit at UNE.

Senator Gallacher interjecting—

CHAIR: Those comments are unhelpful. We all take an opportunity here to ask questions.

Mr Quinlivan: UNE also has a smart farm—a digitally enabled farm—where they are testing and using frontier technologies that will have broader application to the agricultural sector.

Senator BACK: For 60 or 70 years, the University of New England has probably—I do not want to fall foul of Charles Sturt University or my own institution in WA—been the pre-eminent regionally based university in agriculture and agribusiness. Mr Thompson, do you have examples of agencies of government—state, federal, all sides—that have decentralised their personnel from major capitals to regional areas around Australia? If so, is the list so long you are going to spend all our time giving them to us? If you have such a list—I can recall a few in WA—could you either give it to us, or could you take it on notice to get it for us?

Mr Thompson: We have a list. I cannot guarantee that it is absolutely comprehensive, because decentralisation of government agencies has been a policy, on and off, of Commonwealth and state governments for some time. But there are 20 or 30 that we are familiar with. There are Commonwealth ones like the CSIRO moving research centres to Boorowa and the tax office moving operations to Gosford. At the state level, the most prominent one was the NSW Department of Agriculture moving to Orange. In Western Australia the Department of Water moved from Perth out to Joondalup—which is right to the edges of Perth. In Victoria, WorkSafe moved to Geelong. Parks and Wildlife in WA moved from Perth out to Bunbury. The NSW Department of Finance, Services and Innovation moved to Gosford. In Victoria, the Transport Accident Commission has moved to

Geelong. In New South Wales there is the State Debt Recovery Office in Lithgow. The NSW Department of Mineral Resources moved out of a central Sydney location up to Maitland in the Hunter Valley. Also in New South Wales, Local Government moved some years ago down to Nowra on the South Coast. The native vegetation management part of the Department of Natural Resources was moved out of Sydney to Wellington. Parts of NSW Police are in Maitland—that is where they do infringement notices.

Senator BACK: I get the impression from you that it is not rare for people to be moved out of central city locations to regional or rural locations.

Mr Thompson: It is quite common across state governments.

Senator WILLIAMS: All sides of politics?

Mr Thompson: Looking at the occurrences that I am familiar with, it appears just to be something that governments do.

Senator WILLIAMS: You mentioned the shifting of the NSW Department of Agriculture to Orange back in the days when Ian Armstrong was the minister. I believe 400 people shifted from Sydney to Orange, and the town has never looked back. Do you have any research, any history or any statistics about what has happened to Orange since that department was moved out there?

Mr Thompson: We do not have any statistics on that at all. We worked with the Department of Agriculture before they moved to Orange and after they moved to Orange. The relationship with the Commonwealth has been maintained, but we have no data on what happened to Orange.

Senator WILLIAMS: In your department, the APVMA are moving to Armidale. Are there concerns about the price of houses in Armidale? I just did a google and found that the average price of a house in Canberra is close to \$600,000. The average price of a house in Armidale is \$350,000. I raise this issue because this is a problem we have in our country: the affordability of housing. Senator Cameron has said:

I keep my eye on what is happening in Sydney because people keep coming to me and saying, 'Look, it's almost impossible for a first homebuyer to get into the market in Sydney.'

We know the huge prices in the city. It is not the houses that are expensive; it is actually the land. People buy a house for \$2 million, knock the house down and build a \$2 million house on it. We have got plenty of land in Australia; it is the one thing we are not short of. So is it the case that by moving these departments out of the cities, it actually frees up houses in the city, surely?

Mr Thompson: It depends on the relative size of the cities. Big cities tend to have lots of people coming in so it would need a quite comprehensive analysis.

Senator WILLIAMS: But if you move out of the city, the house is empty, right? It might only be empty for a day but it is empty if you sold your house and moved out.

Mr Thompson: On the prima facie evidence, yes, there would be vacancies in the city.

Senator WILLIAMS: So there would be one empty house for people who do move in to take up instead of building more. In other words, it must relieve some pressure on the housing market to have people shift out?

Mr Thompson: Yes.

Senator WILLIAMS: That is just a fact of demand and supply.

Mr Thompson: Yes.

Senator CAROL BROWN: You do not know that though.

Senator WILLIAMS: Hey?

Senator CAROL BROWN: It is not Mr Thompson's expertise, I do not think.

CHAIR: Hold on, Senator. Senator Williams, continue with your examination.

Senator WILLIAMS: I find it crazy how the people in the cities are so frustrated that they can never get into the housing Australian dream and here we are moving people out into the regional areas where housing is much cheaper. Where I live in Inverell, you can buy a good three-bedroom brick veneer home that is 25 years old on 800 square metres for \$300,000. You would pay \$600,000 for a dog kennel in Sydney. The point I make is surely this is helping this huge expensive dream of Australians that they cannot reach by relocating people out into the regions where we have got plenty of housing, plenty of land and plenty of room to expand. That is the point I am making. My question to the people in your department that you have spoken to is: are they concerned about the price of housing in Armidale at all?

MrQuinlivan: I think that particular question is about the APVMA employees so that is one that Ms Arthy should have a shot at.

Ms Arthy : I think the wrong word is 'concern'. I have to say that in all the discussions I have had with staff, it is not the cost of living that is the concern that is raised. Certainly when it comes to housing, the issues are more around how people can get assistance in selling their homes in Canberra to move to Armidale. That is the main issue that gets raised with me in relation to housing.

Senator WILLIAMS: Can you just expand on 'assistance in selling their homes in Canberra'. What do you mean by that?

Ms Arthy : There is a whole range of things like whether there are grants provided for real estate fees, for stamp duty. None of this is agreed as part of a policy but they are the sorts of things that staff are raising with me in the lead up.

Senator WILLIAMS: Are you referring to when they buy house in Armidale, the stamp duty there?

Ms Arthy : That is correct.

Senator WILLIAMS: Because you do not pay stamp duty when you sell.

Ms Arthy : That is correct. But it is the whole housing issue that is tied up with how people can sell their home in Canberra easily and get into the Armidale market easily.

Senator WILLIAMS: I do not know if you have done any research about demand for housing in Canberra. How is the market at the moment? Are the buyers there?

Ms Arthy : I have no idea. I am sorry, that is not my area of expertise.

Senator WILLIAMS: We are on the same page the because neither do I.

CHAIR: I will close out our line of questioning. Mr Thompson, I want to come back to the big satellite look at this policy proposal. What is your history around agriculture in connection with regional communities? Is that where your history is to an extent?

Mr Thompson: Not really. I have worked in the Department of Agriculture and its predecessors for some time in a range of different areas but that has been mainly around managing agricultural resource base, work with industry for productivity and the like, not regional development type activities.

CHAIR: So would you agree, and it would have been a consideration no doubt that, with the level of communications that we have available to us now, it is less important about where you are located and more important in your capacity to communicate with your stakeholders, client base, interested parties. Would you agree that in 2016 we have absolute premium capacity to communicate with each other?

Mr Thompson: I would agree that modern communications make communication working remotely and contact between regions and other areas much easier that was many years ago when all we had were telephones.

CHAIR: In terms of people having to physically interface with your agency, can we assume that any other methodology of interaction can occur efficiently whether you are in Canberra or Armidale, in terms of writing to each other, using email, telephone and the like? In terms of the physical activity of people who come through your door, they cannot conduct their business with you unless they are face to face—what considerations did you give as a CEO in relation to the impacts that Armidale versus Canberra may have there, if any?

Ms Arthy: If I can answer it more generally, we offer quite a range of ways for clients to interact with us. We offer face-to-face meetings, should they want that. We have two suites set up with videoconferencing and web conferencing, and certainly quite a few of us use that for OECD work. We also offer telephone conferences, we also have, of course, email. They are basically the big ones. We already offer a wide range of ways for people to meet with us.

CHAIR: If I have to sit opposite you, and you mentally think about the number of interactions of that style you might have in a given week, and then look at the number of emails, letters and other forms of communication you may have and give them a value and number, and of course there is the use of videoconferencing and the like, would it be fair to say that the physical one-on-one interaction would be to some extent a fraction of the other volume of communications? If each telephone call equalled a face-to-face meeting?

Ms Arthy: Given we handle 5½ thousand applications a year then, yes, emails and phone would probably be more. The issue is not so much the volume—it is the type of information that people want to talk to us about. The face-to-face interactions are usually by companies wanting to bring in what we call a new chemistry, the new blockbusters—the more complicated applications where they need to sit down with quite a few of our experts and work through what they need to provide in their application. Or if an applicant is having trouble—if we have

concerns halfway through the process and we want to find out more information. It is the applicant's themselves who want that face-to-face meeting. We rarely ask for it—is the applicants.

CHAIR: I appreciate that, but with a volume of interactions where an email is equal to a telephone conversation is equal to a meeting—I am not pretending that they are equal in terms of the interests of the client—the face-to-face would be just a fraction of those events in any given week—thousands versus a dozen, or dozens?

Ms Arthy: That is correct.

CHAIR: I anticipate that you might receive questions today about what impact it may have on a client who stands in the foyer of Sydney airport and looks up whether they are going to Canberra or Armidale. I envisage it will be a line like that. Do you anticipate that there is an unreasonable impost on these clients making their way to you by location?

Ms Arthy: I am not sure I can answer that because all these factors are part of the cabinet process, in terms of the different options that might be there to mitigate the risks and work with clients. But again, if I come back to the general side of things, because we do offer quite a range of options it is fairly easy for clients to interact with us.

CHAIR: I am sure that at some stage you were consulted on certain aspects of this, and did the impact on client contact become an issue in the suite of things in your mind that needed to be considered as this policy was developed?

Ms Arthy: Again this is a policy matter for the department—

CHAIR: Let me make it easier for you. Let us now move the office to Bedourie. Do you know where Bedourie is?

Ms Arthy: No.

CHAIR: You have made my case for me. That would give rise to an argument that the timeframe for getting to Bedourie is four cut lunches and a carton of beer. But Armidale versus Canberra, in terms of someone transiting to there, is virtually like 'tomato/tomato' in a modern world.

Ms Arthy: Again, Senator, that would have to nearly be a question for the applicants as well, because it is up to them as to how they want to do it. I keep coming back to the fact that we provide a variety of options for applicants to interact with us. Decisions about what an applicant may or may not want to do in terms of going to Armidale or Canberra, that would be up to them.

CHAIR: Mr Thompson, you have made this journey the whole way through in terms of helping develop some of the information—I am not exploring what that is—that will eventually be put before cabinet to consider this?

Mr Thompson: I have been involved in the last six months or so. I have not been involved, other than around the margins, for the whole period, but I have been familiar with it.

CHAIR: So what would you say if I put to you that the concept has been—we had four of the CRCs here this morning, all of whom had positive contributions to make with respect to decentralisation and sharing their own experience. Did you find that largely to be the mood as this consultation process went forward?

Mr Thompson: The process around the move of agencies to regional locations started over two years ago. It is probably fair to say that as the process has progressed and the RDCs in particular became more familiar with it, and adapted to it, the mood has changed a little. I think you have heard from RIRDC and FRDC today. They have come up with an option that appears to be working for them.

Senator STERLE: For my esteemed colleagues both on the committee and those listening, the Labor Party, over the years, has unquestionably proved its support for rural and regional Australia. I would absolutely detest it if some senator came running in here and attacked the Labor Party as if we do not care about the bush. I will just let you know now, Chair, that I will erupt if that happens.

CHAIR: I will not let it happen, Senator Sterle.

Senator STERLE: But in relation to the movement of APVMA, what we really want to ask questions to is: is this really in the best interests of rural Australia and those who rely on the professionalism of the APVMA? Is this move the wisest thing to do? That is where our questioning will be going, and I will assist Senator Brown and Senator McCarthy, who will have some questions.

Senator CAROL BROWN: Since the relocation of the APVMA is still yet to go through the cabinet process, Minister, does that actually mean the move may not go ahead?

Mr Quinlivan: Governments implement election commitments, and that is a high priority. From our point of view the question being answered now is the way in which that election commitment is implemented, not whether it is implemented.

Senator Ruston: Certainly that is also my understanding, that there was a very strong commitment made by the coalition in the election period that it was our intention to relocate or proceed with the relocation of a number of agricultural agencies to rural and regional areas and that an appropriate process would be undertaken for that to occur.

Senator CAROL BROWN: So regardless of what the cost-benefit analysis said, you believe the government will proceed?

Senator Ruston: Minister Joyce has already been on the record to say that the cost-benefit analysis is but one of the instruments, or one of the informing components, of the decision-making process, and that the cost-benefit analysis also will assist in mitigating any concerns or negative impacts that may occur from a move. The cost-benefit analysis is not the only instrument that the government relies on in making its decisions to fulfil its election commitments.

Senator CAROL BROWN: What other instruments did the government use to inform their decision?

Senator Ruston: Obviously, it is quite clear from the statements that this government has made, not just during the election campaign but in its previous term of government, that it sees great benefits in assisting rural and regional communities by the relocation of agencies, not just because of the relocation of people and activities into regions but also the closer benefit of having activities occur close to where the farming activity is happening. Those issues would also be part of the consideration of government.

Senator CAROL BROWN: That did not really answer my question, with all due respect, Minister. I thought you indicated earlier that there were some other instruments that were used to inform the government's view.

Senator Ruston: There are other things that will be taken into consideration in making a decision as to the appropriateness of a particular move.

Mr Quinlivan: Including the consultations that Mr Thompson referred to earlier when he described the organisations we have talked to in the course of preparing the advice and, of course, advice from the APVMA itself.

Senator CAROL BROWN: Are we able to have a list of those people that were consulted tabled?

Mr Quinlivan: I think Mr Thompson read out pretty much the entire list earlier.

Senator CAROL BROWN: No, he did not.

Mr Thompson: I did not read out the actual list of the bodies.

Senator CAROL BROWN: Tabling it would be good.

Mr Thompson: We would have to take that on notice.

Senator CAROL BROWN: Who you consulted with? You have to take that on notice?

Mr Thompson: I know we do have a list, but I do not have the list of every person we have consulted with me to hand at the moment.

Senator CAROL BROWN: I am only asking for a list of people you consulted on the relocation of the APVMA. Do you have a list?

Mr Walsh: If I might assist, we consulted on the scope of the analysis which was undertaken for the cost-benefit analysis.

Senator STERLE: Sorry, what does that mean, for us truck drivers? You consulted on the scope of the analysis.

Mr Walsh: We consulted with the stakeholders on the scope of the cost-benefit analysis that was undertaken for the relocation of the APVMA.

Senator STERLE: Senator Brown asked you: who did you consult? Tell us.

Mr Walsh: We consulted with the National Farmers' Federation, CropLife Australia, the New South Wales Farmers Association, Animal Medicines Australia, Accord Australasia, Plastics and Chemicals Industries Association, Veterinary Manufacturers and Distributors Association, the New South Wales Department of Primary Industries, the University of New England and also departments of government.

Senator CAROL BROWN: Is that a complete list?

Mr Walsh: That is the complete list.

Senator McCARTHY: Was the University of New England the only university that was consulted?

Mr Walsh: On the scope of the analysis. That is correct.

CHAIR: I think this requires clarification. You are talking about a body of people consulted on a particular narrow scope. I imagine you consulted staff and you consulted outside of that particular scope.

Mr Walsh: Yes. There was extensive consultation undertaken by the consultants, but that is part of the report, which is part of the cabinet process.

CHAIR: I appreciate that, but I wanted to clarify it because we do not want to leave Senator Brown believing that that is it; you have consulted those dozen entities and on the back of that made a decision.

Senator CAROL BROWN: I understood what the consultation process was about, Chair, but I do appreciate your assistance. I would like to go now to Ms Arthy—

Senator STERLE: Before you do, if I can follow up: of the people you rattled off, obviously the University of New England would think that is fantastic. Of all those stakeholders that you consulted over the scope, what did everyone else think about moving APVMA to Armidale?

Mr Walsh: There were a range of views expressed.

Senator STERLE: Good. Tell us.

Mr Walsh: There were some concerns expressed by some organisations and other organisations identified benefits.

Senator STERLE: Tell us how many raised benefits and tell us how many were opposed.

Mr Walsh: I cannot tell you that off the top of my head.

Senator STERLE: When you put it out that you have consulted—I am not being rude, because this is about the seventh time we have talked about this—you make it sound, Mr Walsh, that everyone was consulted and said, 'It's a Mickey Mouse; move on, there's nothing to see.' That could not be further from the truth. We know that people have come out—the vets, the National Farmers Federation and others—and said that this is just not a good idea. So, break it down for us.

Mr Walsh: The stakeholder comments were incorporated where they could be—

Senator STERLE: What would stop them not being incorporated?

Mr Walsh: Bearing in mind that there were varying views raised.

CHAIR: Let the witness proceed.

Senator STERLE: Sorry, I really struggle when the gobbledegook statements come out from the bureaucracy and members of parliament.

CHAIR: We can steadily work through it with the officers.

Senator STERLE: My span of attention does not last as long as half of the answers! But, let's have a go!

Mr D Williamson: The consultation that Mr Walsh is referring to was consultation in preparing the scope of the work the consultants undertook to do the cost-benefit analysis. So these stakeholders were asked what sorts of issues the consultants should look at when they were doing their cost-benefit analysis. That is what he is referring to. The cost-benefit analysis itself that was conducted by the consultants included a wide range of consultation—a wider group than what Mr Walsh has read onto the record.

Senator STERLE: A good point.

Mr D Williamson: The feedback provided by those stakeholders is included in that cost-benefit analysis.

Senator STERLE: Can you table the cost-benefit analysis?

Mr D Williamson: No, I cannot.

Senator CAROL BROWN: Can we have a copy of the list of the group that were consulted on the relocation, not in terms of the scope of the cost-benefit analysis but on the actual relocation?

Mr Quinlivan: These are the people that Ernst & Young consulted during the course of their work. That is what you are asking for?

Senator CAROL BROWN: I could not hear your answer.

Mr Quinlivan: You are asking for the parties that Ernst & Young consulted during the course of their work. Is that what you are asking for now?

Senator CAROL BROWN: If the work they undertook was about the actual relocation, yes.

Mr Quinlivan: We will have to check the terms of the agreement between Ernst & Young and those people, some whom are individuals and some of whom are organisations. But to the extent that we are able to we would be happy to do that.

Senator RICE: What was the Ernst & Young piece of work that was done?

Mr Quinlivan: It was principally the cost-benefit analysis that people have been talking about, plus some additional work about risk mitigation and things that might be done to facilitate a transition.

Senator CAROL BROWN: Was there consultation prior to Minister Joyce announcing the relocation?

Mr Quinlivan: I think there would have been, although clearly it was not finished, because the study had not been finished.

Senator CAROL BROWN: Earlier today I talked about some comments that came from the National Farmers Federation, CropLife, Animal Medicines and the Australian Veterinary Association about their concerns and the risks of relocation. You would be well aware of the comments they have made?

Mr Quinlivan: Yes.

Senator CAROL BROWN: They were people you spoke to in terms of the consultation?

Mr Thompson: In essence there were two rounds of consultation. There was the one we were just talking about, which was the consultation with Ernst & Young and ourselves in terms of scoping the piece of work this year. There was an earlier round of consultations, in 2015, with a range of similar stakeholders, when broad concepts about the move of the APVMA to a regional location were first being discussed.

Senator CAROL BROWN: How much did the work of Ernst & Young cost?

Mr D Williamson: The cost-benefit that analysis I think cost \$272,000.

Senator CAROL BROWN: What other money has been expended on work that has been completed around the relocation of the APVMA?

Mr Thompson: A lot of the work would be internal departmental work to look at options and prepare advice to government. It is not separately costed in the way of external—

Senator CAROL BROWN: So there were no other external costs?

Mr D Williamson: We might just take that on notice and double-check for you. Nothing of the scale of the Ernst & Young work.

Senator McCARTHY: What about the earlier report—the earlier one in 2015?

Mr Thompson: The other thing that was done, which just slipped our minds, was the recently completed property survey that was done by our real estate consultants in the last month.

Senator McCARTHY: With your earlier consultancy, in 2015, were there any costs around that?

Mr Thompson: That was not a consultancy. That was around the consultation that the APVMA did, and it may have been a consultation with the department—it was before my time—but just talking to stakeholders in relation to options for moving the APVMA to a regional location.

Senator McCARTHY: So those are the two stakeholder consultancies or discussions that you had?

Mr Thompson: The first one was not a consultancy. The first one was actually the agency of the department talking to people themselves. So there was no consultancy work.

Senator McCARTHY: That was the one in 2015?

Mr Thompson: In 2015.

Senator McCARTHY: And how many stakeholders were consulted then?

Mr Quinlivan: Wasn't that the list that Martin read out?

Mr Thompson: No, it is a slightly different list. It is 21—the major difference is that all the states and territories were consulted, because they are partners in implementing the ag and vet chemical management process. But in terms of the other stakeholders, they are probably pretty much the same ones. They are the ones like Accord, Aerosols Australia, the veterinary association, CropLife. They are the peak bodies around the industry groups that are clients of the APVMA.

Senator McCARTHY: That was in 2015?

Mr Thompson: It was in 2015.

Senator McCARTHY: And then Ernst & Young went and did a second report?

Mr Thompson: They did a report scoping the cost-benefit analysis. That was this year.

Senator McCARTHY: As well as transitional plans. I think you or Mr Quinlivan said earlier that Ernst & Young were doing cost-benefit analyses, risk mitigation, and transitional plans, which I take to be discussions with stakeholders?

Mr Thompson: That was the report—they were seeking advice and information from stakeholders as they did that work.

Senator CAROL BROWN: How much was the public survey—did you say public survey? And was the survey completed?

Mr Thompson: Mr Walsh may have the number there, but there was a recently completed piece of work that we had the departmental property management consultant do a bit of work on—what the options were for accommodation and Armidale. That was completed quite recently.

Senator CAROL BROWN: Okay.

Mr Thompson: And that was to feed into the government's consideration of costs for a move.

Senator CAROL BROWN: Was that undertaken by an external group?

Mr Walsh: It was undertaken by strategic property consultants JLL Corporate Solutions. They were already on a contract with the department.

Senator CAROL BROWN: Under their current contract?

Mr Walsh: Yes, that is right.

Senator McCARTHY: Can I just take you back to the 2015 first round. You said that was with all states and territories. When you collated all that information what was the outcome?

Mr Thompson: A fairly similar outcome to the Ernst & Young report. Many of the people consulted made public statements about it. There was a range of views. Some expressed concerns about the transitional arrangements. Some expressed concerns about how access could be managed, and risk management strategies. They were the issues they raised.

Senator McCARTHY: So after the 2015 stakeholder report, who made the decision to go to the next stage to get Ernst & Young to do a report?

Mr Thompson: This was a decision by the government earlier this year—that a cost-benefit analysis would be done on the move of the APVMA.

Senator CAROL BROWN: Ms Arthy, who are your clients?

Ms Arthy: Our main clients are the manufacturers of agricultural and veterinary chemicals. So it is the major pesticide companies like Bayer, Syngenta, and a whole heap of people like that. On the animal medicine side it is people like Zoetis, as well as a whole heap of smaller manufacturers. We deal with over 900 separate manufacturers of agricultural and veterinary chemicals.

Senator CAROL BROWN: So, all manufacturers trying to get their products out into the public?

Ms Arthy: That is correct. If anyone wants to sell agricultural or veterinary chemicals in Australia, they have to be registered with us.

Senator STERLE: But, of course, the agriculture, veterinary and horticulture industries are hanging on every word you say.

Ms Arthy: Absolutely. The people who use the chemicals are of course the agricultural sector. But if you look at the people who we transact with—they are our immediate clients and the people we essentially do business with on a daily basis—it is the chemical companies. But, of course, it is the outputs of that process that are then used by farmers, by households and by a whole range of people.

Senator CAROL BROWN: What interaction do you have with farmers?

Ms Arthy: We have virtually no interaction with farmers. We do work with the industry associations, so we talk regularly to the NFF, the grains industry, to the cotton industry and to the horticulture industries, because a lot of our decisions, particularly around chemical review and the potential restriction of use of chemicals—we work with the peak bodies a lot to look at perhaps alternative use patterns and get information that would help us make a decision. We also work with those agencies around minor use—so the issues of providing permits for use of chemicals in fairly narrow situations. So we do a lot of work with the agricultural peak bodies.

Senator CAROL BROWN: I was looking at a statement of the Prime Minister on 9 June this year, in which he said that the relocation would 'enable stronger collaboration with farmers'. They are not your client group, in terms of the work that you do? It is the companies and the peak bodies?

Ms Arthy: Essentially, they are the people we interact with regularly, yes.

Senator CAROL BROWN: What work has been carried out, anticipating this move to Armidale? What work has the APVMA conducted?

Ms Arthy: A lot of that work is actually part of the cabinet process, so it is different for me to answer that. I think that is probably more a matter for the department in terms of the work that they commissioned to pull together a cabinet submission.

Senator CAROL BROWN: Did you have input into the cost-benefit analysis?

Ms Arthy: We were consulted, and our staff were surveyed as part of that. And, of course, we have also provided factual information to the department to develop the cabinet submission. But in terms of talking in detail about what that is, I am unable to do that.

Senator CAROL BROWN: Can we have a copy of the staff survey?

Ms Arthy: The staff survey is part of the E&Y report, which is part of the cabinet process.

Senator CAROL BROWN: Pretty much tied it up here, Minister. So you cannot tell me what sort of information was sought?

Ms Arthy: No, I cannot.

Senator STERLE: Wow. I feel sorry for you, Ms Arthy—I really do. And that is not being cheeky!

Senator CAROL BROWN: What are the current staff numbers at the APVMA?

Ms Arthy: We have 190 FTE.

Senator CAROL BROWN: Obviously, discussions have been had with staff members?

Ms Arthy: I talk to the staff quite a lot about this. Is there anything more specific you would like to know?

Senator CAROL BROWN: Have you talked to staff about voluntary redundancies?

Ms Arthy: No, not yet. It is very premature because I am yet to get the order from government. Until that happens I am not in a position to talk about detail around what redundancy provisions may be available. Nevertheless, we are working with our staff consulting committee on potential relocation policy so that I can at least get from staff what things they are registered in. That is a work in progress at the moment.

Senator CAROL BROWN: How is morale at the APVMA at the moment?

Ms Arthy: It is difficult. Staff are naturally concerned. This was first raised with us over two years ago, so staff have been living with it for a long time. They are concerned about the future and their families. But I have to say they are remarkably upbeat. When I mentioned the performance statistics before, the fact that we can get 83 per cent of our applications out within time frame I think is a credit to the staff who work at the APVMA.

Senator CAROL BROWN: I think in previous estimates you indicated that you were concerned about the implications of the move. Is that still your position?

Ms Arthy: I am on record as saying one of the biggest risks around a relocation is the loss of regulatory science expertise or access to regulatory scientists, and that will always be a risk with anything to do with our work.

Senator CAROL BROWN: Have you had any discussions with some of these groups that have indicated their concern around the move, like CropLife?

Ms Arthy: I talk to them all the time.

Senator CAROL BROWN: Have they spoken to you about their concerns?

Ms Arthy: Yes, they have.

Senator CAROL BROWN: What did they say?

Ms Arthy: Fairly consistent with what is in their public statements, which is around concerns about loss of regulatory expertise and the potential impacts on the ability of farmers to get access to chemicals quickly.

Senator CAROL BROWN: And they are still opposed to the relocation of the APVMA?

Ms Arthy: You will have to ask them. Apart from what is on the public record, which I believe you have, I do not have any more contemporary knowledge.

Senator Ruston: Senator Brown, just to follow on from that, it is my understanding that CropLife have indicated support for agricultural centres of excellence in regional areas, which is exactly what the APVMA is set to do with its move to Armidale.

Senator CAROL BROWN: Thank you, Minister, but from the statement that I have seen from CropLife and what we have just heard here today, it does not sound like they are supporting this relocation at all.

Senator Ruston: It is not for me to verbal CropLife, but I would suggest, respectfully, that you seek to speak to CropLife before we just take one particular statement they have made as being their entire opinion on a particular matter.

Senator CAROL BROWN: Do you have another statement that you want to share?

Senator Ruston: No, I am just indicating that, verbally, CropLife have indicated that they are very supportive of rural and regional centres of excellence in agriculture and are supportive in the broader measure of the APVMA and other agencies that have been part of centres of excellence in rural and regional areas.

Senator CAROL BROWN: Until I see something from CropLife that says—because, as far as I understand it, they are still opposed to this relocation, and I expect Mr Thompson or Mr Walsh would be able to help us there. They did the consultations. The cost-benefit analysis or the scope of it was, as I understand it, around how the risks can be mitigated, not in terms of it not happening.

Mr Thompson: I have not seen a public statement by CropLife either, but, as Senator Ruston has said, the latest advice we have had from CropLife internally is, while they do not support a simple relocation of APVMA, as they have said before, they do support, or they believe they could support, a genuine centre of excellence in agriculture and agricultural chemicals that could deliver broader benefits and that could be co-located with a rural university. So, as the senator has said, I think you may need to talk direct to CropLife. I could not say what they may be saying publicly, but the advice they have given us is that they can support the concept of a centre of excellence in agriculture around chemicals management that would include the APVMA, and the APVMA in a rural location.

Senator STERLE: Ms Arthy, let's go back to 190, which is 195 actual people that you have on your staff. You did say in answering Senator Back's questions that you have 100 regulatory scientists.

Ms Arthy: About 100 regulatory scientists, yes.

Senator STERLE: I remember for some reason that two years ago, when this thought bubble hit the airwaves and sent the shockwaves through the APVMA and the users of APVMA, that there were about 63 scientists. Was that correct at that time?

Ms Arthy: If you remember, it was around the number of people who answered my survey of last year. That is the distinction.

Senator STERLE: Right. Let's highlight this. Let's get to the pointy end of this quite clearly—the numbers of people. So of your 190 how many are scientists?

Ms Arthy: About 100.

Senator STERLE: And the other 95 are?

Ms Arthy: I do not have the split in front of me but they are made up of compliance officers, people who go out into the investigations against the legislation, and manufacturing licensing people, the ones who run the audits of the visionary manufacturers. We have a very large case management unit, who do all the administration around the 5,000 applications and who take the lead in communicating with clients. We also have a legal team and we have a corporate team, which has a fairly sizeable IT unit. As well, there is the usual media, communications, finance and HR.

Senator STERLE: And no job is more important than the other. When was the last time you asked staff in terms of: 'Put your hands up. Who wants to move?' It does not matter where it is to—actually, it does because it is Armidale, but that should be neither here nor there.

Ms Arthy: The last survey I did was in June-July last year.

Senator STERLE: So the figures should not have changed from our last round of estimates, but let's refresh the committee's memory.

Ms Arthy: To refresh you, just remember that the context at that time was that I was asked to give advice to the minister about whether the APVMA would be willing to move to Armidale or Toowoomba. It was the two. Of the people who said yes, nine people said that they would move to Armidale or Toowoomba. An additional one

person said that they would move to Armidale only and an additional four people said they would move to Toowoomba only.

Senator STERLE: Do you have that broken up into whether they were scientists or case managers or manufacturers? I think that is important.

Ms Arthy: Yes, we do. Of the 14 who signalled that they would move, seven were regulatory scientists, two were from legal and compliance and five were from case management. We also had people who might, who would still consider. I asked whether they definitely would, whether they might move as well as no or maybe.

Senator STERLE: How many?

Ms Arthy: On the maybe side of things a further 12 regulatory scientists said they might go, a further five legal people said they might go and a further 17 case management/corporate people said they might go. A total of 34 people said they might go.

CHAIR: Was that the mighs?

Ms Arthy: That was the mighs.

Senator STERLE: Thirty-four mighs.

Ms Arthy: Yes. Together it was 48 yes or mighs.

Senator RICE: [inaudible] I missed that.

Senator STERLE: Hang on, Senator Rice. Pull your horse up.

Senator RICE: I thought she had already said that but I had missed it, Senator Sterle.

CHAIR: Settle petals.

Senator STERLE: I am sorry. I just want to know. I just want to clarify. You said—

CHAIR: We will finish this at a natural juncture if—

Senator STERLE: No, I am just trying to clarify this.

CHAIR: Bear with me, Senator. I am not taking away the call. I am saying: if you think this has got this far to go rather than that far, Senator Rice has indicated she would like to have an opportunity.

Senator STERLE: I just do not want to go off that, because my maths—

Senator RICE: No, I thought that Ms Arthy had already said how many respondents and I had missed it.

CHAIR: We should allow the senators to put their line. If you get a natural break, if you think we are going to come back for another half-hour, give me a whistle.

Senator STERLE: No worries. I just want to clarify: nine said they would go to Armidale or Toowoomba, one said Armidale only and four said Toowoomba only. That should add up to 14, correct?

Ms Arthy: That is correct.

Senator STERLE: I was trying to write as you were talking. As I said, you are very quick at this, you know, Senator. Ms Arthy, then you said that maybes would be—

Ms Arthy: A further 34.

Senator STERLE: A further 34 on top. Thank you. That is 48.

Ms Arthy: A total of 48.

Senator STERLE: How many said 'No way'?

Ms Arthy: A total of 110.

Senator STERLE: It would not be hard to break that up but I will ask you anyway. How many of them were scientists?

Ms Arthy: Of the survey—49. There were 21 from legal and compliance and 40 from case management and corporate.

Senator STERLE: I am not allowed to hypothesise but one would think that these figures were put to the minister and to the department—the results of the survey?

Ms Arthy: These were provided to the minister and department, yes.

Senator STERLE: Minister—I am not expecting to get an answer, and that is not having a crack at you, because you cannot; there may be other reasons why you do not—and Mr Quinlivan, what was plan B coming from the government for how you would fill these 110 positions, bearing in mind 49 are scientists? I do not want

to be a smarty, but scientists do not grow on trees—it would be a special tree. What was plan B when the minister got that information?

Senator Ruston: I would have to take that on notice, because I have not had that conversation with the minister.

Senator STERLE: I understand that. Mr Quinlivan, I reckon you might have an idea. What was plan B?

Mr Quinlivan: Not so much on plan B but just an observation: they are responses to survey questions in the abstract. Those people did not have the benefit of knowledge about what relocation strategy and what remuneration arrangements and transition costs assistance and so on might be, so—

Senator STERLE: So you reckon if they got a set of steak knives it might change their opinion.

Mr Quinlivan: I do not think steak knives would have done the job but something more tangible might well have changed those numbers.

Senator STERLE: Let us get back into reality. I plead with my colleagues on this committee, Senator Back, Senator O'Sullivan and Senator Williams from the government side, and Senator Abetz. This is a case of common sense. There should not be a political war going on about a decision that seriously is off with the fairies. I mean no disrespect to any centre outside of Canberra but for a department as important as this, this will not fly. What more do we have to do—

CHAIR: Senator, you should not—

Senator STERLE: I am pleading with you—it is common sense—and to the minister. By all means—

CHAIR: Direct questions to the officers and flesh out the detail and allow people to draw their own inference.

Senator STERLE: I am but this is my sixth or seventh time having a crack at this.

CHAIR: You know those fairies you mentioned before? I saw a couple of them flutter past a second ago too. Just concentrate on—

Senator STERLE: If they could land Mr Joyce in the real world it would help. Could you arrange that for us, Chair?

CHAIR: No, I will not, and we are not going to editorialise on it.

Senator STERLE: This is insanity. You have the call. Please go back to questions.

Senator STERLE: Those who were questioned did not quite know what the benefits of relocation could be—and it is not a set of steak knives—then, Mr Quinlivan? What the heck are we talking about?

Mr Quinlivan: As we mentioned earlier, the government has not yet made decisions about the way in which the relocation will occur. The APVMA does not yet have a relocation strategy and policy for its staff.

Senator STERLE: Why not?

Mr Quinlivan: Because it does not yet have the benefit of the government direction to move and the terms and conditions of the move. There are a range of other issues, including the ones that the chair was raising earlier about what the connectivity arrangements will be between the organisation and its staff and clients. There are quite a range of matters of detail to be sorted. When those are all known, then people can make judgements about their feelings, having full possession of the facts. They do not have those at present.

Senator STERLE: Tell me what connectivity means to these—

Mr Quinlivan: The capacity for—

Senator STERLE: 110 people who have said, 'I'm not going'.

Mr Quinlivan: digital interaction and so on.

Senator STERLE: So they can get Foxtel?

Mr Quinlivan: No.

Senator STERLE: This is still making no sense, Chair.

Mr Quinlivan: One of the advantages of New England, of course, is that it is connected to the NBN, so we are expecting that clients and staff will be able to connect to an office in New England in a very efficient and effective way and transmit large amounts of data. So part of the strategy that Ms Arthy is considering and the government is considering is a capacity for people to interact remotely.

Senator STERLE: Mr Quinlivan, I do not think anyone would be closer to the staff at APVMA, with the greatest of respect to Ms Arthy. This is not a case where I can get NBN. This has got nothing to do with the good town of Armidale.

CHAIR: Mr Quinlivan has given you a sound answer—

Senator STERLE: No, it is not sound. You may think it is sound; I think it is flawed. I think Mr Quinlivan is desperately trying to defend the government's position. Deep in his heart he is really struggling with this.

CHAIR: This is an estimates hearing. We are not here to apply subjective tests.

Senator STERLE: You cannot cut me off. I will just sit here and keep asking. Senator Abetz, I wish you were still in cabinet; there might be some grown-ups.

I am going to go to Senator McCarthy.

CHAIR: Senator Sterle, before you do, are you able to give me an indication where we may interpose?

Senator STERLE: I cannot. With the greatest respect, I am asking serious questions. The answers coming back are not, in my opinion, addressing my questions. People do not want to leave Canberra.

CHAIR: I do not want to debate overly about this. I will tell you what we are going to do. We are going to leave the call with you until 3:20 and then we are going to go to Senator Rice. Then we are going to come back to you and we will remain with you, if necessary, till midnight. Please organise yourselves.

Senator STERLE: Hang on. We had an agreement, Senator O'Sullivan, that you and I agreed on. I am not opposed to changing a few things around, but you cannot cut me off because I am not happy with the answers.

CHAIR: Let's go back to the examination. We will just continue to review it.

Senator STERLE: Okay. Senator McCarthy wants to follow up.

Senator McCARTHY: Mr Quinlivan, you said that there was no discussion about the relocation policy for staff, yet Ms Arthy said earlier in her response that there had been meetings with staff in terms of relocation plans because this has been going on for two years. There seems to be a conflict between both your answers.

Mr Quinlivan: No, I do not think so.

Ms Arthy: I do not think so. What I am talking about is the relocation policy that is written on a piece of paper where staff can make a decision about what they might be entitled to should they move. That is not final, because, as Mr Quinlivan said, I have not been given the order or the terms of what the scope of the move is, what funding is available et cetera. However, we have been talking with staff throughout this just as a matter of courtesy, because it impacts on them.

Senator McCARTHY: So those questions about entitlement, which is what Senator Sterle was asking about in terms of entitlements to get a plan B—what were staff saying about that?

Ms Arthy: I can go back a step. The discussions we were having, particularly last year, were asking questions like, 'What are the things that you would need information on before you made a decision?' It was things like schooling, housing, health care—that sort of thing. In terms of the detail of what entitlements there are for staff, I have been very open with staff that I cannot really settle on that until I get the order from government or the funding. So we have just been working with our staff consultative committee to scope out what things staff might want to see, and it is things like assistance with the cost of relocation. I mentioned earlier assistance with buying and selling houses, assistance with transporting pets—stuff like that. That is what we have been talking about.

Senator McCARTHY: So you would see these as staff incentives, wouldn't you—the discussion around what kind of staff incentives to get staff to move?

Ms Arthy: That is what relocation policy usually is, yes.

Senator McCARTHY: So, to come back to Senator Sterle's question about plan B: that would be something that you have already started discussing internally even if you have not had a policy set in place. What are the things that would interest staff to relocate, yes?

Ms Arthy: My understanding of Senator Sterle's question was more around 'How do I maintain access to regulatory scientists?'

Senator STERLE: Amongst other things.

Ms Arthy: The relocation policy is fairly general. If anyone has seen the Public Service relocation policy, it is really around 'You get this amount of money for removalist costs' and stuff like that.

Senator McCARTHY: If you had interest in moving because your child's education would be paid for and you obviously were able to get other benefits for moving to Armidale, surely these are also incentives that would see staff interested in wanting to relocate.

Ms Arthy: They are certainly incentives, but beyond, again, talking general things that staff have raised with us—the type of things I have mentioned—without knowing what funding there is available to support relocation, talking beyond the hypothetical is virtually impossible at this point.

Mr Quinlivan: What I was endeavouring to say earlier about your question about what plan B is is that plan A is not yet complete and will not be known until cabinet has dealt with the terms and conditions issues and what investments are going to be made. At that point, plan A can be conveyed to the staff, and they will make judgements then.

Senator STERLE: Okay. For the purposes of streamlining and moving along, I will let that one slide through. One hundred and ten have already said no way, they are not going. If the minister says, 'Go back and have another crack' or something, fine, but I add the 110 who said they are not going and then we add the 48 which is made up of maybes or yes. What about the other 37 people you have got on?

Ms Arthy: This is about a matter of time. This survey that I was giving you the results for was done at a particular time.

Senator STERLE: I am well aware of that.

Ms Arthy: I think the basic thing is that I do not think I can answer that, because there were 159 staff who responded out of 192 staff members.

Senator STERLE: Yes, that is right, so the figure could be worse or it could be better. We do not know that. The problem that we do have—and I do not want you to comment on it, because the minister will pounce on me—is that there are two and a bit years of uncertainty for the staff and the clients of APVMA before we get to the agriculture, horticulture and veterinary industries plus people who just want to put some poison on a blackberry bush or something.

So I go back to this. This is hypothetical and you will probably bounce on me, but let me try to phrase it so you do not bounce on me. If a decision was made tomorrow, could the APVMA operate if it had 110 people less, 49 of which are scientists? How would you get your work done? It is a true hypothetical.

CHAIR: I can answer for the witness, and that would be no. But it is hypothetical.

Senator STERLE: It is a stupid position by a government that is in chaos because the agriculture minister is on a different planet. Senator Abetz, we need some grown-ups back there. Can you arrange something?

CHAIR: Order! We are devoting 50 per cent of our time to editorialising and about one per cent to direct questions that will solicit the information that you require.

Senator STERLE: Sure. This is our seventh shot at this.

CHAIR: Can you tighten your act up a little?

Senator STERLE: I am getting so frustrated—

CHAIR: I appreciate that.

Senator STERLE: with the stupidity and incompetence that the minister has displayed. The cabinet needs to pull its finger out and put him back in his box.

CHAIR: This is the very reason we have got anxiety. Could you just try to tighten your questions?

Senator STERLE: I have had a gutful of this. Give Senator Rice the call.

CHAIR: Senator Rice.

Senator STERLE: Thank you, Senator Sterle. Thank you, ladies and gentlemen. I am fairly new to this issue, so I want to go back a bit. I am interesting in knowing when the first thought of the relocation of the APVMA to a regional centre was—not Armidale but specifically the idea that maybe we could move them from Canberra to somewhere else. When was that first an issue?

Ms Arthy: You are testing my memory about the exact date, because I have not got it in front of me, but from memory I think it was about April 2014. It was certainly the first half of 2014.

Senator RICE: Okay, so we had a new government in September 2013 and six months later, in April 2014, the idea was floated that APVMA may be able to move.

Ms Arthy: Yes.

Senator Ruston: For a little bit more background information for you: part of the agriculture white paper process into agriculture identified three RDCs in the APVMA, through that consultation process, for potential regional relocation. So that was the process that led up to the April 2014 decision to make a public statement that it was the desire of the coalition government for these agencies to be relocated to regional areas.

Ms Arthy: It was just a floating.

Senator RICE: Yes, an idea that was floated at that stage. Was the first consultation that was done on that the consultation that was referred to previously as being the consultation in 2015, or was there some broader consultation across the sector after that idea was floated in April 2014?

Ms Arthy: I would have to turn to the department in terms of broader consultation, but I did consultation in 2015. That was after the minister wrote to me asking for advice—purely advice—about the willingness of the APVMA to move to either Armidale or Toowoomba. I wrote to the stakeholders that were mentioned. That is the consultation I was talking about. It was on a fairly narrow question. But I am not sure whether there was other consultation done outside of that.

Senator Ruston: As I was saying, Senator Rice, as part of the green paper that led to the white paper there was a very broad consultation process that led to this decision. The consultation started off broad and has narrowed down as time has gone by.

Senator RICE: Did the consultation done at the green paper stage identify Toowoomba and Armidale as being the two potential locations—or were there a broader range of regional locations considered?

Senator Ruston: I believe—and I stand to be corrected and will take it on notice if I am incorrect—that it identified the three RDCs and the APVMA for potential relocation to regional areas. The decision on the locations was something that was the subject of further discussion and consultation. But I am happy to correct myself if that is not right.

Senator RICE: Can you get back to me about that level of the consultation—and, in particular, how Toowoomba and Armidale were selected as the two potential areas for the relocation?

Senator Ruston: I am certainly happy to take that on notice.

Senator RICE: Was there a process, at any stage, of other regional areas being able to put forward a proposal to make a case that they were suitable locations for APVMA?

Senator Ruston: I cannot answer that directly in relation to APVMA, but I was involved more closely with the Fisheries Research and Development Corporation's new office in Adelaide. That came about as a direct result of consultation with the broader fishing industry about the location for the new office they thought would give the greatest benefit to them.

Senator RICE: You do not know, though, whether there was a similar process for APVMA—or was there definitely not a similar process that covered possibilities all over the country for the relocation?

Mr Thompson: We will have to take that on notice, but, as Senator Ruston has said, there was a focus for the APVMA on Armidale and Toowoomba. I think at that time there was probably some consultation with the two universities near Toowoomba—the one in Toowoomba and the University of Queensland campus at Gatton, which is not far away. There was, I believe, an opportunity during that process for people to suggest other locations—somewhat similar to the way the FRDC came forward with Adelaide out of the mix. But we will have to take the detail of that on notice.

Senator RICE: You believe there was an opportunity—

Mr Thompson: People were talking about the locations of Armidale and Toowoomba. There was nothing to stop people saying, 'We think there is another good rural university at Wagga', or 'There is another location at—

Senator RICE: I am confused. I thought the conversation was specifically about Toowoomba or Armidale—that consultation in 2015.

Mr Thompson: That is what the consultation was about. There was consultation about moving RDCs to particular places too, but some of the commentators said, 'We think a better place is A or B'. They just put it in the mix. There was nothing—

Senator RICE: That is not a fair, objective process—if you are leading the consultation with two particular candidate sites and not talking about any of the others.

Mr Quinlivan: I think we are just going to take this part of the history on notice. It is certainly true that as soon as the minister and the government started talking about decentralisation there were proposals from various council areas, cities, universities and so on for relocation of the various R&D corporations and the APVMA. But, as to this particular part of the history, we will take it on notice to give you the story.

Senator RICE: What are the particular benefits of Armidale as opposed to any other potential regional area?

Mr Quinlivan: The reason Armidale and Toowoomba were in the frame at this stage—we have agreed to find that detail. Armidale was being discussed before the election and then the minister, as you know, made the election commitment.

Senator RICE: What are the particular attributes of Armidale—that is, why Armidale as opposed to anywhere else?

Mr D Williamson: In making that election commitment, I think the minister talked about the University of New England's history, which we traversed a little earlier; linkages across agriculture; other existing institutions that are there already; and the broader regional economic opportunities.

Senator RICE: Are there other regional universities that have a similar connection for their agricultural expertise?

Mr D Williamson: There are other universities that have agricultural linkages and expertise, but that is correct.

Senator RICE: Can you name some of them?

Mr D Williamson: Not off the top of my head.

Mr Thompson: There is the University of Southern Queensland in Toowoomba, Charles Sturt University, La Trobe University in Melbourne has rural campuses and there is, probably, the University of Queensland in Gatton.

Senator RICE: So you could make the case that there is a whole range of universities that have the similar agricultural expertise as UNE has at Armidale?

Mr Thompson: As Mr Williamson said, UNE also has the number of agricultural institutions that are there plus the National Broadband Network.

Senator RICE: Yes, I know the National Broadband Network is not as widespread as it needs to be, but, still, due to policies that probably—

ACTING CHAIR (Senator Back): Stay on the topic, Senator Rice.

Senator RICE: Yes, okay. Ms Arthy, do you see any particular benefits for the APVMA being in Armidale? Are that reasons that suit the APVMA as to why Armidale is a particularly good place to be?

Ms Arthy: It is a government policy decision, so really that is a matter for government in terms of what—

Senator RICE: But as the CEO of the APVMA—and you know what your organisation does—

ACTING CHAIR: With respect, you are asking for an opinion on a matter that is government policy.

Ms Arthy: It is an opinion, and it is not an opinion that I can provide.

Senator RICE: All right. I do not see it as being an opinion because I would think, if you are looking at moving, that there are probably some benefits for the organisation. There will also be some disadvantages.

ACTING CHAIR: But you are placing the witness in a position where they are forced to give you an opinion, and it is government policy.

Ms Arthy: Yes.

Senator RICE: Okay. Is the relationship with the university and the connection with the agricultural expertise of the university of particular value to the APVMA?

Ms Arthy: As I mentioned earlier, we have actually been working with the UNE for about 18 months now looking at getting curriculum into their programs around how to be a regulatory scientist. That will be of huge advantage to us and other regulators into the future. Any linkages with the agricultural expertise is good because it means that we can go and talk to people about the latest technology, the latest research that might be happening in particular areas and the latest animal husbandry practices so that is quite positive.

Senator RICE: Right. But at the moment, basically, it has been trying to get expertise for regulatory scientists with the UNE. You have not had other, broader relationships or interrelationships with them up until now?

Ms Arthy: No.

Senator RICE: Being based in Canberra, what has your relationship been like with ANU? Have you done work with them?

Ms Arthy: We probably have, but I would have to take that on notice in terms of what scientific work we have done. We do more work with CSIRO because they have more science that is relevant to us.

Senator RICE: Where is the CSIRO's expertise relevant to you? Where is that based?

Ms Arthy: That I do not know. I shall just check. I have just got advice that some of the expertise is here in Canberra, but we deal with such a wide variety of issues that we tend to work with agencies across Australia.

Senator RICE: Have CSIRO and the ANU been consulted about the shift of APVMA?

Mr Thompson: I believe CSIRO has been consulted. I am unaware whether ANU has been consulted.

Senator RICE: We have on notice all of the people who have been consulted over the time. There were a number of reports earlier this year about the development of the National Agricultural and Environmental Sciences Precinct, which is a joint initiative of CSIRO and the adjoining Australian National University, where Dr John Manners, the Director of CSIRO Agriculture and Food, is reported as saying:

... the CSIRO and ANU agricultural and environmental partnership would have a lasting impact on Australian agriculture and the region.

"This [the Black Mountain project] is an investment in meeting the challenges of an evolving future," ...

.....

Because scientific breakthroughs were usually the result of multidisciplinary approaches the research would be wide-ranging.

We'll be bringing [in] environmental scientists, agricultural scientists, together with people now working with informatics and data science.

He goes on to say:

The co-location of one of Australia's top universities with the facilities of the CSIRO creates one of the largest concentrations of agricultural and environmental science in Australia. We're jointly funding positions.

The importance of the precinct, not just to the ACT and farmers but also the Australian economy and the broader region, cannot be overstated.

ACTING CHAIR: I don't think ANU has a faculty of agriculture.

Senator RICE: It sounds like they are leading the country in this joint facility that has been established in Canberra. Has the fact that APVMA is going to be leaving Canberra as this is being established been a factor in the consideration of the relocation?

Mr Thompson: As Ms Arthy says, the APVMA have not had a lot of direct or recent interaction with ANU. We are familiar with the CSIRO-ANU linkage in terms of agricultural systems. I think it is about future farming systems, and I believe from that media release you were quoting from it is focusing on the sorts of informatics and data management remote sensing type of skills that CSIRO and ANU have here in Canberra.

Senator RICE: Yes, but my question is whether the fact that this centre of excellence is being established in Canberra to bring together ANU and CSIRO's agricultural science expertise and the fact that APVMA is now going to be leaving Canberra has been a factor that was considered and obviously discounted as not being significant. Or was it not considered?

Mr Walsh: The scope of the study, which as we have discussed is part of the cabinet process, included how the move might affect the APVMA's relationships and work with its key stakeholders and clients, including chemical companies, academic institutions and producers who use agricultural and veterinary chemicals and what actions can be undertaken to mitigate any concerns.

Senator RICE: So that was in the scope of the study?

Mr Walsh: Yes.

Senator RICE: We do not know what the results of that analysis are, though?

Mr Walsh: They are not public.

Senator RICE: In terms of the main stakeholders that you deal with—the chemical producers, the peak bodies that oversee the use of those chemicals—where are most of those organisations based?

Ms Arthy: Most of the chemical manufacturers are either in North Sydney or the Melbourne-Geelong area. The peak agricultural bodies are all over the place—Sydney, Narrabri, Canberra. We tend to deal with them wherever they are.

Senator RICE: Do you have regular meetings with Canberra bureaucrats and ministers and ministers' staff?

Ms Arthy: Certainly we meet with the department. We would meet weekly on several issues. We also work very closely with our regulatory partners—counterparts like the TGA, the industrial chemicals regulator and Food Standards. We do work fairly closely with them as well.

Senator RICE: How many face-to-face meetings in Canberra would staff currently have?

Ms Arthy: I would have to take that on notice if you wanted an exact figure, but I would say we would have meetings nearly daily on a few of these things.

Senator RICE: How many staff would have meetings daily in Canberra?

Ms Arthy: I do not know. I would be plucking a number out of the air. I would have to take that on notice if you want something more accurate.

Senator RICE: That would be good.

Ms Arthy: Certainly at the senior levels I would meet with the department once every week or two. People below me would meet with other agencies every couple of days.

Senator RICE: If the relocation goes ahead how many of those meetings would then involve travel to Canberra and how many would be undertaken remotely?

Ms Arthy: That is really a hypothetical that I cannot get into at the moment until I get the order from government following the cabinet process.

Senator RICE: Has this been included in the scope of the cost-benefit analysis?

Mr Quinlivan: I do not want to diminish the significance of this, but we have staff all over the world that we interact daily with in quite an effective way. We have the normal rich communication, and the technical capacity to communicate with locations like Armidale is equivalent to communicating with those in the cities offshore where we have staff. I do not think that particular issue is going to be a problem.

Senator RICE: So you expect then that most of these meetings would be undertaken remotely?

Mr Quinlivan: I think that will be readily achievable, and it is increasingly the norm anyway. Even people located in the same city communicate in this way. That is how we are doing business with our own staff in foreign cities. Again, I am not trying to diminish the significance of it, but at a practical level I think it is not a huge issue.

Senator CAROL BROWN: Would you agree with that, Ms Arthy? Is it practical?

Ms Arthy: We do have one staff member in Perth who we work with remotely and we do interact all over the world. Quite a few of us chair OECD committees or work on OECD committees so we are always on video conferences and web conferences. In theory, I cannot see why the same technology cannot be applied in other forums. It is convenient when people are in the same spot to meet.

Senator RICE: You can meet remotely, yes, but if you are located physically in the same place you get a higher quality of interaction. I know modern technology is allowing us to meet remotely, but a face-to-face meeting enables you to resolve things more efficiently in many cases.

Ms Arthy: I think, with respect, that is probably down to the people who are involved in the meetings. As I said, most of us are involved in OECD meetings where we get great outcomes remotely. It is something that is part of our modern work life.

Mr Quinlivan: I am not sure our children would necessarily agree with that, but I personally would.

Senator RICE: There is the very strong study and knowledge of the power of what is called agglomeration economics, which basically says that people want to be in the same place together and that there are strong economic benefits with the collocation of people, particularly where you have ideas and creativity, and bringing people together face-to-face rather than doing things remotely.

Senator RUSTON: Think of the carbon footprint, Senator Rice.

Senator RICE: You could have a mix of both. At the moment, in terms of the cost-benefit analysis and taking into account your staff survey, what proportion of your staff do you expect will not relocate?

Ms Arthy: I cannot answer that because we do not have the final decision and we do not have the parameters by which everything will occur. I do not have the final relocation policy. I honestly do not know. The survey I was talking about was done over 12 months ago for a particular context and I do not know what the results would be if that same survey was conducted today.

Senator RICE: In terms of the cost-benefit analysis, what presumptions are being made? You must be making some presumptions of what proportion of staff will relocate.

Mr Thompson: I think as we have said before, we cannot comment on what is in the cost-benefit analysis because it is part of the cabinet process.

Senator RICE: So you cannot even share the background underlying presumptions or the criteria that are in the cost-benefit analysis?

Mr Thompson: No.

Senator RICE: You said before that you were working with UNE in terms of increasing their capacity to be educating regulatory scientists. What number of graduates do they have at the moment in the types of positions that you think might be able to have an add-on so that they would be producing graduates suitable for your needs?

Ms Arthy: I would have no idea what level of graduates they have. I go back to the general comment that people who graduate with a science degree relevant to agricultural science require up to five years of additional training before they are a regulatory scientist, so even when I am talking about the UNE putting regulatory science as part of their curriculum, which is something that we are still talking about, it is only about providing a very basic level of understanding. It is not just a matter of them having graduates coming out of university ready to go; it is more that we might have cut down, say, a year's worth of training. But, in terms of their graduates, I would not have a clue.

CHAIR: Senator, I just have a procedural thing to allow some of our witnesses to prepare themselves. Mr Quinlivan, what we will do at the end of this interaction—we do not know when that will be—is go directly to Dairy Australia Ltd, MLA, Australian Livestock Export Corporation and Landcare—on your schedule that will be 11, 12, 13 and 14, in that order—in an effort to deal with the officers, given they have flights at 6 pm. So Senator Rice will complete her examination as and when she does, and Senator Sterle and his colleagues have some questions, but then we will go directly to Dairy Australia. I apologise to Animal Health Australia, Plant Health Australia and the Australian Fisheries Management Authority for the moment, but we will then reorder affairs after we have, hopefully, been able to assist your officers to make their plans. Sorry for the interruption, Senator Rice.

Mr Quinlivan: And is it the expectation that we would come back to APVMA again after Landcare?

CHAIR: No, we will not be moving off this until everyone is completed. However, it still stands as outcome 1, further on the schedule. But I have a sneaking suspicion that the whole schedule is going to come under some pressure. We have a meeting at 4.15 to organise further things, so we will wait till after that. Sorry, Senator Rice.

Senator RICE: Thank you, Chair. Just going back to the capacity of the local university to provide you with suitable staff, you are saying they need five years training, so even if you did ramp up their courses you would not actually have suitably trained staff for another five years beyond their graduation.

Ms Arthy: Not immediately. As we mentioned before, we have 100 regulatory scientists. Many of them have 15 or 20 years of experience. From the time you bring people through the junior ranks—so a graduate going through doing very simple applications to start with—it takes about five years before we are confident letting them go with the more complicated applications. So, yes, for any sort of throughput it would take a while to get a critical mass, if we were only relying on graduates from a university.

Senator RICE: Hearing that, and hearing of your staff survey a year ago, I note that you have at least half of your scientists who are saying they really do not think they are going to relocate. Maybe you are going to get that down a bit, but you are looking at somewhere between, probably, 30 and 70 of your scientists—putting a range—who are saying they are not going to shift from Canberra to Armidale. How are you going to fill that gap?

Ms Arthy: As I was explaining earlier, I am on the record, and I still am concerned about loss of access to regulatory scientists. But any programs or initiatives to try to mitigate that risk are part of the cabinet process, so I cannot talk in any more detail.

Senator RICE: If you were not able to fill that gap, surely that would impact on the capacity of APVMA to do the work that you have to do and would have major flow-on implications for your clients.

Ms Arthy: If I were—and it is a big if—unable to maintain access to regulatory scientists then, yes, it would impact on the business. But, as I have already said, any initiatives that might be taken to minimise or mitigate that risk are part of the cabinet consideration.

Senator RICE: Have you personally been consulted by the minister over this move?

Ms Arthy: I have talked to the minister about the move, yes.

Senator RICE: Have you expressed those concerns to the minister?

Ms Arthy: I am not going to talk about a conversation that I had with the minister, the Deputy Prime Minister.

Senator RICE: Is an option maintaining a base in Canberra if there is insufficient ability for scientists to be willing to shift?

CHAIR: Senator Rice, can I just observe—

Senator RICE: I am about to finish.

CHAIR: But we have been across quite a bit of this territory. I do not know whether you were present at all.

Senator RICE: I have been present the whole time, and that particular question was not asked.

CHAIR: Okay.

Senator STERLE: Could I respond, Chair.

CHAIR: Senator Sterle, I just do not know that it is useful, given the state of our agenda today, to really go over territory again. But I acknowledge you are not far off finishing. You have the floor.

Ms Arthy: Sorry, would you mind repeating the question.

Senator RICE: Just whether the option of maintaining a base in Canberra is being actively considered given the prospect that insufficient numbers of your regulatory scientists are willing to make the shift to Armidale.

Senator Ruston: That is a matter of government policy and if that matter was being considered, it would be the subject of a cabinet submission. You would be well aware that we are not in a position to be able to divulge that information, so it is hard to ask Ms Arthy to be making comments on what she thinks might be government policy.

Senator McCARTHY: I have a follow-up question in relation to what universities were consulted as part of the scope of analysis. You said it was only the University of New England.

Mr Thompson: It was only the University of New England. But in the 2015 consultation, I believe the University of New England, the University of Southern Queensland and the University of Queensland Gatton were consulted.

Senator McCARTHY: Mr Quinlivan, who made the decision that it should be the University of New England?

Mr Quinlivan: I think the question is more Armidale, and the Deputy Prime Minister announced that as government policy during the election campaign.

Senator McCarthy—

Senator Sterle—

CHAIR: We have been very liberal with editorialising this afternoon. Let us just get to the close. We are at the sharp end now.

Senator CAROL BROWN: Ms Arthy, what is the statutory time frame in which the APVMA must process applications?

Ms Arthy: There are actually 29 items and each one has a different time frame. To make things even more complicated, a couple of those items are known as modular, which means it depends on how much analysis we do. So there is not one answer for you, but it is in schedule 6 of our regulations, which we can provide you with.

Senator CAROL BROWN: That would be good. I thought you were going to ask me to look it up. I think you said before that you are meeting 83 per cent of your time lines—is that right?

Ms Arthy: That is correct. That means that of the applications we finalised in the September quarter, 83 per cent of those were done within the statutory time frame.

Senator CAROL BROWN: Can you give me a range of those time frames?

Ms Arthy: It could be anything from three months to 18 months.

Mr Norden: And potentially up to 24 months.

Senator STERLE: Even longer for that drug—what is that drug to fix up the problem with the thoroughbred horses, the herpes? Was it a couple of years?

Ms Arthy: The equine herpesvirus.

Senator STERLE: This is serious.

CHAIR: I withdraw my giggle.

Senator STERLE: This is for the breeding stock of Australia's thoroughbreds. That has been going two to 2 ½ years or something—longer. What is it?

CHAIR: Let us focus on this.

Senator CAROL BROWN: On that 83 per cent, are the applications on the less complex end? Can you give me some more information about that?

Ms Arthy: We can provide that information. We are about to publish the September quarter figures. What we provide in those figures is by item and it is whether it is a new product, a new active, a variation to an existing product—I cannot remember the others off the top of my head. We provide detail by each type of application and

you can see there that, typically, the average legislative time frame. The last a lot of information on our website is the June quarter, and we are about to publish the September quarter. I am trying to think if I have something simple here. We can certainly provide it to you on notice because we do have that information that we publish.

Senator CAROL BROWN: That is as at the end of the September quarter?

Ms Arthy: That is correct.

Senator CAROL BROWN: For this year?

Ms Arthy: That is correct.

Senator CAROL BROWN: What about 2015? Do you have those figures?

Ms Arthy: Yes, they are all published on the website as well. On the website there will be 2015-16. We only have the financial year. That is on the website as well. It will also be in our annual report, which will be coming out shortly.

Senator CAROL BROWN: So you do not know offhand what the figure was for the last financial year?

Ms Arthy: Sorry, what is the figure for the last financial year? For the full financial year it was 66 per cent. For the June quarter it was 78 per cent.

Senator CAROL BROWN: I am sorry; I am—

Ms Arthy: To give you an example, going quarter by quarter, for the September quarter 2015 it was 63 per cent; for the December quarter, 65 per cent; for the March quarter, 58 per cent; for the June quarter, 78 per cent; and for the September quarter, 83 per cent.

Senator CAROL BROWN: Some of those completion rates were on the lower end. Is it because the applications were less complex?

Ms Arthy: There are so many reasons. In the September quarter in 2015 we had a particular issue because we had unfortunately higher than expected unscheduled leave among staff. A lot of people just were not there because they were sick. In our business, once you get behind, it is very hard to catch up again, because the time frames are so tight. So what you see there for three quarters was as a result of the problems we had in the September quarter and the catch-up we did. In the March quarter, because of Christmas holidays, it is more about having the people on the ground, and the number of working days tends to be fewer, so it is harder to get things out on time. But that is where we have put a lot of the effort since June quarter onwards, and we have sustained our performance now for six months up around the 80 per cent.

Senator CAROL BROWN: In actual numbers, how many applications are we talking about?

Ms Arthy: Total applications—I have the quarterly breakdown here; again, the total is on the website. My mind just will not allow me to do the arithmetic very quickly. In September quarter 2015 we had 1,235 applications; in December quarter, 1,161; in March quarter, 1,249; in June quarter, 1,192; and in the September quarter just gone, 1,266.

Senator CAROL BROWN: Will the website also tell me what time frame they were meeting?

Ms Arthy: Yes.

Senator CAROL BROWN: You have indicated why there might be that issue in terms of going from 50-something to 83, which seems to be a pretty good result.

Ms Arthy: The team did a huge effort to get it back. They have worked very hard.

Senator CAROL BROWN: That is very good. But I have a note here about an application from Importing Innovation Australasia, from Mr Michael Pawlyshyn, who indicates that he is concerned because his application process has been delayed, in his view, significantly. He believes that it is because 'the morale of the APVMA staff is a direct consequence of the relocation of the organisation'.

CHAIR: You may have to rephrase that. This witness would have no capacity to comment on what is on the mind of that person.

Senator CAROL BROWN: You do not know that.

CHAIR: We will let the officer answer, but she will have to have had a conversation one on one with the person to be able to help you.

Ms Arthy: Perhaps I can answer this more broadly. The applicant in question is known to us. In the broad, we have many disputes with quite a few applicants when they disagree with some of the stances that we have taken. In this case, this particular applicant does not necessarily agree with the requirements that we are asking him to submit. But I definitely do not agree with any concerns that morale within the agency is impacting on their work.

The evidence is quite to the contrary when you see the improvement in our performance statistics since September.

Senator CAROL BROWN: Has this application been pushed out beyond the time frame?

Ms Arthy: It is actually not our policy to talk about individual applicants, because it does involve commercial information. I am happy for you to put a question on notice and we can see what information we can provide you. I am just reluctant to do it in an open hearing in case we do accidentally provide you information that is commercial in confidence with the client.

Senator CAROL BROWN: I appreciate that, but we do have a situation with the relocation of the APVMA where we have no cost-benefit analysis available to us. Obviously, quite a lot of people of expertise do not want to go, we have a range of peak groups already indicating their concerns and we still do not really have any information.

CHAIR: Order, Senator. Please do not respond to that, Ms Arthy. Senator, we have been very, very liberal today with editorialising in something posed as a question. Please direct a question that is capable of being answered.

Senator CAROL BROWN: I think I might finish up, unless you can give me some information about the cost of relocation.

CHAIR: Does anyone else have any questions for this segment? There being none, we thank you for your attendance. Mr Williamson, Mr Thompson and Mr Walsh, I understand from our earlier indication that you are not free to go, as would be the case with the other witnesses. In line with our declared change in procedure, we go now to Dairy Australia Limited.

Dairy Australia

[15:57]

Senator LAMBIE: I am just wondering if you might be able to answer some questions. Does Dairy Australia consider that the milk contracts of Murray Goulburn and other large milk companies, which allow retrospective clawback of tens of thousands of dollars of additional debt placed on our dairy farmers, are legal?

Mr Akers: Legal?

Mr Quinlivan: Senator, could you speak into the microphone?

Senator LAMBIE: Do you believe that the retrospective clawback of tens of thousands of dollars of additional debt which has been placed on our dairy farmers is legal? Do you believe that is legal?

Mr Quinlivan: Sorry, we are just struggling to hear.

Senator ABETZ: Yes, it is difficult to hear.

CHAIR: Can I just assist you. Are either of you lawyers?

Mr Akers: I am not. Ross is.

Mr Quinlivan: Nor regulators. Off the bat, that is who the question goes to. But nevertheless—

CHAIR: It might assist Senator Lambie with the way that she can have her question answered, if possible.

Senator LAMBIE: As you people are the regulators and Dairy Australia, what is your take on the retrospective clawback? Do you think it is fair and do you think it is legal?

Mr Akers: We are not regulators.

Senator LAMBIE: Do you think that clawback is fair?

CHAIR: That is an opinion question.

Mr Akers: That is a commercial issue for the companies at this point in time.

CHAIR: It may assist Senator Lambie if you can just spend a minute or two talking about your role in dairy. It will aid her to direct her questions more precisely.

Mr Akers: We have a varied role. We are an industry service body and a research and development corporation. As with the fifteen other RDCs across Australia, we collect a levy and it is matched by the federal government. We do a number of research, development and extension projects across Australia, as well as some overseas market development. We are not in the regulatory space and we are not in the advocacy space.

Mr Quinlivan: To the best of my knowledge, the ACCC is investigating the conduct and ASIC is investigating governance arrangements and compliance with company law. They would be the two processes that

would ultimately answer the question that you asked first. As to whether they are fair or not—I think that is a question of judgement about which there might be a variety of opinions.

Senator LAMBIE: Do you not have dairy farmers out there who are members and pay you fees—a considerable amount in fees?

CHAIR: They have indicated that they are a research and development body. If your questions are about research to develop the dairy industry, these are the people to ask. In line with the secretary's comment, the Legal and Constitutional—

Senator LAMBIE: We will not have any research and development in the future because we will not have any milk.

CHAIR: We are not unsympathetic to your position, but the Legal and Constitutional Committee is where you would get answers to those questions—and good questions they are.

Senator LAMBIE: Are we importing New Zealand milk for the fresh domestic milk market?

Mr McElhone: Not that I am aware of. We do import a lot of dairy product from New Zealand and other markets. About a quarter of our cheese and butter consumption here in Australia is of imported product, predominantly from New Zealand. I am not aware of any significant imports of liquid, pasteurised fresh milk, but I cannot be definitive about that.

Senator LAMBIE: What does your research say about the future of milk production in this country?

Mr McElhone: Just last week we released our situation and outlook report. The market projections in that say that there has been a lot of volatility in the marketplace. Obviously global conditions have been pretty difficult time in recent months, although that has begun to show some signs of some recovery. We are already seeing quite a significant impact on most of the major dairy regions across the country. We have done preliminary forecasts that production will be down about five per cent for the year, but as things evolve—we were now getting some very wet conditions through some of the major dairy production regions—that is obviously a moving feast. At the moment that forecast is sitting at five per cent, but it could well be more than that depending on the indications we get about the seasons.

Senator LAMBIE: Can you tell me how the clawback has affected milk prices?

Mr McElhone: As you are aware, in April this year Murray Goulburn and Fonterra elected to step down the season prices. That obviously puts a lot of pressure on farmers who have factored in their costs for the year. The impact on individual farmers of what has panned out over the last six months or so has been made quite clear in the public domain. That impact on farmer profitability comes on the back of quite a challenging season last year. Temporary water prices earlier on in the year were very high, and that was in conjunction with some challenging seasonal conditions elsewhere. All that was compounded by the late season step-down in the price. Obviously it has been a challenging time. On top of that, we have had opening season prices at very low levels, reflecting some of what has been happening out there in the global marketplace.

Senator LAMBIE: When were you guys established—how many years have you been going?

Mr Akers: Since 2003.

Senator LAMBIE: The farmers subsidise the research and development? How much have the farmers put in over the last 13 years?

Mr Akers: The total for farmers? We will take that on notice. I do not have the exact figure. It varies every year, the amount of the levy that is paid, so I do not have a total of that is over the 13 years.

Mr McElhone: But over the last year, Geoff?

Mr Akers: Last year the farmers paid about \$32 million.

Unidentified speaker: In levies?

Mr Akers: In levies, yes. About 6,200 farmers paid about \$32 million in levies and that is then matched with about 20-something from the federal government.

Senator ABETZ: They pay the levy on the litre, as opposed to the value they get for the litre?

Mr Akers: Yes.

Unidentified speaker: So it is a volumetric test?

Mr Akers: Yes.

Senator LAMBIE: How are those levies collected? Can you run me through the process and tell me whether or not they are compulsory?

Mr Akers: All RDC levies are compulsory, is my understanding, for all the 15 RDCs across Australia. They are collected at the manufacturing and processor point and through the levy collection unit here in Canberra, through the department.

Senator LAMBIE: There are a lot of dairy farmers out there doing it tough, especially in Victoria and Tasmania—due to other reasons. Is there any reason why you cannot renegotiate what levies they are paying you for the next few years, until they can get back on their feet? Are you trying to compromise with your members over the levies they are paying?

Mr Akers: It is a legislative instrument which sets the levy—a federal legislative instrument. We have a review process in place where we review the levy, and that now happens every five years. At the moment we are going out to the industry to review the level of the levy.

Senator ABETZ: Could the growers, themselves, petition for a change, or not?

Mr Akers: The growers could petition as well.

Senator ABETZ: And have they?

Mr Akers: No, not at this point in time.

Mr Quinliven: I think I can say that we have not had any approaches. We collect the levies. I do not think we have had—

Senator ABETZ: I do not know why.

Mr Quinliven: Obviously, they value the R&D and the marketing investment.

Senator LAMBIE: I would have thought they were just trying to keep a roof over their heads—that is probably more important. I would have thought with the amount of money coming in to you people that you probably should pick that up, and under exceptional circumstances, which many of these farmers are now in—have you bothered to speak to Barnaby Joyce about that, or that is not your job either?

Mr Akers: About?

Senator LAMBIE: About what is in the best interests of the farmers. You must be able to see what is going on on the ground.

Mr Akers: Yes, I see what is going on on the ground.

Senator LAMBIE: They are suffering. What things have you put in action?

Mr Akers: We have dairy farmers on the board of Dairy Australia. We are well aware of what is going on on the ground, but we also have a long-term industry that we have got to secure the future of. We have to make sure that we have programs in place that are going to be there for the current time and in the future. We have certainly made a considerable investment, along with industry and government, to try and help people through the current circumstances that we are finding the industry in.

Senator LAMBIE: Do you have people in Dairy Australia who are on other boards like Murray Goulburn or Fonterra, or who have a partner on those boards? Do you not think that is a conflict of interest?

Mr Akers: Yes. I do not know about a conflict, but—

Senator LAMBIE: Do you not find that is a conflict of interest?

Mr Akers: No. My wife is on the board of Murray Goulburn—that is a fact—but there are all sorts of conflicts that people come across in their roles and it is about how you deal with them. We have not seen a conflict in this instance here.

Senator LAMBIE: Would I be able to have a list of those names? If anyone at Dairy Australia has a partner who is on a board that is part of Dairy Australia, like Murray Goulburn, Fonterra or other milk companies out there, could I have their names, please?

Mr Akers: We could get you those names, yes, at some stage.

Senator LAMBIE: Over your 13 years, you have had \$50 billion all up over that 13 years—would that be right? Is it \$10 billion that you have been given—

CHAIR: They wish!

Senator LAMBIE: with fees between the government—how much money has been given members and government on your levies and the government?

Mr Akers: We get about \$50 million to \$60 million a year. Between levies and—

Senator LAMBIE: And the government.

Mr Akers: It is about \$50 million a year over that time in income from levies and government matching funding. It is probably a bit under \$50 million for the whole time.

Mr Joblin: Our total income this year would be about \$54 million.

Senator LAMBIE: \$54 million, so that is \$50 million over a 10-year period. So you have had about \$700 million over the last 13 years, give or take. Correct?

Mr Akers: Yes, that works out.

Senator LAMBIE: Tell me about the production. How much less milk do we now sell compared with where you people were 13 years ago? What is the drop in the milk supply—

Mr Akers: Milk in Australia peaked at about 11 billion litres prior to the 2002-03 drought. Last season it was 9.6 billion litres.

Senator LAMBIE: So that has dropped. Over that 13 years, what are some of the greatest achievements that you have been able to provide back to the farmer?

Mr Akers: There are a number of key projects that you could say have come back to the farmer. Some of the things that spring to mind, which are on my farm, include that we have had a very successful cooperative research centre that has now gone into what we call Dairy Bio, which is an enormous amount of work in animal genomics in Australia. We are now able to select bulls on a genomic test at a very young age; we can get them being used in our herds probably four years earlier than previously.

Senator LAMBIE: Are those trials going on on your farm, did you say?

Mr Akers: That is genomic work that we have done, and we are now able to select bulls as calves and know how good they will be and what quality of daughter they will produce. Historically—six or seven years ago—we were having to do a whole progeny test program, which would take five or six years before we would have the same level of confidence to be able to use those genetics within the herd.

Senator BACK: Related to Senator Lambie's question—you mentioned 11 billion litres down to 9.6 billion litres—I would be interested in knowing the herd sizes in those two spaces, to learn whether there has been a change in productivity per cow. We are having afternoon tea soon. It is a little bit of homework, and you can tell us that after afternoon tea—whether or not we are seeing increased productivity.

Mr Akers: Herd sizes have doubled over that time.

Senator BACK: I am wanting to know whether the productivity per lactation has gone up.

McElhone: I have it here, actually. There were about 2.17 million cows back in 1999-2000, and now we have about 1.74 million cows. Over that same time, production—as Geoff said—has gone from about 11 billion litres down to about 9.6 billion litres. Per-cow productivity over that time—

Senator BACK: Perhaps you have given me the homework to do!

CHAIR: This might be the appropriate juncture to suspend.

Proceedings suspended from 16:15 to 16:30

ACTING CHAIR (Senator Back): Welcome back. We will go to Senator Lambie.

Senator LAMBIE: I wonder whether you can explain to me how come over the last 13 years you have obviously been given, as we have established, close to \$700 million in funding yet our production has dropped and New Zealand's has doubled? Can you explain why that is?

Mr Akers: We will probably have to go back. I have not finished answering the other question about things that we have seen developed for farmers, and I think that is probably important. We talked about the genomics and the significant achievements in animals. You can see there that even per cow production has increased 10 per cent in that period of time. Mind you, per cow production is not always about profitability either. That is also something that the programs we run out have a focus on. Certainly over the last few years we have developed a number of programs which have farmers much more focused on the business analysis and being business people, which we see as really important.

Pastures is a key factor in the profitability of Australian dairy farms. Looking at what has come to our business around pastures—measurement, how we grow pastures and doing it better—the increased productivity we have got off pastures is a significant thing we have funded and got the benefit of on farm over the period of time. Milk quality is a huge one, if you look at any cost-benefit ratio. We have a program called Countdown Downunder, which looks at milk quality and cell counts. Australia has now got over 80 per cent of its milk produced at the highest quality standards. Basically, most advisers throughout Australia, and farmers also, are partaking in our

Countdown Downunder courses. Most of the advice going out around milk quality is coming out of a Dairy Australia program.

Obviously there are huge environmental issues for the many dairy regions across Australia. We have been involved in that and in irrigation work. We have made advancements in irrigation, not only with automation but with fast flow and how we get water on and off better, and we have been part of funding significant amounts of that sort of work right across Australia, particularly in the irrigation areas, and you will certainly see that implemented now on most farms across the region. Those are just a few of the things that have come to fruition on farm which really quickly come to mind.

The question around production increases and decreases across Australia and New Zealand is an interesting one. If you look at where New Zealand increased there are a number of reasons; but do not underestimate the very difficult environmental conditions we have had in the large dairy-producing areas of Australia over the last 10 to 12 years, when you have seen production significantly increase in New Zealand and not in Australia. The drought in that southern Murray-Darling Basin has been very significant. In any production system across the world it is about being able to control your input costs and your feed costs, and when you can grow your own feed and not have to buy it in you have control over that. New Zealand have certainly been able to do that, but here in Australia in that period of time those major dairying areas have certainly had some challenges and have had to be quite innovative in the type of system they have implemented on farm because of what have been very dry conditions over the major dairying regions. That is probably what we would see as a major reason for it.

CHAIR: Senator Lambie, I need to deal with some procedural things. Are we to understand that you have a commitment to be gone?

Mr Akers: Our flight was at 5 o'clock, so we have got another one.

CHAIR: Senator Lambie, what we may have to do, and I know it interrupts your line of questioning, is interpose Landcare Australia, in some attempt to get someone out of here on a flight that they have booked. Mr Akers, would you be able to cooperate with us to allow that? We will try to keep this as short as we can, but clearly if we do not they will have no prospect of leaving.

Mr Akers: We have already booked another flight, so I suppose we can. We are back to 8 o'clock.

CHAIR: I promise that you will be straight after Landcare and we will get you off in time. I do apologise for this. It is unusual but it is an effort to try to do what we can for who we can. Could we have Landcare to the table, please.

Landcare Australia Limited

[16:35]

Senator BACK: Could you please give the committee a brief overview of what Landcare Australia Limited does?

Ms Jakszewicz: Landcare Australia is a not-for-profit organisation. It is independent from government. It performs a number of functions, which include awareness raising and knowledge sharing across all the Landcare groups in Australia, of which there are about 5,400. We also raise non-government funds and form partnerships with corporates in Australia to bring additional funding into the Landcare movement. We also work under a fee-for-service contract with the Department of Agriculture.

Senator BACK: What level of financial support do you get from the department?

Ms Jakszewicz: It is a four-year contract and we received \$4.5 million.

Senator BACK: Per annum?

Ms Jakszewicz: No, over the four years.

Senator BACK: I tried for you. You raise funds. What sort of funding do you get in addition to that help from the government?

Ms Jakszewicz: We get about \$2 million to \$3 million a year on top from corporates. Importantly, we also engage their employees in Landcare and introduce them to Landcare. Last year 3,000 corporate employees volunteered in landcare activities.

Senator BACK: You have just had a biennial conference in Melbourne. I am keen to know what the outcome of that conference was, particularly in terms of raising awareness of Landcare Australia.

Ms Jakszewicz: It was about raising awareness of landcare in general, or natural resource management and sustainable agricultural practices; it was not really about raising awareness of Landcare Australia. We just run the conference. There are two main aspects. It is an opportunity for different Landcare groups to present their stories

and case studies. They might be farming groups or peri-urban or urban groups. It also allows sharing and celebration of landcare, which is very important with a volunteer movement.

Senator BACK: We have a very strong imperative for increasing productivity and profitability in farming in Australia. Can you tell me where, if at all, your organisation feeds into those objectives?

Ms Jakszewicz: Landcare in general is predominantly about farmers working in groups to address issues that are common to them across properties in a local area. One of the important things is that we want to improve profitability for farmers but we also need to do that over the longer term. So looking after the soil, the water, the vegetation and so forth on that property—that is what landcare does. It supports that knowledge and enables the farmers to work more effectively.

Senator BACK: Soils are the major focus, are they?

Ms Jakszewicz: That is one focus. Also water and riparian management, revegetation of areas that have had overgrazing—that kind of thing.

Senator BACK: Are you represented on the National Landcare Advisory Committee?

Ms Jakszewicz: I am a member, yes.

Senator BACK: How many members are on that committee?

Ms Jakszewicz: I believe there are 10.

Senator BACK: You mentioned 5,400, I think.

Ms Jakszewicz: Yes.

Senator BACK: Your program requires 20 per cent of your funding to be delivered through community groups. Can you tell us whether that is happening and, if not, how much short of that you are? And can you tell me how that is helping, if at all, to deliver your activities on the ground and, for that matter, secure your funding?

Mr Thompson: There might be a little bit of confusion there. The Landcare Australia Limited contract is to deliver services related to the community Landcare network, run conferences, awards et cetera. We also have funding under the National Landcare Program, which is a joint program with the environment department. It pays money to regional NRM organisations across Australia for a range of activities related to natural resource management, and 20 per cent of their funding is tied to grants to assist the community. Ms Lauder can provide some details.

Ms Lauder: The 20 per cent for the regional NRM bodies is to assist communities through either grants or facilitators in a range of different ways to help deliver, raise awareness or extension et cetera in natural resource management. At this stage, the regional bodies have been spending more than 20 per cent on average.

Senator BACK: Two bodies are competitive for funds, competitive for people on the ground and competitive for community support. How can you convince the committee—or can you advise the committee—that we are not seeing duplication or competition for turfs, excuse the pun, while we are using limited dollars, be they from government sources, community sources or corporate sources?

Ms Jakszewicz: There are just a couple of points that I would like to make. Firstly, we are a charity or an NGO, and quite a lot of charities do fee-for-service contracts with various government departments. Secondly, in terms of some of the value that we add, which is more effective than—sorry to my colleagues—I believe government can do, there is marketing, promotion and awareness raising. We have an enormous audience reach. It was 29 million last year, and I know that is, weird because there are only—

Senator BACK: Because there are only 24 million of us.

Ms Jakszewicz: Some people see us more than once.

Senator BACK: There you go.

Ms Jakszewicz: We can do things as a separate, independent organisation. People do not tend to go to government websites and read government releases—I hate to tell you.

Senator BACK: Thank you. That is enough from me for now.

CHAIR: What I propose to do is to give Senator Rice the call for seven minutes. We will go to Labor for seven minutes. At the end of that, if they have exhausted their effort, you will be scuttling down the hallway; if not, we have got bad news for you.

Senator GALLACHER: What is the order?

CHAIR: It does not matter. You can have the first seven minutes, if you want.

Senator GALLACHER: I might not take seven minutes.

Senator RICE: I might not take seven minutes either.

CHAIR: Let's go. Senator Rice, please.

Senator RICE: I am particularly interested in the level of funding that Landcare has received from the government over the last five years, how that funding has changed and what it is looking like over the forward estimates? Can you outline the level of funding that you have got.

Ms Jakszewicz: I can only talk for Landcare Australia. More general comments on the whole National Landcare Program, I think, are better directed to the government. In terms of Landcare Australia, I mentioned the level of funding that we received over a four-year period. That ends, at this point, in June 2017. At this point, I am not sure about future funding, partly because the National Landcare Program is under review. It comes to an end in its current form in financial year 2018. There are some discussions around a new version of the National Landcare Program, but I do not have any more information than that, sorry.

Senator RICE: What has your funding done over the last five years?

Ms Jakszewicz: I would say that it has reduced somewhat.

Senator RICE: The government funding has somewhat reduced. You are at about \$1 million a year at the moment?

Ms Jakszewicz: Yes. I have only been in the role 3½ years but I do recall it being somewhat greater.

Senator RICE: What impact is that lack of certainly of not knowing if you have got funding after June next year doing to the organisation?

Ms Jakszewicz: Obviously, like any organisation, it makes it difficult to plan. You have challenges around staff retention and retaining know-how in your organisation. I guess it is similar to a lot of organisations these days and a lot of commercial organisations, but it makes it easier to do more and to do it more effectively the longer you know that you have funding.

Senator RICE: Absolutely. How many staff do you have?

Ms Jakszewicz: I have 25.

Senator RICE: Are you already losing staff because you have not got certainty of funding beyond the middle of next year?

Ms Jakszewicz: No, not at this point.

Senator RICE: At what stage will you need to make some decisions about your staffing cohort?

Ms Jakszewicz: It is a bit hard to say, but usually about six months out I would need to reduce staff.

Senator RICE: What is the time line that the government is currently saying that you will know whether you have got funding beyond June next year?

Ms Jakszewicz: I think that is a question for government. I do not have an answer.

Senator RICE: So they have not told you?

Ms Jakszewicz: Not yet.

Senator RICE: You have not got a consultation process or a—

Ms Jakszewicz: We have had some discussions but nothing definitive.

Senator GALLACHER: You have partnered up with Manpower Australia as a service provider for the Green Army Program. What does Landcare do? You provide the thoughts or the sites or something, do you?

Ms Jakszewicz: I am sorry; I just could not quite hear.

Senator GALLACHER: What do you provide? What does Landcare do?

Ms Jakszewicz: Landcare Australia, our organisation?

Senator GALLACHER: Yes.

Ms Jakszewicz: We do a number of things.

Senator GALLACHER: No—in relation to this Green Army.

Ms Jakszewicz: Yes. In relation to this Green Army Program, with our partnership with Manpower, we play different roles. We bring different expertise. The expertise that Landcare Australia brings is that we assist in working with the project hosts, or the project sponsors, to assist them in developing their applications. So we bring our knowledge of the environment and resource management into play. Also, if we are successful in

receiving a particular project, we work with the project host to establish the initial project agreement before Green Army participants start the project.

Senator GALLACHER: How many successful things have you been involved in?

Ms Jakszewicz: We just completed—which is different from how many jobs we have received—our 100th project.

Senator GALLACHER: Over what time frame?

Ms Jakszewicz: Sorry; you have just caught me. I might have to confirm it with you, but it is about three years. But there are a lot more projects that are in the pipeline. They take six months to complete, but they also take longer to prepare.

Senator GALLACHER: With the 100 projects, how many Green Army participants would have been involved?

Ms Jakszewicz: Typically there are nine participants and one team leader.

Senator GALLACHER: And you have done 100 of those successfully?

Ms Jakszewicz: Correct.

Senator GALLACHER: Geographically spread?

Ms Jakszewicz: Correct, but we do not work in the Northern Territory.

Senator GALLACHER: Is there any state that is doing it better or is it evenly spread around the country?

Ms Jakszewicz: There are some in all states that we operate in.

Senator GALLACHER: So we would take that on geography or population? How would you work it?

Ms Jakszewicz: I cannot give you the exact numbers.

Senator GALLACHER: Have you got 12 in each state?

Ms Jakszewicz: No. It would not be equal by state. Some states have got larger than others.

Senator GALLACHER: Perhaps on notice you could just give us the geographical spread of it. Is there one area that is more successful than others and is that in line with what you expected when this program started? An 'army' indicates more than nine people and a team leader 100 times. An army would be several thousand, I would have thought.

Ms Jakszewicz: Obviously the program is bigger than Landcare Australia and Manpower, but from our perspective we are quite happy with our progress.

Senator GALLACHER: Do you take just the regional areas?

Ms Jakszewicz: No, not just regional.

Senator GALLACHER: Do you do 50 per cent of the work in this area?

Ms Jakszewicz: Fifty per cent of? Sorry?

Senator GALLACHER: You say you are not the only participant. Are you the largest?

Ms Jakszewicz: No.

Senator GALLACHER: The smallest?

Ms Jakszewicz: No, we are not the smallest. We are the second largest.

Senator GALLACHER: Thank you.

CHAIR: As there are no other questions, you are free to go and we thank you for your attendance. Please have safe travel home.

Ms Jakszewicz: Thank you so much and thank you to Dairy Australia.

CHAIR: That is a given too. Could Dairy Australia come back, please.

Dairy Australia

[16:49]

CHAIR: Mr Akers and your team, sincerely, thank you for allowing us that liberty. Out of a couple of hundred people, we have just made two happy! Senator Back, you have the call.

Mr Akers: We were not finished answering the questions Senator Lambie asked us.

CHAIR: Let us exhaust that if you want to, and then we will go to Senator Back.

Mr Akers: There are probably some more technical things, which Charlie can talk on if you like, about the difference between Australia and New Zealand.

Mr McElhone: Yes. Also, Senator, you had a question about what has changed and what has happened since the turn of the century with dairy production here in Australia. Geoff mentioned the seasons and the millennium drought, which was the biggest factor. We saw temporary prices in the irrigation zones up above \$600 a megalitre. Particularly out of that region, we saw a lot of production leave as a result of low water availability, on top of just poor seasonal conditions elsewhere.

On top of that, we also had the Australian dollar. Obviously it was above parity; it was over US\$1.05. We have the mining boom.

Senator LAMBIE: Mr McElhone, obviously this is going to be a really long reply, so if you like you can put that on notice, and then I can go away and cross-check that with what has gone on in New Zealand in the last 13 years.

Mr McElhone: Sure.

Senator LAMBIE: Then, when we come up to the inquiry, we can go back through that, because obviously this is going to go at length.

CHAIR: Thank you, Senator Lambie.

Senator BACK: Very briefly, the government has responded to the farm gate price cuts that you have mentioned by delivering \$580 million in the dairy assistance package. Can you tell us where it has gone. How is it being expended?

Mr McElhone: With the \$580 million, you are talking more about the concessional loans program, of which a portion was earmarked for dairy in terms of concessional loans across the affected dairy regions, particularly for Murray Goulburn and Fonterra suppliers, who were negatively affected by the step-downs.

Senator BACK: Being very parochial for 10 seconds, how have Western Australian dairy producers benefited, if at all, from this package?

Mr McElhone: That is also part of a drought concessional loans program. Any region across the country that is drought declared has access to the concessional loans program—not the dairy component. That depends on the drought declaration process across the country.

In terms of WA, though, for the dairy-specific package there are no Fonterra or Murray Goulburn suppliers in WA. Therefore, they are not eligible for that component.

Senator BACK: There are two or three who would be pouring milk down the tree at the moment as a result of Brownes. With the \$2 million that has been committed for the milk price index, where will you expend those funds to try to help provide dairy producers with more and better information?

Mr Quinlivan: I think that is one for the department. We are still giving some thought to the best way to do that, and there are quite a few differences of view about what would be most useful for producers. One view is that there is already quite a lot of price information. What is missing is some more education products for producers to actually use that information, rather than the straightforward price index. So we are talking to stakeholders about that at present. The outcome 1 people can talk you through that when we get there.

Senator BACK: Okay, I will raise it then. This is my final question. Obviously the dairy industry has not been my industry as a veterinarian, but you can correct me if I am wrong. It has been put to me that internationally milk powder prices—dry milk prices—have been the real international indicator of what is happening to milk prices around the world. We all know what happened: Russia went on, Europe flooded China and we did not get a guernsey, et cetera. We were late with our free trade agreement with China and the Kiwis were in there earlier. That is part of the answer to your question. Tell me: is that the case and, if so—if powdered milk prices were dropping dramatically—why didn't you guys inform our dairy producers, or why didn't they know, if indeed it is such a clear and strong indicator of worldwide milk pricing?

Mr McElhone: I am happy to answer that. I would say that we release our situation and outlook report three times a year. We are very open and transparent about what is happening in the global market. We have an unprecedented amount of data about what is happening in the global market with global suppliers. We are very open and very clear about the fact that there was a glut of milk, particularly coming out of Europe and to a lesser extent the United States. We were very clear about the fact that there were Russian sanctions in place and that was creating some challenges with global commodity prices. On top of that, there is the global dairy trade auction, which does lend itself to a level of transparency around what is happening with global powder prices and other commodities. We invest quite heavily in trying to find market information.

Senator BACK: Are you telling me that dairy farmers should not have been surprised, then?

Mr McElhone: No. There are a range of sources that they get information from, whether it be from their companies, Dairy Australia, their banks, GDT or elsewhere. What I am saying is that Dairy Australia played a significant role in providing pretty open, transparent and fact-based information about what is happening in the global market to all our dairy farmers.

Senator BACK: And you would say you did that on this occasion, in the lead up to this collapse?

Mr McElhone: Absolutely. You mentioned the \$550 million or \$580 million program; a component of that was the funding that the federal government provided for tactics for tight times and taking stock. Those programs have been made available to the affected farmers in WA as well—I would like to reinforce that. It has been quite a prominent industry in terms of what is happening in WA at the moment, and our regional development program was very clear to make sure that those resources were also available to those affected farmers.

Senator BACK: Thank you.

Senator LAMBIE: Since we went into the ChAFTA very quickly—whether you have a free trade agreement or not, it is all about market access. Accordingly, New Zealand was on the ground to obtain that market access. Have you been to China and tried to get that market access over the years so that we could get milk into there?

Mr McElhone: Absolutely. I have been to China on a number of occasions. I look after the trade program within Dairy Australia and work very closely with a lot of the exporters. I am not sure of the nature of your question. Even if we look at the last year alone, our exports into China have gone from \$300 million to over \$600 million in value. Is that all about the China-Australia Free Trade Agreement? No, it is not. But has the China-Australia Free Trade Agreement assisted in increasing the impetus toward investment going into supporting and supplying that market, with the prospects of those tariffs—which are currently between five and 15 per cent—going down to zero over 10 years? Absolutely. It is playing a not insignificant role.

Senator LAMBIE: We have established that your partner is on the board of Murray Goulburn. Could that not be seen as the reason you have not questioned Barnaby Joyce whether the clawback is illegal or not? I want to make sure this is quite clear: are you yet to go in to speak to Barnaby Joyce about the clawback? I believe that is going to have a significant impact on your research and development, especially with the money that is coming in from the farmers. Why have you not gone into discussions?

Mr Akers: We would see it as a role for the Australian Dairy Farmers Federation to negotiate with the minister on those sorts of issues. I know that, even at the symposium, the ADF asked Barnaby if he would be prepared to make up the difference in the loss of research dollars coming in to DA over the next couple of years as a result of this clawback. Certainly I do not think any of the RDCs—other than perhaps one—would be going to Barnaby Joyce asking those sorts of questions. They would be considered political questions.

Senator LAMBIE: Your members pay you money for research and development. I am sure they would want to know what future that contains for them. If that clawback, because of the amount of money they are losing, is going to have a significant impact on the amount of money that you are receiving for research and development, would you not want to have a few words with Barnaby Joyce about that?

Mr Akers: The industry structure is such that that—as I said, the ADF are the political lobby arm of the industry and have had those discussions with the minister.

Senator LAMBIE: I want to make this quite clear: you do not believe it is a conflict of interest with your wife being on the Murray Goulburn board?

CHAIR: This is an R&D group, not a—

Mr Akers: Yes, that is right.

Senator LAMBIE: That was a fair question, Chair.

Senator BACK: Of course it was—it was a fair question.

Senator LAMBIE: You still don't think that is a problem?

Senator BACK: There isn't. They are in totally different spaces.

Mr Akers: No, I don't—I don't think it is a conflict.

Senator RICE: I have some questions that I have been asking of all the RDCs. How many staff do you have?

Mr Joblin: We have about 94 full-time staff at the moment, plus the RPDs that have been referred to are on our payroll—we administer them through our payroll. That has been in place for about 12 months. So it is about 130 all up.

Senator RICE: Where are your offices?

Mr Joblin: 60 City Road, Southbank, Melbourne.

Mr Akers: We also have regional offices around Australia, with the regional development programs—

Senator RICE: Where else do you have offices then?

Mr Akers: In each of the eight dairy regions—northern Victoria, western Victoria, Gippsland, South Australia—it is probably done out of home, I think—and New South Wales.

Senator RICE: Of those 130 staff how many do you have based in Melbourne and how many are in regional offices?

Mr Akers: Ninety are based in Melbourne and 30-odd regionally.

Senator RICE: Could you take it on notice to give us the breakdown of where your staff are. Have you at any stage considered decentralising operations completely to a regional centre?

Mr Akers: It is a discussion that we have. We think we are in the most appropriate place to service the dairy industry in Melbourne. We are in the centre of 65 per cent of the dairy production in Victoria. We have access to airports and that type of thing, for others, as well as for competent staff to travel in.

Senator RICE: There are those benefits. Would you see that there would be disadvantages if you were relocated to a regional centre other than where you are?

Mr Akers: We would obviously have to consider that. There would be issues around staff.

Senator RICE: So you have considered in the past—

Mr Akers: We have never done a full study of it.

Senator RICE: So there would be issues with staff not wanting to move, presumably?

Mr Akers: We know that, yes.

CHAIR: Thank you for your attendance. I pay tribute to Senators Sterle and Rice as our schedule is under serious pressure and we have agreement to the extent that they have an interest with the following agencies they will put the questions on notice. The agencies we are releasing now are Animal Health Australia, Plant Health Australia, The Australian Fisheries Management Authority, Meat & Livestock Australia, Australian Livestock Export Corporation Ltd, the Australian Bureau of Agricultural and Resource Economics, and 19–Water policy. To avoid any confusion, we are retaining what was on the schedule in front of you: 15–Corporate matters; 17–Outcome of 1 divisions; and 18–Outcome of 2 divisions—managing biosecurity.

Department of Agriculture and Water Resources

[17:08]

CHAIR: We will now go to corporate matters.

Senator CAROL BROWN: I want to first go to the issue of Dr Grimes's letter. I understand—and you can correct me if I am wrong, Mr Quinlivan—that there is an Administrative Appeals Tribunal hearing on this matter?

Mr Quinlivan: Yes, I think it is scheduled for a mid-November.

Senator CAROL BROWN: I understand it is Friday, 18 November, at 9:30, where you are the applicant?

Mr Quinlivan: That is correct.

Senator CAROL BROWN: Can you tell the committee what the costs are thus far that have been associated with the defending of keeping the letter from Mr Fitzgibbon?

Mr Quinlivan: Regarding the costs of the application to the AAT, the only information I have is that it was less than \$35,000, and there have been some legal expenses. But I do not have precise number. Most of the work has been done internally—

Senator CAROL BROWN: But there has been some external legal advice sought?

Mr Quinlivan: Yes.

Senator CAROL BROWN: Any from the Solicitor-General!

Mr Quinlivan: No!

Senator STERLE: That was cheeky!

Senator CAROL BROWN: Will you be able to provide on notice the exact costs that you have had to pay in terms of keeping the letter secret?

Mr Quinlivan: I think 'not disclosing the letter'—

Senator CAROL BROWN: Okay, I am happy to use 'not disclosing'.

Mr Quinlivan: I do not think it is so much secret, as there are reasons not to disclose it.

Senator CAROL BROWN: The request for the letter was denied. Was that through freedom of information?

Mr Quinlivan: That is correct.

Senator CAROL BROWN: That was denied, and what was the next step? Sorry, let me go back. Was the freedom of information application successful? Was it indicated that the letter should be released?

Mr Quinlivan: There were two applications to the department—one from a journalist and one from a member of parliament. The decision-maker in the department did not agree to provide the document. The next step was an internal review, which was then done within the department, which is the normal process.

Senator CAROL BROWN: Did both the applicants ask for a review?

Mr Quinlivan: I am not sure about that. I think they did. In any case, the arguments were the same. The outcome of the internal review was to reaffirm the original decision. The applicants then sought a review by the Information Commissioner, who then, from memory, decided that the public interest test had not been fully satisfied and the document should be provided. The department has appealed that decision to the AAT, so that is the decision that is being considered by the AAT.

Senator CAROL BROWN: So, essentially, two internal examinations agreed not to release it, but the external examination by the Australian Information Commissioner determined that the letter should indeed be released?

Mr Quinlivan: That is correct.

Senator CAROL BROWN: So now we are at the AAT?

Mr Quinlivan: That is correct.

Senator CAROL BROWN: In terms of that external legal advice that you sought, could you indicate on notice the cost—you said you do not think you have it here—of that?

Mr Quinlivan: Yes.

Senator CAROL BROWN: Can you tell me who gave the advice?

Mr Quinlivan: It would have been the Australian Government Solicitor.

Senator CAROL BROWN: That is all I have on Dr Grimes's letter—unless you want to give it to me now!

Senator STERLE: Along with the cost-benefit analysis for moving the APVMA! That would be good! I just thought I would throw that in in case you were feeling generous!

Senator BACK: The changes in the department's budget estimates for this current year, in contrast to 2014-15 budget, please.

Ms Canning: There have been changes to the department since 2013-14 in terms of machinery-of-government changes, with the water programs coming in last year. So there would be a significant differences in how our budget estimates must look for the current financial year, compared with 2013-14. If you have a specific question I can try to answer it.

Senator BACK: What was the department's budget in 2013-14, and I want to know what the department's budget is in 2016-17. I then will be very interested in learning some of the explanations for that.

Ms Canning: The department's budget for 2016-17, including administered funding is \$2.75 billion. If you want just the departmental for 2016-17, it is \$381.5 million.

Senator BACK: Do you have the 2013-14 figure there?

Ms Canning: I will have to confirm that.

Senator BACK: Perhaps someone else can do so while I continue with my questions.

Ms Canning: Yes.

Senator BACK: You mentioned the national water infrastructure. Would the loan facility be included in that figure of \$2.75 billion? It would not be, would it?

Ms Canning: It would not be, in the sense that it is equity funding for the department. It comes through our balance sheet, but the changes in the resourcing overall for the staff—the FTEs associated with the programs—would be included in that number.

Senator BACK: What I am keen to know, Mr Quinlivan, particularly, is the additional funding the department has been given. Where is it being allocated to deliver on our commitments in both agriculture and water resources? Can you summarise that for us?

Mr Quinlivan: I think the chief finance officer has just done that. That is the main answer to the question.

Senator BACK: Water?

Mr Quinlivan: No, it is—

Ms Canning: In the last 12 months the main changes in our resourcing has been the water programs coming on board, in September last year, and the additional funding last year as a result of the Agricultural Competitiveness White Paper.

Mr Quinlivan: Were you seeking a break-down between those?

Senator BACK: Even if I could get them on notice, it would be very useful.

Mr Quinlivan: We can certainly do that.

Senator BACK: Time does not permit now to go into it in detail, but I would like to see where, particularly in regard to election commitments, these fundings have been allocated.

Ms Canning: I can take that on notice.

Senator McCARTHY: I would like to have a look at the Rural Research and Development Legislation Amendment Bill 2014.

Mr Quinlivan: Again, that is item 17.

Senator McCARTHY: Okay. We will move that one down. That would be 11 now.

Mr Quinlivan: Sorry, just let me clarify. You are not talking about the levy payer register bill; you are talking about—

Senator McCARTHY: The Rural Research and Development Legislation Amendment Bill, which—

Senator STERLE: International forums and exchanges of intelligence.

Mr Quinlivan: I think we can deal with that here. That is a bill that has not passed the Senate. That is about all we can say about it.

Senator STERLE: Who do we blame?

CHAIR: Is it before the Senate?

Senator McCARTHY: It lapsed at the prorogation of the 44th Parliament.

Mr Quinlivan: So it is a lapsed bill that did not pass the parliament—

Senator McCARTHY: No, a lapsed bill.

Mr Quinlivan: A bill that did not pass the parliament and then lapsed, I think would be the correct description of its history.

Senator STERLE: Let us ask the minister. She is in the Senate. Come on, Minister, where is it?

Mr Quinlivan: I am not aware of any intention to reintroduce the bill.

Senator STERLE: Well that was a win for that mob—for the RDC.

Senator CAROL BROWN: Minister, has the government changed its position on this legislation?

Senator Ruston: I would have to take on notice the prioritisation of this current government's bills. As you would be aware, there is a process that is undertaken to prioritise. I will have a look and see where this particular bill that has lapsed is on that list. It may have been not reintroduced on the belief that it had been not passed and that it was not seen as a high priority for reintroduction. I am not aware of the specifics, so I will take that on notice to give you some information.

Senator McCARTHY: I have two questions for you, Minister, to take on notice. Has the department commenced recovering the cost of memberships of international commodity organisations from the matching funding it contributes to relevant RDCs—

Mr Quinlivan: No.

Senator McCARTHY: You can answer that now?

Mr Quinlivan: Yes.

Senator McCARTHY: Will the Rural Research and Development Legislation Amendment Bill be reintroduced in the 45th Parliament? That is the question on notice.

Senator Ruston: We will take that on notice.

Senator McCARTHY: I want to turn to the coalition's election policy commitments. Can you provide an update on the implementation of the white paper? Do you want me to put this question on notice?

Mr Smalley: In general, the *Agricultural competitiveness white paper* remains a priority for the department. Twenty-two of the 31 measures are considered to be now in a state of business as usual and another five of the submeasures—

Senator McCARTHY: So that was 22 of the 31?

Mr Smalley: That is correct and another five of the submeasures. Those in effect have become business as usual for the department. The other measures are either longer run issues that are still ongoing in terms of their implementation but are not yet in that status of business as usual.

Senator McCARTHY: Can you tell us about the 22 measures?

Mr Smalley: Yes. I could name them, should you wish.

Senator McCARTHY: If you have got them there.

Mr Smalley: The Productivity Commission's inquiries into regulations affecting agriculture; the Productivity Commission's inquiries into regulations affecting fisheries; the cooperatives and innovative business model knowledge; the Australian Competition and Consumer Commission's engagement with the agriculture sector; increasing the deposit limit for farm management deposits to \$800,000; allowing farm management deposits to be used as farm business loan offsets; a more simplified accelerated depreciation regime for fencing; better seasonal forecasting through the Bureau of Meteorology; tax arrangements for new water facilities and fodder storage; the Managing Farm Risk Program; the transitional drought and drought recovery concessional loans; the early access to farm management deposits in times of drought; increased farm household allowance case management and activity supplement; the Australian Taxation Office's advice and assistance in drought affected communities; the additional resources to Rural Financial Counselling Service providers; the enhanced social and community support; the Drought Communities Program; the pest, animals and weeds management in drought affected areas; the expansion of CSIRO's freight modelling for agriculture; the development of clear, farm-oriented priorities to target research development and extension funding; the extension of the Rural Research and Development for Profit program; improving the efficiency of the research and development corporations by improving governance; the additional funding to the Rural Industries Research and Development Corporation for small industries; the levies for export fodder; the emergency pest and disease eradication and national response capability; reducing technical barriers to trade, including the five new counsellors; and the communications campaign. All of those are considered to be implemented and have become business as usual.

Senator McCARTHY: So that is 22 of the 31. What is outstanding?

Mr Smalley: I can, again, read you that list of the ones that are still currently in progress.

Senator McCARTHY: Please do.

Mr Smalley: They are: the reforms to country of origin labelling regulations; the streamlining of the regulation of agricultural and veterinary chemicals; the primary producer income tax averaging; the drought concessional loan scheme for ongoing arrangements; the National Water Infrastructure Development Fund—

Senator STERLE: I do not want to be rude, but I am starting to doze off. Sorry, is there a lot there?

CHAIR: Senator McCarthy asked a question and the—

Mr Smalley: There is another half-dozen.

CHAIR: Do you want him to continue on them, Senator McCarthy?

Senator McCARTHY: Yes.

Senator STERLE: Ah, geez! Put some life into, please, will you?

Senator McCARTHY: Keep going.

CHAIR: You are starting to treat Senator McCarthy like she is in the government, Senator Sterle!

Senator STERLE: I think I need to go for a walk and take up smoking!

Mr Smalley: There is also: the levies for the tea-tree oil; the management of established pests, animals and weeds; a range of subelements around strengthening Australia's biosecurity, including in surveillance, community action, scientific capability and information system development; and enhancing our traceability systems. That is the list for the agriculture competitiveness in this white paper.

CHAIR: You must not have got our letterbox drops during the election, Senator!

Senator McCARTHY: We just want to tick them off and say, 'Check, check, check.'

Mr Quinlivan: Just for clarity on that second lot: I think we regard them as on track but not yet implemented.

Senator McCARTHY: So you are not saying they are outstanding? They are on track?

Mr Quinlivan: Yes, we are on track. They are proceeding along the timetable that we anticipated; they are just not finished yet.

Senator McCARTHY: What is the time frame that you are—

Mr Quinlivan: It varies between individual items.

Senator Ruston: Would you like us to go through that list?

Mr Quinlivan: Perhaps we can give you something on notice there.

Senator McCARTHY: No, that is fine.

CHAIR: If there is a chance to exhaust it while we are here, Mr Secretary, let's do it. Are you able to answer Senator McCarthy's time frame questions on the balance of these?

Mr Smalley: I would need to go through each one of those individually.

CHAIR: Please feel free.

Senator McCARTHY: No, that is fine. You can give us that on notice. Thank you. Could you provide an update on the implementation of the policy—\$8.3 million to complete implementation of the Livestock Global Assurance Program. How will this program work with ESCAS? And what elements of LGAP have already been implemented? And will there be ongoing costs for LGAP to be administered?

Mr Quinlivan: That is a good question. That is an election commitment. The implementation is being managed by our export group, which is in outcome 2. But the short course is that we have been talking to the export industry about the implementation of LGAP, and effectively the government is waiting for the livestock industry to provide us with a concrete proposal to implement that scheme arrangement.

Senator McCARTHY: How long will that take?

Mr Quinlivan: That is really in their hands. As soon as we have the proposal we will have something concrete that we can then consider.

Senator CAROL BROWN: What does that mean—that it is in their hands?

Mr Quinlivan: Well, we do not have a concrete proposal. The government has committed \$8.3 million to assist the development and implementation of that scheme. The industry's current figuring has a cost that is higher than \$8.3 million, so they are having to work out what sort of contribution they are willing to make or what adjustments they will make to the scheme to fit within the \$8.3 million. And at the point that the industry has reached a conclusion on that then they will be submitting a proposal to the government.

Senator CAROL BROWN: What costs have they put on it?

Mr Quinlivan: I am not sure, but I know it is in excess of \$8.3 million.

Senator McCARTHY: Can you take that on notice?

Mr Quinlivan: Well, I do not think we can answer the question. I am just saying that I know the industry's current thinking about LGAP has a price tag that is north of \$8.3 million. How far I do not know. They are developing the proposal, so they are going to have to adjust to the budget or find some additional funds internally to fund it. So, it is not really a question that we can answer. It is not our proposal.

Senator CAROL BROWN: Do you know whether those costs that they have come up with include ongoing costs?

Mr Quinlivan: I do not know. But, again, I would have to wait until they have given us a proposal that has concrete, reliable figures to answer that question, and we are not at that point yet.

Senator CAROL BROWN: But there are no deadlines for them to meet?

Mr Quinlivan: Well, we would like it to be done quickly, obviously. It is an election commitment, and the funds are being provided with a specific time frame, so we would like it to happen as soon as possible.

Senator CAROL BROWN: What is the time frame for the funds?

Mr Quinlivan: We are just having a look here, but I suspect that will be confirmed in MYEFO when most of these smaller election commitments will be considered and the funding profile settled by the government and then announced in MYEFO. That would be my expectation.

Senator CAROL BROWN: So, you are not able to answer the question about how long the funds will be available to implement this?

Mr Quinlivan: I do not think the matter has been settled. My understanding is that that particular group of election commitments has not been considered by the ERC yet.

Senator McCARTHY: We will keep an eye on that one. Mr Quinlivan, \$1.2 million to boost research and development for the thoroughbred breeders: how will this measure be implemented, and will funding continue once the \$1.2 million is fully allocated?

Mr Quinlivan: Somebody who knows more about this than me is coming to the table, but that is essentially to implement an R&D arrangement for the thoroughbred horse industry of the kind that we have for other industries. So, we are effectively creating a levy and a matching funding system for the thoroughbred industry.

Ms Freeman: As part of its election commitments the government committed to establishing a statutory R&D levy for the industry by 1 July 2017. As part of that, the industry is expected to raise approximately \$400,000 each year, which would then be matched by government funding. So the number you are actually referring to refers to the period over the forward estimates. How it would work is that RIRDC, who were here before—the Rural Industries Research and Development Corporation—would be managing that with that industry. They would administer the R&D projects that that industry would like to have brought forward. Where it is up to now, off the back of the election, is that the department is liaising with the thoroughbred industry on how they want to do that. So that is on track regarding how they want to collect and distribute the levy. It is kind of like once you kick off the batting to say that the government wants to organise an R&D levy then industry goes away and consults heavily on how they want to do it. At the moment the ball is in their court, and they will come back to us to say how they want to do it.

Senator McCARTHY: Just to be clear, though, is the \$1.2 million to establish that? Or is that over a period of time plus the—

Ms Freeman: That is over the period of the forward estimates. The government has agreed to have a matching R&D levy for the thoroughbred horse industry, and how that works is that industry will raise a levy from their levy payers. As I said, it will be managed through RIRDC and then the Commonwealth government actually matches up to 0.5 per cent of the gross value of production of that industry, and the amount that is referred to there is the estimate of what that will cost over the period of the forward estimates.

Senator McCARTHY: Thank you. Mr Quinlivan, establishing a regional investment corporation: how will this measure be implemented and over what time frame? And what safeguards will be implemented to ensure that the department will be able to administer the new financing and concessional loans scheme?

Mr Quinlivan: Again, this is a big program of work which will be going to cabinet quite soon to have the arrangements settled. We have a task force set up in the department that is preparing the work, and we are hoping that the submission will be considered by the cabinet before the end of this year. There are a lot of judgements that will need to be made before the corporation is created, so we are exploring all of those, and that will be part of the cabinet advice. I do not know that there is an awful lot more that we can talk about at this stage, other than to say that we are expecting that a decision will be made and announced before the end of this calendar year. If you have more specific questions, we have people here who may be able to field them, provided that they do not stray into that material that is in the cabinet process.

Senator McCARTHY: It is very general—simply to be able to start the conversation: how will this measure be implemented? I think that is quite a straightforward question. Over what time frame? And what safeguards?

Mr Quinlivan: I effectively answered that, yes.

Senator McCARTHY: Yes. So, clearly if you are establishing or building up a cabinet submission, the question is, how much do you want to reveal here in relation to that?

Mr Quinlivan: I am expecting that the decision will be made and announced within the next month or so. That will answer all those questions. At the moment I cannot really speculate.

Senator McCARTHY: Can you provide an update on all other election commitment policies that will be administered by the department? And by all means take this as a question on notice.

Mr Quinlivan: I think that would be the best idea, yes.

Senator CAROL BROWN: Mr Quinlivan, you talked about the costs thus far—about the Dr Grimes letter being less than \$35,000. Is there any chance you can be a bit more specific?

Mr Quinlivan: I was giving you the information that is in my brief. I would interpret that to mean it is not much less, but somewhat less.

Senator CAROL BROWN: You could just table that brief, if you like.

Mr Quinlivan: In any case, I will take it on notice to provide you with the legal expenses.

Senator CAROL BROWN: Yes, the legal expenses and, if you can, the exact figure.

Mr Quinlivan: For the application to the AAT?

Senator CAROL BROWN: Yes.

Mr Quinlivan: Sure.

[17:41]

CHAIR: We will now go to outcome 1: sustaining natural resources for longer-term productive primary industries.

Senator BACK: Mr Quinlivan, on the backpacker tax review, can you tell us what changes the government is proposing to the backpacker visa programs 417 and 462?

Mr Quinlivan: Yes, we can, and I might ask Mr McDonald to go through this.

Mr McDonald: The package announced by the government involves from 1 January 2017 an income tax rate for all working holiday-makers at 19 per cent from the first dollar earned up to \$37,000, with marginal tax rates applied thereafter. From 1 July 2017, working holiday-maker visa application charges would be reduced by \$50, bringing that down to \$390. Ten million dollars will be provided to Tourism Australia for a global youth-targeted advertising campaign. The government will also allow working holiday-makers to stay with one employer for up to 12 months so long as the second six months of that period of employment is worked in a different region. The government has also announced that the age limit for 417 and 462 visas would be increased from 30 to 35 years.

There are also a range of other measures which require employers of working holiday-makers to register with the Australian Taxation Office and that registration would enable them to withhold the 19 per cent tax rate that the government has put forward. Employers of working holiday-makers who do not register with the ATO will be required to withhold at the 32.5 per cent tax rate and may be subject to ATO penalties for noncompliance if they fail to do so. If an employer withholds at the 32.5 per cent tax rate, working holiday-makers will still have access to the 19 per cent tax rate but they will have to access that on lodgement of an end-of-year tax return. An important initiative also is that an additional \$10 million will be provided both to the ATO and the Fair Work Ombudsman to establish the employer register and to assist with compliance activities related to exploitation of working holiday-makers. The register will be made public so that working holiday-makers and other employees can identify if an employer is registered.

Finally, the government has met this with a range of offsetting savings, and this includes, from 1 July 2017, a one-off increase to the passenger movement charge of \$5 and an increase in the departing Australia superannuation payment for working holiday-makers specifically to 95 per cent, effective 1 July 2017.

Senator BACK: What is the difference between a 417 and a 462 visa?

Mr McDonald: Visa policy is the responsibility of the Department of Immigration and Border Protection but, broadly, the difference between the two is that the 417 is a range of agreements with countries where the participant numbers are uncapped. Under the 462 visa Australia has capped arrangements with participant numbers, except for the United States of America. I can find that detail should you wish.

Senator BACK: You might just provide it on notice. You spoke of being able to work for the one employer so long as six months is in a different region. What defines a different region?

Mr McDonald: That will be subject to decisions taken by the Department of Immigration and Border Protection. They are responsible for the implementation of that policy. How that is designed in practice I think is still being determined by that department and is best referred to them.

Senator BACK: I take it, then, that these people are eligible to work in agriculture, horticulture, hospitality and tourism. Is there anything they cannot work in?

Mr McDonald: Working holiday-makers are not restricted from working in any specific sector—in fact, they work in a high variety of sectors. The thing you might be alluding to is that to be eligible for a second year visa under the 417 program there are three industries that are eligible, and that is agriculture, mining and construction. If you work in regional areas identified by the Department of Immigration and Border Protection through a series of postcodes that they release, you are eligible to apply for a second-year visa under the 417 program.

Senator BACK: I am not sure whether you can answer this, but you might be able to, Mr McDonald. Hopefully someone in the room can. What is the tax-free threshold currently for Australians who are working?

Mr McDonald: For Australians the tax-free threshold is \$18,200, but there is also a low income offset amount which takes it up to a higher amount as well, above that.

Senator BACK: What was it raised from?

Mr McDonald: My understanding is it was \$6,000 previously, or thereabouts.

Senator BACK: About \$6,000. We can compare notes, I suppose. Why is it important, for rural and regional Australia particularly, that these programs be introduced?

Mr McDonald: The visa program?

Senator BACK: The changes to the backpacker tax as proposed.

Mr McDonald: I would explain that by saying that the current law for most working holiday-makers in Australia is that they should already be declaring themselves as non-residents for tax purposes, which is legislated at 32.5 per cent. This follows a ruling by the Administrative Appeals Tribunal in March 2015 to this effect. The importance of this program is that both the agriculture and tourism sectors have expressed that they see working holiday-makers as a key part of their temporary and seasonal labour workforce, and therefore they hold concerns that should there be enforcement of the 32.5 per cent tax rate it would have a dampening effect on their participation in Australia.

Senator BACK: Comparisons or contrasts have been drawn with Canada and New Zealand, in terms of different locations that backpackers may go to. Do you know what the equivalent tax rate is for backpackers working in New Zealand?

Mr McDonald: I will come to it in a moment. There are differences between what are headline tax rates and what would be someone's take-home pay and in their pocket. That is some of the analysis that the government has looked at. The headline rate in New Zealand for up to \$14,000—I think, but I will confirm that—is 10.5 per cent.

Senator BACK: Do we know what the average wage is that backpackers would be paid in New Zealand, in New Zealand dollars, which would be about 6c weaker than ours? And do you know what the figure would be for the average wage that a backpacker would expect to be paid working in Australia?

Mr McDonald: I might tackle that from the perspective of the work that the government has announced by saying that a 19 per cent tax rate delivers a higher after-tax income for working holiday-makers in Australia.

Senator BACK: It does?

Mr McDonald: When we look at that from a detailed perspective, that produces an after-tax income in Australia of \$10,530 on a range of assumptions that we have drawn upon. In New Zealand, when you take into account exchange rates and cost of living expenses and look at that from an equivalent perspective, a working holiday-maker doing the same hours over a six-month period comes out at \$10,125, which is a difference of \$405 over an equivalent period of time, working the same hours.

Senator BACK: Both adjusted to the Australian currency?

Mr McDonald: Yes.

Senator BACK: What is the scenario in New Zealand with superannuation?

Mr McDonald: New Zealand does not afford temporary residents superannuation.

Senator BACK: So there is no disadvantage when comparing between the Australian and New Zealand situations on that front. It is not for me to ask you why it is 95 per cent and not 100 per cent.

Mr Quinlivan: I think we can answer that. There is a constitutional issue about acquisition of property that might be created with a 100 per cent tax.

CHAIR: 'On just terms'.

Senator CAROL BROWN: Given what you have just said, Mr McDonald, why are growers and the industry up in arms about firstly the 32.5 per cent and now the 19 per cent? If everything is as you have just indicated, why is there such a kerfuffle?

Mr Quinlivan: I do not think that is the feedback we have had.

Senator CAROL BROWN: Mr McDonald, when asked, did indicate there were some concerns.

Mr Quinlivan: There were certainly concerns about 32 per cent, but your question included an assumption that there was unhappiness at the 19 per cent. I think there is unhappiness about the timing, but the feedback we are getting is that 19 per cent is a satisfactory outcome.

Senator STERLE: Start with the 32 per cent, as Senator Brown said. Why was the industry swamping this joint and going berserk. We had hospitality and agriculture saying: 'My God, we cannot find people. There is no certainty.' What started all that if everything is tickety-boo?

CHAIR: With respect—

Senator STERLE: That is a fair question.

CHAIR: It is, but you can either have one question or the other—

Senator STERLE: Senator Brown asked that.

CHAIR: No, she included the 19 per cent and asked why is it contentious. I recommend, just to assist you, that you separate them.

Senator CAROL BROWN: It is still contentious, the 19 per cent. The current government's position of 19 per cent, 95 per cent clawback of the superannuation, the \$5 travel fee increase—that is still contentious. You do not agree?

Mr McDonald: A lot of this relates to the Administrative Appeals Tribunal ruling in March 2015. There is some confusion about this, but what the Administrative Appeals Tribunal upheld was that most working holiday-makers should be considered nonresidents for tax purposes. Australia relies on a self-declaration process for tax rates. My understanding is—based on correspondence with the ATO and others—that a high number of working holiday-makers were declaring themselves as Australian residents for tax purposes. The AAT ruling changed that situation—or confirmed that that was not a correct interpretation of what was intended by the law.

Senator STERLE: When a backpacker comes out to work, who gives them the form to tick whether they are an Australian resident or a temporary visa worker.

Mr McDonald: Normally that is an arrangement between the employer and the employee.

Senator CAROL BROWN: My question stands. In feedback, have concerns been expressed about the current government position?

Mr McDonald: I refer to the work that the department commissioned through Deloitte. Deloitte's conclusion was that, whilst a number of people put forward that they would like the tax rate to be at zero per cent, of tax rates put forward above zero per cent, 15 per cent and 19 per cent were the most common tax rates supported by stakeholders.

Senator CAROL BROWN: You are obviously aware of the assumptions that were applied for the economic modelling on the 32.5 per cent tax rate?

Mr McDonald: No, that is the Department of the Treasury, which does the costings of revenue in the Commonwealth.

Senator CAROL BROWN: So they did not share any of those assumptions on 32.5 per cent or 19 per cent?

Mr McDonald: Costing assumptions are handled by the Department of the Treasury. It is not unusual they do not routinely share that with others.

Senator CAROL BROWN: I just asked whether they shared that advice, or were you indeed aware of the assumptions? That is my question.

Mr McDonald: I am not aware of and have not been made privy to the detailed costings assumptions by the Treasury.

Senator CAROL BROWN: What about the department?

Mr Quinlivan: Mr McDonald is speaking for the department.

Senator CAROL BROWN: Okay. So you do not know if there were different assumptions applied to the 19 per cent versus the 32.5 per cent?

Mr McDonald: That would have to be answered by the Treasury because I am not privy to the detail. I am not privy, so I do not—

Senator CAROL BROWN: So you do not know whether the assumptions were the same?

Mr McDonald: I am not sure whether they made any adjustments or not, Senator, so, no.

Senator CAROL BROWN: Are you aware that Treasury briefed the Labor opposition that backpacker numbers will continue to decline at the 19 per cent rate?

Mr McDonald: I am aware of that meeting. I cannot recall the date off the top of my head, but my understanding, and again this would have to be confirmed with the Treasury, is that those numbers that you refer

to are about their costings methodology, not about behavioural assumptions around what may or may not happen under different tax rates.

Senator CAROL BROWN: I can assure you that is not the indication from the shadow minister. Have you sought a formal briefing on the revised tax rate?

Mr McDonald: I do not quite understand, Senator. From the Treasury?

Senator CAROL BROWN: Yes.

Mr McDonald: As part of normal government processes, we engage with Treasury and a range of other departments, but I have not sought any formal briefings.

Senator CAROL BROWN: So in your response to Senator Back's questions, when you talked about scenarios—you talked about using assumptions there. Whose assumptions are they? Where did you get them from?

Mr McDonald: The government, as part of its election, committed to a review of the tax rate. This department had responsibility for leading that review. The review, which in practice was a number of officials across relevant departments, looked at what would be a comparable or better after-tax rate for working holidaymakers against comparable countries that Australia competes with.

Senator CAROL BROWN: So your assumptions that you were talking about were done at the 19 per cent tax rate?

Mr McDonald: That is right, yes.

Senator CAROL BROWN: And obviously you had a look at the 32.5 per cent tax rate too?

Mr McDonald: The modelling and analysis that the review conducted was about what tax rate would deliver a comparable or better after-tax income rate for Australia relative to—

Senator CAROL BROWN: Other countries?

Mr McDonald: key other countries, those being Canada, New Zealand and the UK.

Senator CAROL BROWN: You talked about New Zealand. Do you have the information about the other two countries?

Mr McDonald: Yes.

Senator CAROL BROWN: Can you table that information?

Mr McDonald: I can take it on notice.

Senator STERLE: Is it on a website or anything?

Mr McDonald: When the Treasurer issued his media release around all of this—there is a hyperlink at the bottom of the Treasurer's media release that goes to a fact sheet around these matters.

Senator STERLE: On what you are talking about—what you are quoting, what you are using?

Mr McDonald: It provides a bar chart which those numbers were derived from.

Senator STERLE: So it is no different from what you are telling us; that is what you have based your assumptions on?

Mr McDonald: The bar chart is not different.

Senator STERLE: So why do you have to take it on notice? Is there something secretive?

Mr Quinlivan: I hesitate to mention this, given the previous conversations, but the review that was done in this area, which was led by Mr McDonald—the final product was a cabinet submission. That was the basis of the decision. What he is saying is that he is not sure what it is that we can release. Given that the decision has been made, it should be okay. We will endeavour to do that.

Senator STERLE: Groovy.

Senator CAROL BROWN: Have you briefed the minister on the economic modelling, or the work that you have carried out?

Mr McDonald: Yes. We have done a range of things with the minister around these matters.

Senator CAROL BROWN: Did the work that you carried out go to whether 19 per cent would act as an incentive for backpackers to come here, or was it just about whether we can offer a product that is just as good or a bit better or whatever than those three countries that you mentioned?

Mr McDonald: The review was focused on the tax rate that would make Australia internationally competitive against those competitor countries rather than looking at being something else around driving additional demand or arrivals, as you indicated. Importantly, that was to ensure that working holidaymakers did not have an incentive to choose those competitor countries if they took into account the tax rate in its own right. But importantly a range of other things go to Australia's attractiveness. They are some of the things that I raised with Senator Back before, around lowering the application fee for visas, expanding the age cap up to 35 years, and the Tourism Australia \$10 million advertising campaign. Those measures together certainly make Australia comparable if not better, and certainly increase our attractiveness. I do flag that behaviour in arrivals is not just driven by respective tax rates, as well.

Senator CAROL BROWN: Who analysed the impact of the 19 per cent compared to the 32.5 per cent and the impact on competitiveness?

Mr McDonald: A group of officials situated in the Department of Agriculture, but we had a range of secondees from other departments. Most notably on this we had secondees from the Department of the Treasury and the ATO.

Senator CAROL BROWN: Treasury and the ATO—is that all?

Mr McDonald: No, that is not all. I can tell you the other secondees.

Senator CAROL BROWN: They did the analysis. Is that available?

Mr McDonald: As I just indicated before to Senator Sterle, I will take on notice whether that can be tabled.

Senator CAROL BROWN: Is that part of a cabinet document?

Mr Quinlivan: Yes. That is the same question we were addressing a few minutes ago.

Mr McDonald: Just to complete the answer to an earlier question, the department had secondees from Austrade, the Australian Taxation Office and the departments of the Treasury, employment, immigration and border protection, and Prime Minister and cabinet as part of our team. A number of them made part-time contributions. On and off a number of people were part of the work over the last few months.

Senator CAROL BROWN: What was the objective this team was given?

Mr McDonald: The team was looking at the election commitment, as put out by the government earlier in the year.

Senator CAROL BROWN: Was it an election commitment?

Mr McDonald: Yes, that's right. I am happy to table the election commitment.

Senator CAROL BROWN: No, that is all right. Was it an election commitment originally—in what, 2014?

Mr D Williamson: It came out of the 2014 budget.

Senator CAROL BROWN: It came out of the 2014 budget originally.

Mr D Williamson: The election commitment was the review that Mr McDonald referred to.

Senator CAROL BROWN: Yes, okay; sorry. But originally, I am pretty sure the—

Senator RUSTON: 2015. It was a determination.

Mr McDonald: It was the 2015-16 budget—

Senator CAROL BROWN: My apologies, that is right: the 2015 budget.

Mr McDonald: where it was clarified and announced as a revenue measure.

Senator CAROL BROWN: That is right. So what was the objective that your team was given? Was it to implement—was it supposed to be a cost-neutral solution?

Mr McDonald: Normal government budget objectives and processes require offsetting savings for new spending or revenue forgone. That is nothing new, it is very public. That is just normal.

Senator CAROL BROWN: Sorry to interrupt, but were they the parameters that you are working within? That it was essentially to be a cost-neutral solution—I should not say 'solution,' really.

Mr McDonald: The government's announcement is fully offset, and that is consistent with broader government budget requirements.

Senator CAROL BROWN: Can you remind me what the total savings were

Mr McDonald: It involved a five-dollar increase to the—

Senator CAROL BROWN: No, sorry: the total savings with all the measures—was it five hundred and something million?

Mr McDonald: Over the forward estimates, spending under the government's package totalled \$350 million. The savings from those two measures that I identified earlier account to 365 million, over the forward estimates.

Senator CAROL BROWN: We will probably come back to this after lunch, but just going back to that election commitment: obviously, this was not the first review into the backpacker tax. Were you involved in the other reviews?

Mr McDonald: Our department was part of an interdepartmental committee that was part of that, and I was the representative.

Senator CAROL BROWN: How many reviews did we have in the end? Were there three?

Mr McDonald: There was a visa process led by the former senator Mr Colbeck. That was run out of his portfolio agency, Austrade—

Senator CAROL BROWN: Sorry; and was this department involved in that as well?

Mr McDonald: The department was part of an interdepartmental committee. But the analysis and work was led to principally by the Austrade agency.

Senator CAROL BROWN: And those options were put forward but went nowhere. Is that correct?

Mr McDonald: Well, the government did not make an announcement.

Senator CAROL BROWN: So that was the first review, is that correct?

Mr McDonald: If that is how you wish to term it, Senator, yes.

Senator CAROL BROWN: I do not want to put words into Senator Colbeck's mouth, but I think that is how he—

Mr Quinlivan: Certainly in recent times, that is correct.

Senator CAROL BROWN: Yes. From memory, he was charged with having a look at it but he was told it had to be to on a cost-neutral basis. I am happy to stand corrected.

Mr McDonald: Which is just normal government budgetary requirements.

Senator CAROL BROWN: That was the first review. I think there was another one. Was there another one?

Mr McDonald: Not that I am privy to—

Senator STERLE: I think it might be the case, Senator, that when the election was called and we left here, Mr Joyce said, 'watch this space'—but I don't think that is a review, is it?

Mr Quinlivan: You may also have in mind the AAT proceedings and decisions which actually created that interpretation that is now being changed.

Senator CAROL BROWN: That created the budget measure, yes. Senator Colbeck's review was second, and there was a review that resulted in the 2015 budget measures. That is right, isn't it?

Mr Quinlivan: I do not think we can call the AAT hearings a review, but I am just trying to—

Senator CAROL BROWN: Yes, I think that is what I was—

Senator RUSTON: It was a determination.

Senator CAROL BROWN: A determination.

Proceedings suspended from 18:15 to 19:14

CHAIR: We will resume. Mr Quinlivan, you can direct these questions wherever you want. I want to tighten up some things around this backpacker tax at 32.5 per cent, which is how it is being dealt with publicly. Are you aware when that tax threshold was set?

Senator Ruston: Do you mean when the 32.5 per cent was determined by the —

CHAIR: The government of the day.

Senator Ruston: When the 32 per cent was first—

CHAIR: Correct. I know the answer to my own question.

Mr Quinlivan: I think it was the 1980s.

CHAIR: There we are; how alert is he after dinner. It came in in 2012 under a Labor government. So our backpacker tax that we are dealing with is Labor's backpacker tax.

Mr McDonald: I might just clarify those points. The tax-free threshold was removed and my understanding is the nonresident tax tables were introduced was 1982. So there has been a nonresident tax rate since 1982 and then the most recent increase to the nonresident tax rate was from 29 per cent to 32.5 per cent, which occurred in 2012-13 budget.

CHAIR: That is right. I am going to call the 32 per cent the Labor backpacker tax, just to keep Senator Sterle on his toes. This was not a tax created by this government; this was a pre-existing tax that came into focus again with a ruling by the Australian tax office, or a clarification by the tax office?

Mr McDonald: In March 2015, the Administrative Appeals Tribunal had the ruling that clarified that most working holiday-makers would struggle to meet the ATO's residency test to be eligible as a resident for tax purposes; therefore, most working holiday-makers would be deemed to be nonresidents for tax purposes.

CHAIR: So still no activity by the current government; this is the Administrative Appeals Tribunal.

Mr McDonald: That is right.

CHAIR: Then the tax office does whatever it does to see that this is introduced. Is it not the case that, at that point, due to activity from industry—and I can attest to activity within the government itself—the government started to look at trying to deal with the reaction of industry, particularly agriculture and tourism, to create an environment where this tax element and a number of things that were being dealt with was not a disincentive? It was not a case of trying to create an incentive; that it was not a disincentive to the continued attraction for this foreign labour force within agriculture and tourism.

Mr McDonald: That is certainly reflected in the government's election commitment that was released on 17 May 2016 and that was where the government set aside the enforcement of the 32½ per cent tax rate for working holiday-makers and committed to the review that we spoke about earlier.

CHAIR: So at every measure, the government has endeavoured—and we may all have a view about timing—to resolve an issue that was of serious concern to agriculture and tourism. In any event, that is a given statement, so I do not need you to comment on it. Let us refer to the last inquiry where government has endeavoured to engage with industry and all stakeholders through the inquiry conducted by the minister assisting the Deputy Prime Minister. Are you familiar with that inquiry?

Mr McDonald: If you are referring to the—

CHAIR: The Hartsuyker inquiry.

Mr McDonald: Yes, that is something I was—

CHAIR: Do you know how many submissions were made to the Hartsuyker inquiry.

Mr McDonald: Precisely—

CHAIR: 763, but if you have another figure, it will be higher than that.

Mr McDonald: I was going to say, more than 1,700. I was going to look for the precise figure.

CHAIR: Amongst mates, we will live with 1,700 submissions. Are you familiar with the submissions, start to finish?

Mr McDonald: The team that I led managed the submissions' process in terms of the department's website and the portal which accepted those submissions. Throughout the review, we published those that gave approval to be published on the department's website; they are freely available, a selection of those who gave approval. Moreover, we shared the submissions with Deloitte, who we engaged as the consultancy to do the independent consultation for the review.

CHAIR: Was there a submission there from the National Farmers Federation, who represented, one could argue, all of the stakeholders in agriculture?

Mr McDonald: There was a submission from the National Farmers Federation.

CHAIR: Do you remember what tax rate they recommended in their submission?

Mr McDonald: I cannot be precise about the tax rate that they recommended, but they have on a number of occasions put forward that they would be comfortable with a 19 per cent tax rate.

CHAIR: Where did the government settle in relation to this tax rate in the legislation it has introduced?

Mr McDonald: 19 per cent.

CHAIR: 19 per cent. I am struggling here. We have got a circumstance set by another government in terms of the rate of taxation; a trigger, or a focus, or a reintroduction by the Administrative Appeals Tribunal—nowhere for government to be seen yet. Then, government engages, takes 1,700-plus submissions across all of the

industries and, as far as agriculture is concerned, has settled on the one of the major peak body. Does that capture it, Mr McDonald? You do not need to elaborate; I am asking you, do you need to correct any aspect of the statement that I have just made.

Mr McDonald: No, Chair.

CHAIR: Government, once it had settled on that after the inquiry, would it be fair to say within weeks introduced legislation to the House of Representatives?

Mr McDonald: That is correct.

CHAIR: We are not going to go to the body of the bill, because it is before a committee, but had that bill been given prompt passage, it would now be law—is that correct? It was resisted by the Labor Party, and was sent to an inquiry for 17 November.

Senator CAROL BROWN: It has not even been to the Senate; it has not even reached the Senate!

Mr McDonald: I am not sure that is for me to—

CHAIR: Anyway, my point is made.

Senator Ruston: Senator O'Sullivan, when the bill comes to the Senate, should it be passed, the change in tax rate will come into effect—

CHAIR: An immediate effect.

Senator Ruston: on 1 January.

CHAIR: On 1 January.

Senator STERLE: That was an oops.

CHAIR: Which was an oops?

Senator STERLE: The timing.

CHAIR: No, look, my point is made. To you, Senator Sterle.

Senator STERLE: Thanks, Chair. I have no argument with your line of questioning at all. The argument that the opposition has, Chair, and for those listening, is this was raised in May 2015. It was the uncertainty that has been created within the industries of agriculture and tourism where they were left struggling for 15 months before a decision was made. The sad part about this that is the man who came out with the wonderful announcements, who could not sell a cupcake at a school fete, has been rewarded with the ambassadorship in the US.

CHAIR: Senator Sterle, do as I do to make a point, and ask some questions of the witnesses.

Senator STERLE: You are helping my argument, Chair.

CHAIR: Sorry, I forgot one.

Senator STERLE: This is the kicker, this one.

CHAIR: I had forgot it, genuinely. Within the scope and knowledge of anyone at the table, are you aware that the 32.5 per cent tax threshold remains in the Labor Party's budget papers today, at 32.5 per cent?

Senator STERLE: So, you do not want us to negotiate so you can get it through the Senate? I should tell Chris Bowen that.

CHAIR: Let's hope that everyone is listening to that.

Senator STERLE: If it is the position of the government now, that is contradictory to what your Treasurer has been saying to your Prime Minister.

CHAIR: It is not useful to debate this. You have the call, Senator Sterle.

Senator STERLE: This is typical of the confusion and chaos in this government. I feel sorry for you, Senator, because they could not even set you up right for the right questions.

Senator Ruston: Senator O'Sullivan, in response to some commentary that is going on behind the scenes, the 32.5 per cent tax rate savings are booked to the opposition's budget figures and, until very recently, remained on shadow minister Bowen's website.

CHAIR: I thought that was the case. Thank you, Minister.

Senator CAROL BROWN: Has the Treasury discussed the increase in the Passenger Movement Charge with the Department of Agriculture?

Mr McDonald: The government's announced package was taken forward through normal cabinet processes. All the measures announced were made available to the Department of Agriculture through that cabinet process.

Senator CAROL BROWN: Is that a yes?

Mr McDonald: We are aware of it, yes.

Senator CAROL BROWN: I am not asking, 'Are you aware of it?', 'Did you get a copy of the Cabinet brief?' or whatever; I am asking: was it discussed?

Mr McDonald: Through normal cabinet deliberations, the package announced—

Senator CAROL BROWN: So, you had a discussion with—

Mr McDonald: Yes.

Senator CAROL BROWN: Through what avenue was that?

Mr McDonald: Through normal cabinet processes.

Senator CAROL BROWN: What does that mean?

Mr McDonald: When governments put together proposals for consideration, departments work up options, and we were a part of that.

Senator CAROL BROWN: So, it was not a matter of being advised; you were actively participating in the discussion?

Mr McDonald: I would not characterise it like that. I would say that this department, along with the Treasury, were part of supporting the government's cabinet process, and that was one of the measures that the government has agreed and announced.

Senator CAROL BROWN: So that was the first time the department, through that cabinet process, knew were the government had landed in terms of the backpacker tax?

Mr McDonald: The government landed with the announced package. It was not predetermined or anything like that.

Senator CAROL BROWN: I was not trying to suggest that. So the announcement was first and cabinet was second?

Mr McDonald: No.

Senator CAROL BROWN: That is what I am asking.

Mr McDonald: There was a cabinet process and the announcement made by the government—

Senator CAROL BROWN: So the first time you knew about the decision of the government was when the cabinet submission was being put together, which you were involved in. Was that the first time you knew about the decision of the government?

Mr McDonald: No. The decision of government was reflected in the announcement made by the Treasurer. I was aware when the Treasurer made his announcement about what the package was. As I said, though, a range of options were put forward in terms of normal cabinet deliberative processes. I can talk about this one because it was announced by the government. It just followed normal government budgetary processes.

Senator CAROL BROWN: You received 1,700 submissions, which obviously indicates there is a lot of interest out there.

Mr McDonald: Yes.

Senator CAROL BROWN: Were they all from organisations and businesses?

Mr McDonald: They were from a range of people in the community. Broadly speaking, it involved employers of working holiday makers, principally across tourism and agriculture. There were representations made by union organisations, hostel operators, other peak industry bodies from respective groups and, of course, individual working holiday makers as well.

Senator CAROL BROWN: Once the decision was announced, they were putting in a submission in terms of the 32.5 per cent, weren't they—in terms of what they thought it was and they were putting an alternative position forward; is that right?

Mr McDonald: Broadly speaking, yes.

Senator CAROL BROWN: There has been no consultation on what the new measures are?

Mr McDonald: No, I would not put it that way.

Senator CAROL BROWN: Which way?

Mr McDonald: There was a very significant consultation process. As I said before, the department engaged Deloitte to lead that process. The Deloitte process essentially involved a series of face-to-face consultations in every state and territory across Australia, and also an online written submission process as well.

Senator CAROL BROWN: How long did the consultation take from the closing of submissions to announcement?

Mr McDonald: I should have this off the top of my head, but I will try and find it for and come back to you. If not, I will take that on notice. The Deputy Prime Minister opened the submissions on—it has come to me now—on 15 August with the launch of the review and the submission process closed on Friday, 2 September.

Senator CAROL BROWN: And the announcement was made—can you refresh my memory, please, Mr McDonald?

Mr McDonald: It was made on 27 September.

Senator CAROL BROWN: I am just trying to get my head around where people put in a submission, which closed on 2 September. You had face-to-face consultations around the country in every state and territory capital?

Mr McDonald: Yes, Senator.

Senator CAROL BROWN: It was a whirlwind tour. It was quick.

Mr McDonald: It is one of the reasons we engaged a third-party consultant to assist us with this to bring the resourcing effort to what was a quite an intense process.

Senator CAROL BROWN: I am just saying it was a quick review, or whatever you want to call it. My question before was that the submissions were based on the budget measure of May 2015—yes?

Mr Quinlivan: Wouldn't it be more correct to say that the submissions were based on the terms of references for the review?

Mr McDonald: Yes.

Mr Quinlivan: One of which was—

Senator CAROL BROWN: The thinking of those people obviously was about what the May 2015 measure was.

Senator Ruston: I am not sure that we can actually assume anything of what people were thinking when they put a submission in. They probably came from myriad of different positions.

Senator CAROL BROWN: What I am saying is that—

Senator Ruston: Senator Brown, could I finish?

Senator CAROL BROWN: Sure, sorry, Senator Ruston.

Senator Ruston: I was just going to say, as you rightly pointed out before we broke for dinner, there was a preceding inquiry that was run by Senator Colbeck, and I would imagine that a number of the people who were putting submissions would have been making reference to that inquiry, some would have been making reference back to the 32 and some would have been making reference to their own previous statements. So I think it is a little bit hard for us to be judging what people were assuming they were making their submissions on, outside of what Mr Quinlivan said, and those were the terms of reference of the inquiry.

Mr McDonald: I can further say that the website portal for where public submissions could be submitted had information about the terms of reference as contained in the government's election commitment. That was made available and the Deputy Prime Minister's media release, when he called for submissions, alluded to the election commitment's terms of reference.

Senator CAROL BROWN: Right. I am pretty sure that most people were still thinking about the 32.5 per cent regardless. Are you aware that the Fruit Growers Tasmania have asked for a moratorium on the implementation of the 19 per cent?

Mr McDonald: I have seen media on that, but I have seen no request beyond that media commentary.

Senator CAROL BROWN: What media have you seen?

Mr McDonald: I think either today or yesterday I saw that Fruit Growers Tasmania were putting forward that view.

Senator CAROL BROWN: Fruit Growers Tasmania are essentially asking—and they have, I understand, written to senators and members of the House of Representatives—for a 6- to 12-month moratorium on any taxes being charged. They are saying that this is a mess.

Mr McDonald: The government's election commitment was very clear that the review would be conducted in this half of the calendar year, with a view to implementing any changed arrangements from 1 January 2017. The consultation process and all the activity up until this point has been working towards a 1 January implementation date. That is, in a sense, a new position being put forward.

Senator Ruston: It was at the request of industry that this inquiry was conducted with the speed that it was. They wanted to get some certainty as quickly as possible about the taxation rate.

Senator CAROL BROWN: Why then do you think a significant group within Tasmania—Fruit Growers Tasmania—are calling for a moratorium to allow for a proper process to be conducted?

Senator Ruston: The Tasmanian fruit growers are obviously totally entitled to their opinion. However, given the response we have received from the overwhelming number of people involved in this inquiry, I suggest that those people think that a proper process has been undertaken and that they are satisfied that they now have certainty back about the taxation rate—so they can now proceed to get on with their business.

Senator CAROL BROWN: Prior to the call from Fruit Growers Tasmania, you would probably have suggested that they were supportive of the position that was announced. My point is that when people—the agricultural industry, the tourism industry—look at this whole package, they are not happy with what the government has put forward. I suggest that they do not believe that it is any different in reality from the 32.5 per cent.

Senator Ruston: I think you are possibly verballing the people that you are purporting to represent. I have certainly not heard Fruit Growers Tasmania suggesting that 32.5 per cent and 19 per cent taxation rates would have the same impact on their industry. I can confirm that I met with the fruit growers from Tasmania prior to the inquiry bringing down its findings. They were quite clear that they wanted a reduction in the taxation rate. I am sure everybody out there who employs this sort of labour would quite like to have it remain at zero. But that was not a practical option from the perspective of the overall Australian economy—having people who are not residents of this country not paying any tax.

Senator CAROL BROWN: What Fruit Growers Tasmania are suggesting is that, when you put the package together, the overall tax rate—this is from the fruit growers themselves; it is not from me—is equivalent to 28 per cent, not 19 per cent. They have a number of recommendations. One of course is a moratorium of six to 12 months. They also indicate that there should be a proper review.

Mr Quinlivan: I think we might be getting into questions of superannuation policy here—and possibly some confusion between the cost to employers, which includes the superannuation cost, and the take-home income of the visiting worker. That was the competitiveness issue that the review was endeavouring to address. That might be the difference between the two perspectives.

Senator CAROL BROWN: As I said, Mr Quinlivan, their concern is for the overall package. They say, 'Based on the government's ongoing mismanagement of this matter and the need to have a deep review into not just the taxation but also systemic labour issues within the broader agricultural and tourism sectors, Fruit Growers Tasmania is calling for a six- to 12-month moratorium on any taxes or changes being implemented.'

CHAIR: Can I just encourage all of us, myself included, to capture the thrust of our thinking into a question so that one of the officers can respond.

Senator CAROL BROWN: We were having—

CHAIR: If we—

Senator CAROL BROWN: Chair, we were having a discussion and I was just putting into context what Fruit Growers Tasmania—

CHAIR: I have sat here and allowed that to go on for quite a period of time. I am just saying that we have been very liberal with our editorialising. I am asking you to revert to a question, like, 'Do you know?' It is just a suggestion for you.

Senator CAROL BROWN: I am just reading from Fruit Growers Tasmania correspondence.

CHAIR: But it must end in a question. It cannot be left just for you to make a continuous statement.

Senator CAROL BROWN: They were making that statement. I was letting the department know exactly where Fruit Growers Tasmania were coming from, which I would have thought would have been helpful.

Mr Quinlivan: I think that all we would say in response is that it is very much the exception in terms of the feedback we have had. Essentially, that is arguing to retain the 32 per cent for a further period and I think that pretty much all the other stakeholders that we have had feedback from would be strongly opposed to that.

Senator CAROL BROWN: What I was trying to ask before was that the review was around the terms of reference and what people thought the May 2015 position was. So, there was no further consultation on where the government actually landed?

Mr McDonald: Senator, I think that I said this before—but if I did not, please excuse me. Deloitte provided the stakeholder engagement for the review and they were very clear in what they found amongst all the stakeholders that they engaged with. That was that while there was some preference for a zero rate of tax, the overwhelming preference of stakeholders was for a tax rate that places Australia at no disadvantage relative to competitor countries, and that of the tax rates recommended by stakeholders the most common rates put forward were for either a 15 per cent or 19 per cent tax rate.

Senator CAROL BROWN: Okay. Did they talk about the 95 per cent superannuation grab?

Mr McDonald: There were a number of views put forward by stakeholders on the relative merits of superannuation and if that should be paid to foreign residents.

Senator CAROL BROWN: And what was—

Senator BACK: If I may interrupt, Senator Brown? You told us that Australia's 19 per cent is competitive against New Zealand, Canada and the United Kingdom. You told us that at least New Zealand does not have a superannuation arrangement for itinerants.

Mr McDonald: That is right.

Senator BACK: What about Canada and the UK?

Mr McDonald: I would have to check on superannuation—

Senator CAROL BROWN: I thought that—

Senator BACK: Sorry, Senator Brown—I just thought that—

Senator CAROL BROWN: Sorry, I just want to go back to my question about superannuation.

Mr McDonald: Sorry, would you mind repeating it? I have just lost my—

Senator CAROL BROWN: I was asking about their comments on the government's position with the 95 per cent superannuation grab.

Mr McDonald: Deloitte reported that some stakeholders suggested that superannuation could go straight to government, to allow for a lower tax rate, because they were aware of the normal government budget processes around offsetting savings needed. However, the general consensus that stakeholders put forward was that superannuation going to foreign residents—because of their ability to claim it back when they return overseas—was not meeting its intended purpose. One of the comments made by the Treasurer when he announced the package was that superannuation is intended for Australian residents for savings for their retirement. Under the departing Australia superannuation payment, I note that when foreign residents return overseas they can claim back their super contributions. I further note that the current tax rate on those claims is 38 per cent. It is not going from zero to 95 per cent; it is going from 38 per cent to 95 per cent.

Senator CAROL BROWN: How many people actually went to these face-to-face consultations? Not 1,700 across the nation.

Mr McDonald: No. There were a total of 88. I will just check my details to make sure that is the correct figure.

Senator CAROL BROWN: Are they 88 organisations? Did politicians attend?

Mr McDonald: I was present. I would have to take that on notice.

Senator CAROL BROWN: Sure. That is fine.

Mr McDonald: Yes, 88 participants attended the face-to-face consultations either in person or by teleconference.

Senator CAROL BROWN: Of those, I am assuming—and please correct me if I am wrong—that that was where those in-depth discussions about superannuation and what might form the overall package were held with the stakeholders.

Mr McDonald: Our evidence earlier was that Deloitte conducted stakeholder engagement on the election commitments terms of reference and that one of the issues put forward by stakeholders was the relative merits, from their perspective, of superannuation for foreign residents.

Senator CAROL BROWN: From those face-to-face meetings was there an overall consensus about the superannuation or was it just—

Mr McDonald: I think I—

Senator CAROL BROWN: You mentioned one.

Mr McDonald: There was a general consensus that stakeholders believed that superannuation should not be paid when it was not meeting its intended purpose, which is retirement savings, because of the ability of foreign residents to claim it back.

Senator CAROL BROWN: But was this measure that was announced a measure that was supported within the consultation?

Mr McDonald: As I said, one of the ideas put forward by stakeholders, detailed in a Deloitte report, was that superannuation contributions could go to government to allow for a lower tax rate.

Senator CAROL BROWN: But essentially what you are saying to me is that these consultations did not necessarily support the announcements.

Mr McDonald: The consultations did not talk about mechanics or delivery mechanisms because that is normally a role and matter for government. You just do not get into those precise details in such a process.

Senator CAROL BROWN: That is exactly what I thought and that was what I was alluding to earlier. Have you had discussions with Treasury over the announced superannuation changes?

Mr McDonald: My answer is the same as previously, Senator. We had discussions around all the announced measures.

Senator CAROL BROWN: How was the package of announcements announced? How did the minister announce them—press conference, media release? Was it a joint press conference? What happened?

Mr McDonald: The Treasurer made the initial announcement by way of a press conference and a press release.

Senator CAROL BROWN: What date was that?

Mr McDonald: On 27 September.

Senator CAROL BROWN: How about your minister?

Mr McDonald: The Deputy Prime Minister held a press conference and had a media release on the same day.

Senator CAROL BROWN: Together?

Mr McDonald: No.

Senator CAROL BROWN: Why was that?

Mr McDonald: As we have been discussing—

Senator Ruston: I am not necessarily sure it is appropriate to be asking a departmental official why—

Senator CAROL BROWN: I will ask you then.

Senator Ruston: Even I would not know what the Deputy Prime Minister's decision-making process was. But it certainly is not appropriate to be asking the department.

Senator STERLE: How dare you think that he has a process, Senator Brown.

Senator CAROL BROWN: Whereabouts—

CHAIR: Senator Brown—

Senator CAROL BROWN: I apologise. I am just asking—

CHAIR: We need to exchange our expressions civilly, if we can. Senator Brown, your question to the official ought to be, if you want, 'Has the minister told you what motivated him or her to do something?'. You cannot just seek their expression of opinion.

Senator CAROL BROWN: That is my question then. The chair has helped me. Do you know where the Treasurer was when he made the announcement? Was he in New South Wales, or Canberra?

Mr McDonald: Canberra.

Senator CAROL BROWN: And what about the Deputy Prime Minister—where was he?

Mr McDonald: Canberra.

Senator CAROL BROWN: I could ask what time they gave the press conference.

CHAIR: I am going to. What time was that, and does anyone here have an idea what the minister was wearing?

Senator BACK: Let us get back to the proper line of questioning.

CHAIR: I am trying to make a point here, Senator Back. This is going on forever.

Senator CAROL BROWN: Your job is to chair; it is not to interfere with my questioning.

CHAIR: That is exactly what I will do. There will be no more editorials, no more questions of opinion, no more hypotheticals—I will chair.

Senator CAROL BROWN: That would be handy, actually. I was not going to ask what time they were held at all—if not for the interference by the chair for no good reason other than to hear himself talk. That finishes my questions.

Senator BACK: Mr McDonald, are you aware of a statement by Mr Pyke of Fruit Growers Tasmania this time last week in Hobart in which he said, 'It's time Labor, the Greens and the crossbenchers stopped trying to score points on tax policy so that everyone, including the 10,000 workers Tasmania needs in orchards and paddocks this season, knows where they stand.' Are you aware of this statement he made? He said, 'Tasmanian growers want politicians to back off. We have reached an agreeable point and ask the crossbenchers and Labor to move on.' Are you aware of those comments from Mr Pyke of the Tasmanian fruit growers association?

Mr McDonald: We are aware of a lot of commentary following the announcement. I cannot specifically recall that one but I take your word that it occurred.

Senator BACK: NSW Farmers stated on 15 October, three days ago, that they want bipartisan support for the proposed measures, including taxing backpackers at 19 per cent, saying further reviews and delays will be detrimental. The association's president stated that the Labor Party's decision to refer the compromise bills to the Senate Economics Committee would prolong uncertainty for farmers. He said, 'The 19% tax rate means that on average, backpackers will be \$2000 better off.' Are you aware of those statements?

Mr McDonald: I am aware of them.

Senator BACK: Certainly I can add to that from the Western Australian point of view, having been chewed out for several weeks and months by individuals, not by major farming groups—thank you very much to someone who made that criticism of me. This is at all levels.

Senator RICE: There is something I am not certain about. On why all these backpacker tax changes are required, Mr McDonald, you were saying before that it is because essentially there was the AAT ruling that people on working holiday visas were not actually residents. Is that the case?

Mr McDonald: That is right.

Senator RICE: I am trying to clarify that. Has there been an ATO tax ruling to confirm or reinforce that since it occurred? When did that AAT ruling occur?

CHAIR: Senator Rice, you may not have been present but this has been covered very thoroughly.

Senator RICE: Yes, I know that it has been covered. I just wanted to set the ground—

Mr McDonald: The Administrative Appeals Tribunal handed down three rulings on the tax residency status of working holiday makers on 6 March 2015.

Senator RICE: The reason I am asking is that we sought advice from the Parliamentary Library about the government's options and there was no mention of that AAT ruling in the advice. Basically, it outlined that there were two ways for the government to achieve its aims. It could either have legislative change or there could be an ATO tax ruling. Has the department been consulted about the potential of having an ATO tax ruling rather than legislative change, which would essentially be reinforcing that AAT decision?

Mr McDonald: The department has had a lot of discussions about this through the course of the review process. Questions as to the mechanics and how the relevant regulator, the Australian Taxation Office, would go about it would be best directed to the hearings involving the Treasury and the ATO portfolio.

Senator RICE: Yes, but have you been consulted about that as being one option as a way of consolidating or reinforcing this change?

Mr McDonald: I would not characterise it as consultation, but would say that implementation options around how this would come about was part of the review process.

Senator RICE: So having an ATO ruling has been canvassed as part of the review process?

Mr McDonald: I would have to check specifically on that.

Mr Quinlivan: I think that really is a matter for the Treasury estimates. I think what you are suggesting is that the tax commissioner can make a ruling that is at variance with the law, and I do not think that is right. He can

interpret the law but I do not think he can make a ruling that is at variance with the law, which is essentially what you are proposing or saying.

Senator RICE: No; basically it seems like the AAT decision changed the understanding of what the law was. The current tax ruling, the most recent tax ruling, is at variance if what we are told is the law now after the AAT hearing. I understand that the current tax ruling, which was in 1998, says that working holiday visa holders are residents.

Mr McDonald: Again, that is best directed to the hearings involving the Australian Taxation Office. The Australian Taxation Office has a set of four criteria around establishing residency for tax purposes. The AAT decision clarified the intended interpretation of how those residency tests should be applied. In the case of working holiday makers, my understanding is that a number of working holiday makers were relying on what is called the resides test, which is that they have spent at least—

Senator RICE: 183 days.

Mr McDonald: 183 days in Australia. That is only one of four tests. The AAT ruling said that case-by-case decisions have to be made but the general reliance of individuals around that single resides test was not the intended purpose of the existing law.

Senator RICE: I obviously need to take it up further with Treasury.

Mr McDonald: Correct.

Senator LEYONHJELM: Mr Quinlivan, I admire your fortitude—still here at the end of the day. I have been trying to get back to ask some of the agencies about the Primary Industries Levies and Charges Collection Act. You mentioned this morning, when I raised it with the first agency, that you would be able to tell me where you were up to in terms of implementing that legislation. Please go ahead.

Mr Quinlivan: We are able to do that now.

Senator LEYONHJELM: Good.

Ms Freeman: The Primary Industries Levies and Charges Collection Amendment Bill 2016 was passed by both houses on 12 September this year and it got royal assent on 16 September.

Senator LEYONHJELM: Indeed, I was there.

Ms Freeman: That is basically the first step in the process of RDCs developing and establishing their own levy payer registers. My colleague, Mr Ryan, if he is here, might be able to go into detail on where they are up to with consulting with industry on setting up registers. There is a lot of working going on at that end of the organisation. We are also developing guidance material on setting out expectations regarding appropriate use of the data, so there is a fair bit of work going on behind that, including disclosure by an RDC for a third-party, as an example. So some of that work is now going on, but my colleague Mr Ryan can actually touch on the work they are doing on the specifics of the register development.

Mr Ryan: At this stage we have commenced talking with the different agents that collect the levy on the levy pay register. We commissioned a consulting firm to help us with that. We have conducted a series of initial workshops around the country to gather what will form the business requirements for construction of the levy pay register.

Senator LEYONHJELM: Yes, though the inquiry into levies discovered a reasonable amount of information about the collectors of levies and some of the issues relating to that. I am assuming that that has helped to inform your consultation.

Mr Ryan: Certainly the work that had been done by the committee informed the work we had been doing. In a lot of cases this data exists with the agent and it is just a matter of us working out the most effective and efficient way of getting that data captured.

Senator LEYONHJELM: I know some of these RDCs quite well, and there is an attitude amongst some of them that consulting with their levy payers is only justified if they are reasonably comfortable that they will get the answer that they want. Do you have any sense of how the RDCs are likely to use this data? Is there a uniform view? Are you pushing them, or is it all over the place?

Ms Freeman: I would not have a view on each and every RDC, but we have certainly been talking actively with them in the context of both the levy payer register and also the broader levies reform off the back of the government's response to the Senate inquiry. I think you have got a number of them. Sugar Research Australia, for example, want very much to be one of the pilot RDCs out of the gate to develop the register. My colleagues have been talking with them. So some of those actually do want to know. We have got a number of others who

actually already do know, and so they are obviously in a different state of play. You also have got some industry groups who want to potentially have access to the data as well, and so there again I think the point is really about each RDC working out with their levy payers what they want and on what basis. We have got a job to do which Mr Ryan and the team are doing. The mechanics of it, particularly in a digital platform, has a lot of work to be done with the agents, but industry and RDCs also have to work out amongst themselves what they want and what they are willing to pay for it. I have got to say it does vary with some of them; there is no doubt about it.

Senator LEYONHJELM: Understood. One of the issues that came up in the inquiry was this question about whether or not they should seek periodic agreement of levy payers to continue paying levies either at all or at their current level or increasing it. We have actually seen that, I think, go backwards since that inquiry was conducted, with the dairy industry abandoning its five-yearly dairy poll, so now only the wool industry conducts a regular poll along those lines. I am wondering if you envisage that changing at all.

Ms Freeman: Two things. I can potentially get my colleague to clarify, but, in relation to the dairy industry, they still have the ability to do a poll; they have just changed the automatic frequency of it.

Senator LEYONHJELM: They almost have to do a poll to do a poll, though.

Ms Freeman: The legislation is still to go in terms of amending the regulation, but they certainly have the provision now to do one should the industry wish to have one.

In relation to the other industries, my comment would be that I think they are watching with interest but no firm decisions have been made. I think the other comment I would make is that some wish to have the information for different reasons, and so that is a slightly different driver as well.

Senator LEYONHJELM: Understood. What we detected in the committee was, as I said, a distinct attitude amongst at least some of them that it is better not to ask the question, because you might not like the answer. To my way of thinking, that is a fairly unhealthy attitude, so I wondered if you had picked up on that.

Ms Freeman: I think there is also for some of the bigger RDCs—we do talk to them regularly and frequently—the issue where they have very long tails of levy payers who are relatively small levy payers but are levy payers nonetheless.

Senator LEYONHJELM: The numerous, yes.

Ms Freeman: And the question is whether they really want to be bothered with it and/or their willingness to pay for something that really does not have a big impact on them. It is quite hard when you have such a big distribution of the amounts of levy paid by levy payers. That is actually quite an issue. Equally, if you went to AWI, they have a similar issue where you have got quite small levy payers who resent the fact that a wool poll is conducted and that they have to contribute to its cost.

Senator LEYONHJELM: Yes, although we talked to WoolPoll about that. Most of the cost of WoolPoll—and it also was the case with the dairy poll—is basically campaigning, if you like, rather than conducting the poll itself. It is not that expensive to do a mail based poll and even less expensive to do an online poll. Certainly in my case I envisaged a situation where the databases would be established that would allow those polls and then the campaign costs—'Vote for Fred', 'Vote for an increase in the levy' or something—would be incurred by the proponents of those cases and not seen as inherent.

Ms Freeman: The other comment I would make is that I suspect that will evolve. The department has undertaken a program of work more broadly off the back of the Senate inquiry to actually look at what we can do to the system itself—efforts to streamline, efforts to get efficiencies, some of the recommendations like looking at the levy principles and guidelines et cetera. There are a lot of conversations going on with industry and, I think, amongst themselves as well. I think some of that might evolve a fair bit. I also think the technology angle might also see the methods of engagement and the costs of engaging change quite dramatically. The obvious one is the use of apps on smartphones, where you are seeing quite active engagement. You did see that with the most recent wool poll that was undertaken.

Senator LEYONHJELM: Okay. This is a matter of some interest—

Ms Freeman: Noted.

Senator LEYONHJELM: so I might talk to you on this again at future estimates just to see how things are going.

Ms Freeman: Certainly.

Senator LEYONHJELM: Thank you very much.

CHAIR: Senator Sterle—through you to Senator Brown?

Senator CAROL BROWN: Thank you. Mr McDonald, are you aware of the comments of AUSVEG SA with regard to the backpacker tax in the last 24 to 36 hours?

Mr McDonald: I recall reading media commentary attributed to them, but I cannot recall exactly what it said off the top of my head.

Senator CAROL BROWN: So you are not aware that they are also looking at the January date for the new tax arrangements to be put back by six months to a year? Does that sound familiar?

Mr McDonald: It may do, but my exposure to this is through examination of media commentary.

Senator CAROL BROWN: So they have not contacted the department?

Mr McDonald: Not that I am aware of.

Senator CAROL BROWN: It is only through media reports that they are now asking for a deferral of the January date, so to speak.

Mr McDonald: To my knowledge.

Senator CAROL BROWN: In terms of Fruit Growers Tasmania, as of Tuesday, 18 October—this afternoon—you are not aware that they have written to a number of MPs and Senators, asking, again, for a deferral of the implementation date?

Mr McDonald: This is the first I have heard of such a letter.

[20:11]

CHAIR: We will now move on to drought and farmer assistance.

Senator STERLE: Can you provide an update on how many farmers are currently accessing the farm household allowance, or FHA?

Mr Quinlivan: Do you mean how many are in receipt of it, or how many applicants there have been?

Senator STERLE: Chuck everything at me, everything you have: who is on, who has applied for it, who got told to go to heck. Have a crack.

Mr Pak Poy: The government is currently paying, on average, \$1.11 million per week to farm families in FHA assistance. That figure is based on data from 1 April 2016 to 30 September 2016. For the period 1 July 2014 to 30 September 2016, total gross payments for FHA were approximately \$126.9 million. This includes supplementary payments and income support as well as funding to prescribed advisers for completion of farm financial assessments.

Senator STERLE: Are there any outstanding applications?

Mr Pak Poy: The advice I have from the Department of Human Services from 14 October 2016 is that 487 claims were on hand.

Senator STERLE: What does that mean?

Mr Pak Poy: That means the claim has been submitted and the Department of Human Services is assessing it.

Senator STERLE: How long have they been sitting 'on hand'?

Mr Pak Poy: I do not have that information from the Department of Human Services. The claim process is not one where I can say what the average time those claims have been sitting there is. I do not have that information.

Senator STERLE: I appreciate that, Mr Pak Poy, but can anyone in the department tell me whether the applicants get frustrated for six months, 12 months or 18 months? Is there any indication? Or are these things dealt with rapidly? I am sure there would be a lot of angst and heartache a lot of the applications, and we understand that with taxpayers' money you want to do the right thing. But do we have any indication? Is there any target set that we have to deal with the applications from these poor devils seeking assistance within a set time?

Mr Pak Poy: The advice that the Department of Human Services gives us is that the claim period can take from a number of weeks to a number of months, depending on the complexity of the claim. The period of time it takes to assess a claim is also affected by whether the claimant has submitted the correct information. Often there is a process of going backwards and forwards to ensure that DHS has that information available.

Senator STERLE: We are not talking about people still waiting after 12 months, I hope—to the best of your knowledge?

Mr Pak Poy: As far as I know, no.

Senator STERLE: Can you break the 487 up by state? If you have that available it would be handy, but if you do not have it then you can take it on notice.

Mr Pak Poy: I do have it, if I can find it.

Mr D Williamson: While he is doing that, just for context, I think we did not mention before that there are 4,626 customers receiving a household allowance at the moment.

Senator STERLE: Is there really? Isn't that sad?

Mr G Williamson: We are also advised by the Department of Human Services that FHA claims are normally finalised within 28 calendar days.

Senator STERLE: Good.

Mr G Williamson: Claims can take up to 42 calendar days. There are instances where it takes longer than that, but they are much rarer.

Senator STERLE: Thank you, Mr Williamson.

Mr Pak Poy: I have found the breakdown by state. In the ACT, the Northern Territory and Western Australia it is currently fewer than 20 claims. The information that has been provided to us is that where we have numbers fewer than 20 we just report it as fewer than 20 for privacy reasons. In New South Wales there are 43 claims on hand, in Queensland there are 23, in South Australia there are 48, in Tasmania there are 20 and in Victoria there are 348 claims as at 14 October 2016.

Senator STERLE: Thank you. Is the department aware of any other problems that farmers are experiencing in accessing the FHA, or is it just having to wait for their assessment period? Are there any other problems that get in their way?

Mr Pak Poy: In terms of access to the FHA?

Senator STERLE: Yes. In terms of accessing it.

Mr Pak Poy: No, I do not think I would say that we are aware of any other problems.

Senator STERLE: Is the Centrelink IT system working okay? Have you heard any complaints?

Mr Pak Poy: I have heard of complaints; I have not had any complaints being conveyed to me directly. That is information provided to us by DHS.

Senator STERLE: And is that state based or is it around the nation that there have been problems? I am just trying to figure out how we get such a high number in Victoria.

Mr Pak Poy: The information that was provided to me was by way of anecdote. One of the things that they deal with is people complaining about their IT system.

Senator STERLE: Sure. Can you provide an update on how many farmers are accessing both the Drought Concessional Loans Scheme and the Drought Recovery Loans Scheme?

Mr Pak Poy: That is not my area, but my colleague will be able to assist.

Senator STERLE: Come on! I am joking—it all right! Take your time.

Mr Hutchinson: I am the last of the fast movers! Just to clarify: it was the Drought Concessional Loans and Drought Recovery Concessional Loans schemes?

Senator STERLE: Yes.

Mr Hutchinson: Since the Drought Concessional Loans Scheme began across the country, 461 businesses have been approved for loans for a total of \$267.455 million as at 31 August this year. In states where the Drought Recovery Concessional Loans Scheme is open a total of 81 farm businesses have been approved as at 31 August 2016.

Senator STERLE: How many, sorry?

Mr Hutchinson: There were 81 farm businesses approved for loans totalling \$35.927 million.

Senator STERLE: Thank you. How many are accessing both those loans?

Mr Hutchinson: I would have to take that on notice. We do not have that information readily available. That would be something that we would need to test with our state delivery agencies. It would be a guess.

Senator STERLE: That is all right. I am told the government has extended the application period of the 2015-2016 drought related concessional loans to 31 October this year. Is that correct?

Mr Hutchinson: That is correct.

Senator STERLE: And could you tell us why?

Mr Hutchison: The government extended the application period to 31 October while the arrangements for the next scheme are being put in place. We are currently working with the states and territories to roll out the next iteration of the scheme, which was established through the Agricultural Competitiveness white paper. There was that commitment of funding for the concessional loans there.

Senator STERLE: Just remind me what that package was?

Mr Hutchison: There was \$2.5 billion over 10 years put forward for concessional loans.

Senator STERLE: Thank you very much; that did not hurt a bit, did it? Now I just want to ask some questions about the dairy support package. Could someone please provide an update on the uptake of concessional loans by dairy farmers.

Mr Hutchison: That is one for me, again. As at 12 October, across the country, we have 44 loans approved to a value of \$24,000,000.

Senator STERLE: Very good. Can you tell us when the ACCC's report into the Murray Goulburn dairy crisis will be released?

Ms Freeman: That is one for me, Senator. That is really a question for the ACCC, but my understanding is it is a matter of weeks; I have not been formally told.

Senator STERLE: Thanks, Ms Freeman. We say 'a matter of weeks'. The date in a matter of weeks; has that been the set date?

Ms Freeman: That would be a matter for them; I genuinely do not know.

Senator STERLE: All right, that is fair enough. Does anyone else know? No, okay. Can you tell us when the ASIC report in the Murray Goulburn dairy crisis will be released?

Ms Freeman: I am sorry, Senator, that would be a matter for ASIC. I genuinely do not know the answer to that.

Senator STERLE: Thank you. There are 44 concessional loans—are there not?

Mr Hutchison: That is correct.

Senator STERLE: Are there 348 dairy farmers concerned in this action—is that right? In this Murray Goulburn fiasco, can you tell us how many dairy farmers are affected?

Ms Freeman: Thousands, I would have thought.

Senator STERLE: How many?

Ms Freeman: I would have to take on notice the exact number of Murray Goulburn suppliers, but it would be in the thousands.

Senator STERLE: Geez, it is getting worse. Can you provide an update on the full range of assistance measures to dairy farmers?

Ms Freeman: In addition to the loan arrangements, there are a number of works going ahead. There is \$900,000 that was allocated for Dairy Australia, as Mr McElhone said from Dairy Australia earlier, to augment their existing programs of taking stock, and tactics for tight times.

Senator STERLE: Geez, you blokes turn that paper noisily! Try again, Ms Freeman.

Ms Freeman: Part of the government's assistance package was providing \$900,000 to Dairy Australia to augment their existing programs' tactics for tight times and taking stock. We are working with Dairy Australia on the timing of the payment for that.

Senator STERLE: They had \$900,000 for this?

Ms Freeman: The Commonwealth government is topping up their existing programs, those two programs, to the tune of \$900,000.

Senator STERLE: What was the \$92,000.

Ms Freeman: It might have been a paper rustling thing, Senator.

Senator STERLE: Okay. When I heard the mob from Dairy Australia earlier on talking about their wives and things, everyone thinks it is all roses and sunshine down there; it is far from it.

Ms Freeman: There are a range of other—

Senator STERLE: Fill us in; the other Mr Williamson.

Mr G Williamson: There was \$905,000 provided to the Rural Financial Counselling Service; that has been paid. In addition to that, a further \$865,000 has been paid as well in this financial year and, on top of that, again, another \$800,000 in—

Senator STERLE: The first \$865,000, where did that go to? There was \$905,000 to the Rural Financial—

Mr G Williamson: Rural Financial Counselling Service; that was up to 31 December this year, and from 1 January to 30 June this financial year, a further \$865,000 will be paid to the Rural Financial Counselling Service as well.

Senator STERLE: Is that on top of the \$905,000?

Mr G Williamson: That is right. Then from 1 July to 31 December, \$800,000 will be paid, again, to the Rural Financial Counselling Service to support their efforts in assisting with the dairy industry crisis.

Senator STERLE: As important as that is, without any argument, is any money landing actually in the farmers' pockets directly or is it all going to Dairy Australia and the RFCS?

Mr G Williamson: Certainly, there is farm household allowance. That has increased. The numbers have gone up quite significantly there.

Mr Pak Poy: From the period 2 May 2016 to 14 October 2016, 215 recipients in Victoria identified themselves as being part of the dairy industry—that is, new recipients.

Senator STERLE: That is 216.

Mr Pak Poy: No, that is 215.

Senator STERLE: So that is 215 out of how many? How many are down there?

Ms Freeman: The number of Murray-Goulburn suppliers is approximately 2,400. That is across a number of states.

Senator STERLE: I have seen on Twitter that milk is being poured down the drain in Harvey today. I am actually depressed now.

Mr G Williamson: Just to add further, you asked whether they were actually getting money in their pockets. Mr Hutchison actually said they had been provided so far with \$24.045 million in concessional loans. That is money in their pockets in concessional interest rates.

Senator STERLE: Sure. I am not go to politicise this and, Chair, if anyone wants to, you can pull them up—and no-one will on this committee. They still have to pay the money back. It has always been a contentious issue that—I am going to say this clearly as apolitical. I do not see it as help. That is my personal opinion. What about actual assistance in their pocket that they do not have to pay back? Is there anything going on there?

Mr G Williamson: Just on the concessional loans, it is a concessional interest rate, so that still does provide—

Senator STERLE: I get it, but they still have to pay it back. I understand. I am not having a blue with you, Mr Williamson.

Mr G Williamson: In terms of other assistance, yes, farm household allowance—we talked about that.

Senator STERLE: Of the \$240 million, how much does that equate to each person, roughly—or are their circumstances all different? We all talk in millions in this building; we are good at it. But what does it actually mean in the hand, in the pocket, in the bank account—

Mr Pak Poy: I am not sure which figures you are referring to.

Senator STERLE: Anything. Look at the concessional loan—that does not matter because they have to pay it back.

Mr D Williamson: We can explain farm household allowance and what that involves.

CHAIR: Some of those concessional loans are used to displace pre-existing financial relationships with the bank. For example, does a farmer qualify to say: 'Look, I owe the Rabobank \$500,000. I'll take a concessional loan and settle my \$500,000 with Rabo bank'?

Mr G Williamson: Yes, you are able to refinance.

CHAIR: To assist Senator Sterle, if there is a gap between the interest you are paying with that bank and the lower interest rate by the government, would that not qualify as money in the pocket?

Mr G Williamson: That is correct. You are allowed to refinance up to 50 per cent of eligible debt—just to be clear.

CHAIR: Have you got that one, Senator Sterle? Did you pick up on that? It is money in the pocket.

Senator STERLE: It is the record. I am happy.

Senator RICE: I want to talk about forestry related issues. Can I get an outline of the scale and the extent of the work that is currently being undertaken by the department on forest and forest related issues?

Mr Thompson: There is a range of activities. I think you are aware we have reviews of regional forestry agreements underway in Tasmania, commencing in Victoria, commencing in New South Wales and underway in Western Australia.

We are also completing an analysis of the KPMG report into the operation of the illegal logging regulations. We expect to complete that shortly and then we would go through the regulatory impact statement process. While we are doing that, we are also trying to implement that legislation. We are continuing to work on country-specific guidelines. We still have people from our compliance area looking at imports as they come into the country. We are working with the Forest Industry Advisory Council on consultations with industry players around Australia on the report that was released a few months ago on future directions for the forest industry, relating to things like R&D hubs around forestry, higher value-adding to timber products, and those sorts of activities.

There is an election commitment for a national institute for forest research, and we have been holding discussions with the Forest Products Association, the relevant R&D corporation, and there have been some meetings with industry about how that might be implemented in accordance with the time line of the election commitment, which would see, we hope, new R&D activities in South Australia and Tasmania underway within this financial year.

There is one other, as the Senator has reminded me—the one that I actually think is very important, since I get hay fever too. We are implementing the mechanical fuel reduction trial, which is aimed at reducing fire hazard in closely settled areas where smoke is a human health hazard, and also around sensitive ecological areas. So we are trialling that in New South Wales.

Senator RICE: I might go back to a few things, but where is that one currently at?

Mr Thompson: Michelle Lauder might be able to provide the detail, but I think the trials are about to commence in New South Wales.

Ms Lauder: The contracts have all been let. There are three trials happening across the country. They are being managed by New South Wales government fora. There is a trial on the mid-North Coast of New South Wales, one in East Gippsland in Victoria, and one in the south-west of Western Australia. We also have four consultants collecting data and monitoring some of this work. That includes a study of community acceptance of mechanical fuel reduction which will be delivered by the University of Canberra. The cost-benefit analysis will be delivered by GHG. The mechanical feasibility study will be delivered by the University of the Sunshine Coast. And the modelling of the trials' impact on fire risk across a landscape will be delivered by CSIRO.

Senator RICE: How about research into the biological impact of the trial on the forest ecology?

Ms Lauder: Yes, absolutely. All of the three trials will be monitored for a range of things, including the impact on the environmental values as well as the impact on the fire risk.

Senator RICE: But is there a particular study looking at the impact on the ecological values?

Ms Lauder: Yes, that is part of the trial design. Each of the trials will be a minimum of 120 hectares. So they will comprise 10 hectare replicates where we are looking at machine-only trials, fire-only, fire and machine and then a control to be able to compare them all. There will then be pre-treatment and post-treatment assessments of biomass and biodiversity.

Senator RICE: Over what period of time?

Ms Lauder: Over the contract. The trials are starting in spring this year—so in the next month, basically, if they have not already started—and it is planned that they be completed within 18 months, depending on this summer's fire season, because a lot of the staff doing the trials will be fighting fires if we have any big fires this season.

Senator RICE: Thank you. In terms of the overall suite of work that you are doing, I asked Mr Thompson—I think it was in the February estimates—whether there was particular work focused on plantation forestry compared with native forestry and whether there were any programs that the department had particularly focused on facilitating and encouraging plantation forestry. I think at that stage you said there were not any in particular and referred me to Forest and Wood Products Australia. Is that still the case now?

Mr Thompson: That would essentially be the answer. In the particular areas of research related to forestry, I would refer you to the Forest and Wood Products corporation, who are undertaking research in the plantations area and the native forest area. But some of the work that is being discussed in the Forest Industry Advisory

Council report, which is public, relates to a couple of things. One is that, insofar as it relates to both plantation and native forestry, it is about improving the reporting around forest management and demonstrating their credentials as forest managers. But much of the work related to value-added forest products and bioproducts from forestry material actually relates to plantation. Across laminated timber and that sort of stuff, it is going to be predominantly pine products. So they are focusing work around that.

Senator RICE: How many staff work in forest products?

Mr Thompson: In the department?

Senator RICE: In the department, yes.

Mr Thompson: In the department we currently have 30 people working on forestry.

Ms Lauder: In the branch, including NRM futures.

Mr Thompson: Oh, that includes NRM futures?

Ms Lauder: Yes, so 20.

Mr Thompson: So it would be 20.

Senator RICE: Twenty? Okay.

Mr Thompson: I thought the number was a bit high.

Senator RICE: And what proportion of those would be working predominantly on native forest based issues and what proportion predominantly on plantations—or are they all a mix?

Mr Thompson: They are all a mix. There is a group working on regional forest agreements and those sorts of activities.

Senator RICE: How many are working on the regional forest agreements?

Ms Lauder: Approximately 10.

Senator RICE: So half.

Ms Lauder: But that is a guess off the top of my head.

Senator RICE: So about half the branch, then, are working regional forest agreements.

Ms Lauder: Yes.

Mr Thompson: Then there would be how many on international?

Ms Lauder: Some of them are also working on other things, though. Of those 10, some are working on the RFAs as well as the FIAC report and that consultation, and the national institute.

Mr Thompson: There would be, I think, five people working in the Forestry Branch on the international activity. On plantations work, there are probably some of the same people who are also doing RFA work. It probably amounts to about two FTE.

Senator RICE: Two FTE on the plantations—okay. Thank you. On the regional forest agreements, can you give me an update as to where they are at with regard to each state. You said there is WA now, as well as Victoria and Tasmania.

Ms Lauder: Yes, that is exactly right. In Western Australia, we are undertaking a review of the last five years of the RFA. The scoping agreement has been signed between the two departments. The public consultation document—so we are looking at the implementation over the last five years, what has been achieved and what needs improvement—has been prepared by officials in both departments. We will be providing that to ministers shortly and seeking to go out in public for consultation for between four and six weeks before we hit Christmas.

Senator RICE: And then appointing the independent reviewer after that process?

Ms Lauder: Yes, that is exactly right, and then completing the review.

Senator RICE: So the expectation is that you would have the independent reviewer appointed early next year?

Ms Lauder: That is exactly right, yes.

Senator RICE: And when would you expect that person's review to be completed?

Ms Lauder: My understanding is potentially three to four months after they are appointed.

Senator RICE: It would be very quick if that is the case.

Ms Lauder: It is.

Senator RICE: Compared with previous experience.

Ms Lauder: But it will be impacted on by how many submissions come from the public consultation process and the number of documents.

Senator RICE: I expect you will have a lot.

Ms Lauder: Yes, I think possibly that may be the case.

Senator RICE: Where are things at with the Victorian one?

Ms Lauder: With the Victorian one, we have signed a scoping agreement, again, for the next review of their RFAs, and we have been working with officials to prepare the implementation plan that would be used for the public consultation. There is no timing that has been agreed for the public consultation yet. As you would be aware, the Victorian government are currently working through their Forest Industry Taskforce, so they are being careful not to confuse the public about too many consultations on forest related issues.

Senator RICE: What is the planned timing compared with the task force activities?

Ms Lauder: At the moment, the task force is planning on reporting by November this year. If that goes to plan, we would consult potentially early next year. We are trying to avoid the Christmas and January break if we can, so it could be early next year, but it does depend on the task force reporting in time.

Senator RICE: That would be consulting on the scope again at that stage?

Ms Lauder: The consultation we would be doing would be looking at the last 10 years, because there are 10 years of reviews Victoria needs to deliver. From there we would look at the future and potential extensions.

Senator RICE: Are you looking at all of the Victorian RFAs together or separately?

Ms Lauder: We are doing them one by one in the review, because there are different issues in different regions.

Senator RICE: Are you going to begin the process for all of them or are we just beginning the process with one of them?

Ms Lauder: We have started with East Gippsland because that is the one that terminates the soonest. We have been focusing purely on East Gippsland at this stage. Central Highlands is the next one but that is 13 months beyond the East Gippsland time frame.

Senator RICE: The East Gippsland 20-year timetable is up in February next year, isn't it?

Ms Lauder: Yes.

Senator RICE: You are, obviously, not going to have a new RFA in place by then.

Ms Lauder: No, that is right.

Senator RICE: What is currently considered will happen, given that?

Ms Lauder: The Victorian minister has written to us seeking a short-term extension of the East Gippsland RFA. The extension would be 12 or 13 months, to align it with the Central Highlands RFA with the idea that the extension process could happen for both of them.

Senator RICE: So you would look at both the RFAs—the Central Highlands and the East Gippsland ones—together then?

Ms Lauder: Yes.

Senator RICE: With the aim of completing them by March 2018?

Ms Lauder: That is right, yes.

Senator RICE: Tasmania?

Ms Lauder: For Tasmania the third five-yearly review has been completed. We have had the independent report and the government response. That is all signed, sealed and delivered and it was tabled in parliament, as you would be aware, on 12 September. Now the parties are negotiating to extend the agreement. We are in the process of negotiating what will be in that. We are also planning some further public consultation. In the review public consultation we sought views and feedback on the potential extension, but we are going to do further consultation so that people who did not realise there was an opportunity for consultation on the extension at that time can still have their say. We are meeting with Tasmania early next week and planning on consultation starting in November.

Senator RICE: What will be the time frame for signing a new agreement, given that consultation process you have going?

Ms Lauder: I do not have firm dates, but we are looking to the first quarter of 2017, if we can. But as you can imagine it is not just our decision. Tasmania needs to be in agreement with us. Tasmania's RFA terminates at the end of 2017, so the time is not the thing pressuring us to go forward.

Senator RICE: You expect that even with this consultation process on the new RFA you will have sufficient time to implement a new one by the time the Tasmanian one expires?

Ms Lauder: Absolutely, yes.

Senator RICE: Minister, in February I quoted to you some of the concerns about the Regional Forest Agreements and, in particular, how threatened species, over the last 20 years of the Regional Forest Agreements, have been in decline and sliding towards extinction. In response you said, 'Obviously, the report—that is, the Tasmanian RFA report—informs what the new RFA will look like.' Therefore, the issues that you have raised, you question, will inform what the RFA looks like. I quoted to you from the independent reviewer, including:

Judging the overall success of threatened species management and the broader biodiversity outcomes under the RFA is difficult given the limited monitoring of outcomes ...

that there is a need for:

...sufficiently powerful assessments that will detect differences that matter in terms of the populations of key species groups.

and:

Assessment of the overall outcomes of the RFA for the conservation of biodiversity requires a greater commitment to appropriate research and assessment in both the CAR reserves and wood production forests...

I am interested to know what you see changing in the new RFAs that is going to make the situation different from the way it has been for the last twenty years—which, demonstrably, has not been a good twenty years for forest species, and, particularly, for many of the species that have become more threatened and critically endangered.

Senator Ruston: The whole process of review is a mechanism by which we work out what has been working and what has not been working. There was quite an amount of advice that was provided through the review process. It made recommendations on things that could be improved in the new RFA. One of the most important things—and the reason that we have gone out for extended consultation—is to give the community of Tasmania, in this particular instance, the opportunity to have their say about the issues that were raised as part of that review. I would also note that the Victorian government's current committee that is looking—

Ms Lauder: The Forest Industry Taskforce.

Senator Ruston: Yes, the Forest Industry Taskforce is actually looking to the future so that they can have a look at what they would like their agreements to look like in the future, as well as taking into account the reviews of issues that have happened in the past. I do not think anything has changed from my answer that I gave to you in February: the issues that are raised as part of these reviews must form the basis of the decision-making process about amendments into the new RFAs to make sure that the RFAs are going to serve the best interests of the community, going forward.

Senator RICE: I am interested in what has been considered in terms of extra mechanisms. The government's response to the independent reviewer's report was pretty wishy-washy and certainly did not give me confidence that things were going to change. Two of the key responses were that:

The State agrees to consider implementing a state-wide forest monitoring information system.

And:

The Parties are committed to protecting and improving the conservation of Tasmania's threatened species and will continue to work together in the development and implementation of conservation advices and recovery plans.

But in terms of actual concrete measures and mechanisms that were going to mean that we would be in a different era compared to what we have been in for the last 20 years, nothing was committed to in those responses to the independent reviewer. Are there plans for extra funding for research to undertake the monitoring that obviously has not been occurring well enough over the last 20 years? Are there extra programs? Is there a plan for substantially increased reserves? What sort of things are being considered in this new regional forest agreement?

Mr Thompson: Ms Lauder might be able to provide some information there, but regarding the context of the comments made by the reviewer and the government's response, that refers to the whole areas under forests in the RFA areas, not just the production forests. Some of the decisions about where money is going to be spent and where it is going to come from actually relates to expenditures by parks and wildlife services, environment departments as well as forestry departments. Further work has to go on to sort some of that through.

The forestry operations have an impact on threatened species, as do other activities. Fire management becomes one of the important ones, and fires are not just unique to production forests; they also occur in national parks. The track records of things like fires in forests is actually a bit better than the track record in national parks.

Senator RICE: I agree with you, but if you read the threatened species recovery plans, such as the one that has just been finished for the tiger quoll, or the draft plan for the giant Tasmanian lobster, their focus is that the key threatening process is the impact of logging operations. It is identified as a key threatening process. That is also the case for many other forest species. I want to know what is going to change. How can we have any confidence that these species are not just going to continue to slide into extinction? Because that is what is happening at the moment. Swift parrots have gone from being endangered to being critically endangered. Leadbeater's possums have gone from being endangered to being critically endangered. What is going to change so that you have confidence, I have confidence, we all have confidence that these precious animals are going to continue to exist?

Ms Lauder: Part of the extension of the RFA process is reviewing a lot of the documents and reviews that have been done, and looking at data that is out there in other sources. That is one of the things we will be consulting on as well. We are working very closely with the Tasmanian government but with the Department of the Environment and Energy in the Commonwealth. One of the things they are looking at is the key threatened species that you were mentioning and how their recovery plans have been implemented or where there have been gaps et cetera, over this period, and then looking at what needs to be done to ensure that they do not slip further or where their populations can be improved in the next 20 years. That is something the department of environment is actively looking at as part of this process.

Senator RICE: The bottom line is: are there plans to protect more areas of forest than we currently have protected? We know that clear-fell logging operations kill these animals, and there are increasingly smaller populations. That is the simple equation.

Senator Ruston: Your points are noted, but we are just a little bit too early to give you those definitive answers. There is a process that is still being undertaken and part of that process is consultation. Until we finish that process it would be premature for us to say, 'This is definitively what we are going to do.' I am assuming you have read the government's response to it.

Senator RICE: Yes, I was quoting from it.

Senator Ruston: So you obviously—

Senator RICE: It is the government's response that gives me no confidence whatsoever that anything is going to change. It is full of not just wiggly words it is full of huge—

CHAIR: You should not editorialise.

Senator RICE: I am trying not to.

CHAIR: Ask some questions and everyone will draw their—

Senator RICE: There are huge gaps that you could drive tractors and logging trucks through.

Senator Ruston: Senator Rice, you and I will have to agree to disagree. The government's response, from both the Tasmanian government and the federal government, has shown great consideration for the issues that were raised as part of the review. We will continue to consult and we will not, prematurely, make statements until that consultation is finished. I am very confident that the responses of both the federal government and the Tasmanian government have recognised the issues that you have raised.

Senator RICE: The Tasmanian government announced last week that it is considering opening up logging in the 400,000 hectares of forest that logging was deferred in until 2020. What is the Commonwealth's response to that?

Senator Ruston: That is a statement that was made by the Tasmanian minister. It in no way reflects, one way or the other, on the federal government. You should take that up with the Tasmanian minister.

Senator RICE: It certainly has been taken up. So the federal government does not have a view.

Senator Ruston: We certainly pass no comment on that whatsoever. We are dealing with the RFA and the recommendations of the review.

Senator RICE: Does it impact on your negotiations over the RFA?

Senator Ruston: I am not going to make a statement one way or the other. However, if you have an issue with it—and I am sure you have—take it up with Minister Barnett.

Senator BACK: I want to go through some questions on foreign investment with our agricultural policy division. This process started some years ago with the then Senator Heffernan and myself, and early attempts were a bit rudimentary. I remember asking not your colleagues but others from FIRB and other agencies, 'What about agricultural leased land?' and we were met with blank stares. I also remember the question being asked, in regard to foreign investment, 'What if a foreign investor purchased agricultural land but was not going to use it for agricultural purposes?' and how that fitted into the scheme. So we have progressed over time.

What I want to know from you, if I may, is: what have been the impacts from lowering the thresholds for agricultural land and agribusinesses through FIRB's scrutiny? Can you give us any advice on that?

Mr Quinlivan: Mr Blong can give you the numbers, as we understand them at the moment.

Mr Blong: I would probably need to refer that to Treasury, to work out the total number of applications that FIRB processes in this area and what potential impact changes in thresholds have had. I do not have exact numbers of applications that have gone through FIRB. I will take it on notice.

Ms Freeman: I might add that the number the department has seen has probably increased, easily five-fold, in terms of the applications that have come to us since the new arrangements came in place. We saw, last financial year, probably in the order of 250 to 260 applications that we were asked to provide comment on for the FIRB.

Senator BACK: And that was agricultural land and/or agribusinesses?

Ms Freeman: Yes, combined. I would have to take it on notice, the split—

Senator BACK: If you could.

Ms Freeman: but I think there has been a very significant increase. The majority, I think it is safe to say, would be on land over agribusiness.

Senator BACK: In taking that on notice, you might be able to also bear in mind my question with regard to the division between freehold title land and leased land.

Ms Freeman: Yes.

Senator BACK: In the way the program is structured, at the moment, is it possible to identify a circumstance in which somebody might buy a farming property but it not be picked up, simply because the purpose for the purchase was to use that land for something other than farming—mining or whatever?

Mr Blong: The information I have—in terms of the type of land registration forms that the ATO now requires landholders, including foreign landholders, to provide details on—includes any change in status, in relation to the use of that land.

Senator BACK: I will not ask you, as we have all seen the figures, the citizens of which countries are the predominant purchasers of Australian agricultural land. It is interesting, Mr Quinlivan, that Holland, the Dutch, are third behind the UK and the US. Is that right?

Mr Quinlivan: Yes.

Senator BACK: That has an interesting historical connotation, because some of us will journey to Dirk Hartog Island this very weekend to celebrate the 400th anniversary of the landing on Australian soil by the Dutch explorer Dirk Hartog, the first European to land on Australian soil. So the Dutch have not lost that sort of experience. In fact, if he had gone a bit further inland from Dirk Hartog Island we could all be wearing clogs today! That is of no great relevance.

As a result of lowering the threshold, Ms Freeman, is there any evidence that foreign investment has been reduced or turned off this year compared with previous years?

Ms Freeman: I would have to say that would be a matter for Treasury. They would have a much broader view. With the specifics, we have the release of the land register data, which came out in September and which provides some information, but in terms of the specifics on what you have just asked, I think that would be a matter for Treasury.

Senator BACK: Again, in terms of those questions you are going to obtain answers for, I am interested in knowing the proportion of land and/or agribusinesses—but probably land—owned by sovereign wealth funds, if that can be isolated, both in terms of freehold and leasehold land. The figures we have seen to date are based on hectares of land but not on value. Do you know whether or not the value of properties has been captured at the time of declaration by foreign interests?

Mr Blong: I will have to check that, but I believe that the registration details required by the ATO include the market value of the land in Australian dollars. Other than that, in terms of how that data is used and collated by the ATO, that is a matter for them.

Ms Freeman: Certainly, for the purposes of actually going into the process, if you like, it has to meet the relevant minimum values. Beyond that, and beyond what Mr Blong said, I am not sure how much additional data we would have.

Mr Blong: Just to clarify, the ATO form is the registration form that is required by foreign owners of Australian land, not applicants that might be going through the FIRB process.

Senator BACK: Can you repeat that?

Mr Blong: I just wanted to clarify the answer I gave in relation to foreign owners requiring to detail the market value of land in Australian dollars. That relates to the ATO registration form that foreign owners have to submit to the ATO. They are foreign owners of Australian land, not the applicants that might be submitting proposals to purchase land through the FIRB.

Senator BACK: Mr Quinlivan, this is a question that still has not been resolved in my mind. I am not sure whether it is fair to ask you or your officers. Take the scenario of a sovereign wealth fund growing a crop, putting it on a ship, sending it to their home country, turning the grain into flour and bread and giving it to their impoverished citizens free of charge. There is no price on the product, so there is no transfer price so there is no capacity for taxation to be paid back to the Australian government. Is that a fair question to ask you or is that something that should be taken up with the Treasury or tax official?

Mr Quinlivan: It sounds like a question for the tax commissioner, because it has some characteristics that are common to traditional transfer pricing. I think that if that were happening on any meaningful scale the tax commissioner would be quite interested, just as he would be interested in looking at traditional transfer pricing practices.

Senator Ruston: You are not referring to foreign aid, Senator Back?

Senator BACK: No. It is not foreign aid. I only ask that because it possibly does characterise a slight change, with sovereign wealth funds purchasing Australian agricultural land. We have not seen it in the past with British, Scottish, American or Canadian. Canadian teachers superannuation funds seem to see value in our land these days. As far as I understand it we have not seen it from the Dutch. But nevertheless, we may well be seeing it. Qatar is an example. The Qatari government owns more land in Australia than they own in Qatar. Obviously we know the capacity of the Chinese and others. It would represent, for the first time, a changed circumstance. To date we have seen agricultural production feeding into the Australian agricultural production supply chain and then being traded along with the products of family and corporate-based farms. But the analogy I just gave you is a different one, because it would represent for the first time a case where a sovereign entity would utilise our land, our water et cetera, but there would not be a price upon that product because they never charge for it.

Mr Quinlivan: The entity would presumably have some legal status here in Australia. It would have deductible expenses as a result of the production process. I would be pretty confident that the tax commissioner would be interested in that transaction.

Senator BACK: My final question does lead me to water. When will the register to cover foreign ownership of water rights be established?

Ms Freeman: I understand that there is currently legislation being developed to do that at this very moment. Subject to the passage of that, I presume it will then take place.

CHAIR: We are due for a break. After the break we will hopefully be able to progress through the balance of the stuff quite quickly.

Mr Quinlivan: If I understand the previous conversation correctly, there are more forestry questions.

Senator CAROL BROWN: Yes.

Proceedings suspended from 21:04 to 21:20

Senator McCARTHY: On forestry, I have some questions for Ms Lauder. I just wanted to revisit the Regional Forest Agreements, just to understand those a little bit better. How many do we have across the country?

Ms Lauder: There are 10, in four states.

Senator Ruston: And five in Victoria, one in Tasmania, one in Western Australia and three in New South Wales.

Senator McCARTHY: Regarding the people working in the forestry department, or the division in the department—you said there are 20?

Ms Lauder: In the branch.

Senator McCARTHY: Where is the branch?

Ms Lauder: It is here in Canberra.

Senator McCARTHY: Do you have any staff across the country?

Ms Lauder: Not forestry staff, no.

Senator McCARTHY: So, their interaction with each state and territory takes place here?

Ms Lauder: No. We often travel back and forth. Sometimes they come to Canberra and sometimes we go to their state. There are a lot of teleconferences, phone calls and emails as well. We try to use all ranges of communication. With our consultations, we go to regional areas. We do not restrict it to capital cities.

Mr Thompson: And the forest and wood products R&D corporation is based in Melbourne.

Senator McCARTHY: Do you use Indigenous knowledge in any way within your processes?

Ms Lauder: Yes. It is an important part of the RFA, and that is something that we are consulting on when we do the reviews, as well as looking at the extension. In fact, we were talking just today about the consultation on the extension for the Tasmanian RFA and talking about where we will advertise and how we will make sure that Indigenous stakeholders are aware of it and can input—using the *Courier Mail* and contacting the relevant Aboriginal organisations to help get the word out.

Senator McCARTHY: Is that just in Tasmania?

Ms Lauder: No. It is just that the Tasmania one has come up first.

Senator McCARTHY: So, there are Indigenous knowledge systems, about caring for country and working in the area of carbon farming, but what you are referring to is the networking. Is that correct?

Ms Lauder: Yes, that is correct.

Senator McCARTHY: The inclusion of Indigenous organisations in that—is that what you are referring to?

Ms Lauder: Yes, that is what I am referring to.

Mr Thompson: That is largely about the involvement of Indigenous knowledge and Indigenous communities as part of the consultation about RFAs in Tasmania, and no doubt it will happen in Victoria and New South Wales as well. More broadly, though, there has been the Forest Industry Advisory Council's report, and the chair of that committee has been having discussions on Cape York and in the Northern Territory about Indigenous involvement in forestry in those areas as part of Indigenous economic programs.

Senator McCARTHY: Who is the chair?

Mr Thompson: The chair of the Forest Industry Advisory Council is Rob de Fegely.

Senator McCARTHY: Why is it important to have those conversations in Cape York and the Northern Territory?

Mr Thompson: There are Indigenous communities there who have been involved in forestry operations. On the Tiwi Islands there have been Indigenous forestry operations. I am not across all the detail, but there is also potential and opportunity on Cape York, as I understand, for Indigenous tropical forestry operations, and it is about working with those communities as to how they can fit into commercial forestry operations as part of a business venture.

Senator McCARTHY: Are you or is anyone else in the department able to expand further on the project in the Tiwi Islands?

Mr Thompson: We would need to take that on notice. I could not expand much more on it than that.

Ms Lauder: I am sorry; I am the same. I know about as much as Mr Thompson does. But we can get more information and provide it to you.

Senator McCARTHY: Do you have an Indigenous unit or an Indigenous employee within your branch?

Ms Lauder: No, we do not.

Senator McCARTHY: Are you aware of the WALFA project up in the Northern Territory—the West Arnhem Land Fire Abatement scheme?

Mr Thompson: Yes.

Senator McCARTHY: What do you know about that?

Mr Thompson: Our involvement in that has been less through forestry but more—and, again, I am not quite familiar with all the details—through some of our Landcare programs and some of our climate change programs and the work they have been doing to trial different fire management regimes and develop processes that could

result in carbon farming, better environmental management, better resource management and carbon sequestration in the landscape.

Senator McCARTHY: That is great. With the West Arnhem Land Fire Abatement scheme it is the use of Indigenous knowledge, which is what I was referring to in terms of your processes and the access to Indigenous knowledge, and that program is an incredibly successful one, so I was curious to know whether you had tapped into it.

Ms Lauder: We have, but there are more opportunities that we could take advantage of. I just want to mention, too, that on the Forest Industry Advisory Council we have an Indigenous members, whose name is Karina Coombes, and she represents the Indigenous forest communities in the Northern Territory.

Senator McCARTHY: What was that on?

Ms Lauder: The Forest Industry Advisory Council.

Senator McCARTHY: Will the draft carbon farming initiative methodology for plantation be released for public consultation prior to its finalisation?

Mr Thompson: That is a matter that is part of the Department of the Environment and Energy. The best we could say is that something is expected to be released for public consultation soon.

Senator Ruston: None of these methodologies are implemented without substantial consultation.

Senator McCARTHY: Thank you very much.

Senator STERLE: I want to go to questions of sugar. Has the department assessed the actual and potential impact on Australia's sugar industry of, as it is named, the Real Choice in Marketing legislation enacted in Queensland in 2015?

Ms Freeman: No, that is a matter for the Queensland government, so we have no formal role in reviewing that legislation. Obviously we are keeping an eye on the negotiations that are going on between the different industry players, but the Commonwealth has no formal role there.

Senator STERLE: Do you have a view?

Ms Freeman: It is a Queensland—

Senator STERLE: I understand. I am just asking whether the federal department has, or the minister may want the federal department to have, any view over the way it is working?

Ms Freeman: Well, obviously we have been having conversations with the different players on various negotiations and discussions that are taking place between the players, and we have been told a range of things. But in terms of having a formal view on it, no, that is not the role of the department.

Senator STERLE: The reason I asked is that this committee did do an inquiry into the sugar industry. It looked very closely at the—how can I put this diplomatically?—market power of certain millers up there, and exporters.

CHAIR: Wilmar.

Senator STERLE: Yes, that is it. And we did not hold back. I think we did a couple of inquiries, and a report was put out, and there was a fair bit of action. Another task force was going at the same time with federal members of parliament. I believe the ag minister may have set up the task force. Is that correct?

CHAIR: Yes.

Senator STERLE: So I just thought that you guys would still have—

Ms Freeman: I was referring to the role of the department. Certainly the Deputy Prime Minister and, I understand, the member for Dawson have also made public statements urging the parties to reach agreement. But, as I said, that is not a matter for the department.

CHAIR: The parties being Wilmar and their growers, on cane supply agreements—is that a fair way to sort of broadly characterise it?

Ms Freeman: Yes, and there are a number of negotiations in place, not just with Wilmar but obviously MSF and other major players. For example, MSF and QSL have reached agreement, as I understand. So, some are ongoing.

CHAIR: We have a situation where Mitr Phol now has cane supply agreements with some 428 growers, and it is fair to describe them as international players in the international marketplace. Yet Wilmar say, do they not, that they do not believe they can enter cane supply agreements, because of their contractual obligations elsewhere in the world?

Ms Freeman: As I understand it, there are certainly a number of Wilmar agreements within Australia that are not settled. But I also understand that Wilmar have publicly stated that they have signed a million tonnes of cane under individual agreements in Queensland. So I am just not sure how that—

CHAIR: Let's call an agreement an instrument between a grower and, in this case, Wilmar, the miller. Are you aware that the great majority of Wilmar growers have not entered into cane supply agreements with Wilmar? Forget about the tonnages for a moment.

Ms Freeman: I would have to take the specifics on notice, but I understand there are quite a number that are still outstanding.

CHAIR: Are you up to speed with the issue with STL, with the six sugar hubs, whereby Wilmar is endeavouring to take a second seat on the board?

Ms Freeman: I am not across the specifics of what the company is doing with boards.

CHAIR: How could we promote you to take further interest? This is growing to be a very, very significant issue again in this industry, which has been disrupted quite significantly over the past 36 months. Let me ask the question another way: would you agree that the stability of the sugar industry in Australia is a matter of national interest? I do not want to make too fine a point of it, but it is on a scale where there is a nation interest involved.

Ms Freeman: There is no doubt that the sugar industry is a major contributor to the gross value of production and the exports of Australian agriculture.

CHAIR: You may think I was preaching in the sense of asking questions that draw this out, but is it fair to say that if we find ourselves in a situation in which Wilmar cannot reach cane supply agreements with its growers then that will be a very significant event for that industry with a knock-on effect for the national interest?

Ms Freeman: There will be considerable problems if agreements are not able to be reached between the parties.

CHAIR: Given that Mittr Phol have reached agreements on cane supply—and this will be a difficult question for you, but I am going to pose it—does that *prima facie* suggest that Wilmar could reach agreement with their growers?

Ms Freeman: I am sorry. I am not trying to be difficult, but I do not think I can comment authoritatively on that. I am aware that Mr Christensen has referred a matter to the ACCC referring Wilmar's actions to be investigated in relation to unconscionable conduct accusations. I understand that the ACCC is investigating that. Beyond that, in terms of the specifics—

CHAIR: I am drawn to your comment that you are in dialogue with some of the parties in sugar in Queensland. Would that include Wilmar?

Ms Freeman: We most recently had a conversation—we are talking of Friday—with the Sugar Milling Council. We will be talking to them about specifics. I would have to take on notice the matter of when I last spoke to anyone from Wilmar. It is been quite some time.

CHAIR: I do not know how to ask the secretary to keep a close eye on what is happening in Queensland, and in fact perhaps an active look at it, because I suspect whatever happens will happen very quickly, and this is causing enormous trauma. Wilmar now has, I think, 51 per cent of the milling capacity and we have 4,500 growers there. I know it is a volume question on what growers produce, but I would urge you to have your department keep a sharp eye on what is happening there for the moment, because I really do think it is going to have a less than happy ending.

Senator STERLE: You have some conversations going, Ms Freeman, but is it clearly that, because it is state legislation—we will call it the 'real choice in marketing' legislation—there is absolutely no role for the federal department anywhere in the sugar supply chain?

Ms Freeman: We deal with the sugar industry on a whole range of issues, not least of which is having a statutory funding agreement with Sugar Research Australia. But in relation to what are commercial matters that are currently within a state jurisdiction, the department is not actually involved in the day-to-day discussions of that.

Mr Quinlivan: I think it is probably more than just the department. Other than potential action under the Competition and Consumer Act for things like unconscionable conduct, in the area of sugar marketing the Commonwealth does not actually have a point of influence or intervention now. I think that is why the Queensland legislation happened, in some ways. It was the only vehicle that the affected parties could find to pursue their ambitions. That is partly why the attention turned quickly to the Queensland parliament rather than to

the Commonwealth parliament, even though there were quite a lot of Queensland members who were very interested in matters.

CHAIR: Do you accept that we have a unique situation where the Queensland government does not have their heart in this.

Mr Quinlivan: Yes.

CHAIR: They have publicly indicated that if they could they would unwind the changes to the sugar act.

Mr Quinlivan: Yes, we are well aware of that.

CHAIR: So if we are sitting here thinking that the Queensland government has a keen eye on this and is ready to resolve this, that is not case. Given we have accepted that it potentially can have a national interest effect—I get it—I just urge your department to keep a keen eye on sugar for a minute or two.

Mr Quinlivan: I think a lot of people are keenly observing what is happening, including us. But my point remains that in this area of marketing we do not have a point of intervention any more.

Senator STERLE: Well, it is as clear as it can be.

Senator CAROL BROWN: I want to ask a couple of questions on the Indonesia-Australia Partnership on Food Security. Is the Indonesia-Australia Partnership on Food Security the same thing as the Indonesia-Australia Red Meat Partnership? Are they one and the same?

Ms van Meurs: Yes.

Senator CAROL BROWN: Can you then provide an update on the Indonesia-Australia Partnership on Food Security?

Ms van Meurs: A little bit of background as well?

Senator CAROL BROWN: Yes.

Ms van Meurs: The partnership was formed in 2013. That was with the Labor government of the day. Then, after the election in 2013, it was recommitted or reconfirmed by the new coalition government. The program really is around underpinning Indonesia's food security by improving the long-term sustainability and productivity of the Indonesian cattle sector; strengthening Indonesia's and Australia's bilateral business, investment and trade ties; supporting closer engagement in the red meat and cattle industries, both in Australia and with other government agencies in Indonesia; and supporting bilateral exchange of expertise, capacity building and technical assistance relating to the red meat and cattle sector.

Senator CAROL BROWN: Does that mean we send department officers over to Indonesia?

Ms van Meurs: There is a number of programs under the partnership. For example, there is a skills development program where a lot of up-and-coming Indonesian farmers come to—for example, there is a program up in the north of Australia where we work with them to develop their skills around cattle, cattle logistics, and looking after cattle in stockyards and on the farm. So there is a reasonably big program we undertake as part of that partnership, to develop skills, particularly around Indonesian capabilities.

Senator CAROL BROWN: Is the minister planning any visits to Indonesia?

Ms van Meurs: We are always talking to the Deputy Prime Minister about travel. At the moment we continue to do that and we will continue to talk with his office around travel. He is always keen to travel to places like Indonesia. He did that in 2015. My understanding at the moment is that we are talking with the Deputy Prime Minister's office about, possibly, the G20, early in January, which is in Germany.

Senator STERLE: Did I read that the Indonesian President is visiting Canberra soon?

Mr Quinlivan: [inaudible] there has been a public announcement.

Ms van Meurs: No, there has not.

Mr Quinlivan: We were just wondering about that ourselves. We would like to be able to say something positive about that, but we do not want to pre-empt those who should be making an announcement along those lines.

Senator STERLE: I asked to see if there were any bilateral meetings going on between Minister Joyce and his counterpart, or the Prime Minister?

Mr Quinlivan: If the president were visiting there certainly would be bilateral discussions.

Senator STERLE: What are the big-ticket items are happening between us and Indonesia at this stage?

Mr Quinlivan: I think the principle one, in the trade area at least, is the free trade agreement talks.

Senator STERLE: Can you give us an update on how that is going?

Ms van Meurs: The IA-CEPA—basically a free trade agreement with Indonesia. That has restarted after a little bit of a lapse in time. That has been restarted by Department of Foreign Affairs and Trade. There has been one round of discussions and there is a second round of discussions, in Indonesia, in about two weeks.

Senator STERLE: You said that it has just been reactivated. How long has it been going on? How long to stall for or stop for? Coming from WA, they are our closest neighbour, and they are Queensland's and the Northern Territory's closest neighbour—we do have an interest. There are a lot of people to feed over there.

Ms van Meurs: I will have to take that on notice.

Senator STERLE: Okay. Apart from cattle, are there any other industries that are wanting to grab this with two hands and charge in?

Ms van Meurs: Indonesia is one of our biggest trading partners. We send a significant amount of such things as wheat and horticultural products to Indonesia. It is a very big market. I do not have the exact stats but it is a significant one.

Senator STERLE: While we are on trade and market access, a massive announcement was made in WA a few years back when the Premier came out and talked about the free trade agreement with China and boxed meat and all sorts of stuff and how good it would be for our growers, even though the herd is diminishing. What has happened with the boxed meat export market to China since the free trade agreement?

Ms van Meurs: To China?

Senator STERLE: Yes, China. Senator Back would have an interest here as much as I do.

Senator BACK: Indeed.

Ms van Meurs: I can talk around the China free trade agreement. As you probably know, China is our biggest export market for agriculture. There has been an increase of 40 per cent in four years, to \$7 billion.

Senator STERLE: Is this in all agricultural products?

Ms van Meurs: All agricultural products, yes. On the specifics of meat, there have been a number of drops in tariffs. At the moment there will be a total elimination over 10 years for beef and veal into China—it is between 10 and 25 per cent, depending on which type of beef or veal you are talking about.

Senator STERLE: Ten years from when?

Ms van Meurs: From entering into force, which was in December 2015.

Senator STERLE: In terms of the expectation from the big announcement, which got everyone excited—and let's face it, Minderoo have put down there in Harbin, which was a welcome intervention, wasn't it, Senator Back?

Senator BACK: It certainly was—they have spent \$82 million.

Senator STERLE: And Mr Burton's new abattoir is coming online up there between Broome and Derby, out there at Yeeda. Has any boxed meat market started, or is it just that in 10 years it will be this figure?

Ms van Meurs: Are you talking about chilled meat?

Senator STERLE: There is a boxed meat market, but has it increased—have we seen this massive rise since the China free trade agreement and all the dancing around and celebrating?

Mr Read: In response to your question there are a number of factors in terms of product being directed towards markets. In the case of beef, as you know, given the wet event, particularly of the last 6 to 12 months, and the herd rebuilding that is occurring in this country at the moment, that is causing the price of cattle to be extremely expensive. That then changes the dynamics of where that product goes around the world. In regard to China, it is our fifth biggest market—it is about a \$137 million market. In terms of opportunities for beef exporters, they will just continue to look for those price points across a carcass where it offers best return. At the moment, a bit of that is in China, but equally there is obviously a lot of product that has gone to the US over the last six or 12 months.

Senator STERLE: So we have seen a massive increase in burger meat to the US? Is that what you said?

Mr Read: Yes, certainly over the last two years. Given where that market was positioned in a rebuilding cycle itself, and the prices that were being paid for grinding beef, it certainly attracted a lot of product from the US for that period. They are now changing that cycling, so with the larger herd now occurring in the US that will probably have an impact on the demand from this country. The price points will move again and in another six months we will have more turn-off in terms of the Australian beef industry. That will then make price points, such as those in China and other markets, more attractive.

Senator STERLE: Since the signing of the free trade agreement, have you had a tsunami of exporters kicking your door down to seek assistance for trade and market access to China?

Mr Read: Every day.

Senator STERLE: Good—tell us. Give us some good news.

Mr Read: If the question is, 'Is there an intensive interest in China?' there is. Everyone who walks through the door wants to go to China. It does not matter what—

Senator STERLE: I have been there a couple of times myself and I do not blame them. It is an interesting place to see. There are one billion-odd people that they have to feed and water. So where are the movements and in what areas? Or is it just, 'We'll get back to you'?

Mr Read: No. What needs to be taken in context internationally is that not all markets are on the same plane in terms of difficulty of access and the technical specifications required for access. China is one of the more complex and difficult ones and it needs sophisticated industries to access that market and maintain a sustained trade arrangement into those markets. We have spent a lot of time working across industries—that includes beef, and our dairy is a very sophisticated industry. We have emerging industries such as pork and kangaroo that are very keen to access that market, but equally there is investment occurring within those industries to ensure that they are well positioned at the time when we get that access and will be able to sustain and maintain that access into that market.

Senator STERLE: I am always very mindful not to talk down the Australian agricultural industry. As we have heard earlier today from certain officers, our dairy industry is not in a healthy shape when it comes to its long-term survival prospects. Is there any opportunity for you people to assist our dairy farmers and get milk into China? Or are there some speed humps where they cannot get it in? Tell me what has happening. You just said, and I agree with you, that our dairy industry is very sophisticated, but a lot of it is on its knees.

Mr Read: We do a lot of work with regard to market access for dairy. For example, we are very close into the United States now around a mutual recognition arrangement with the United States Food and Drug Administration. All that is about is simplifying the technical barriers to access into those markets. China will continue to talk, with the listing of new participants, particularly infant formula, into China, which again is very complex and so forth. In some of that environment, and particularly a lot of the environment at the moment with dairy, there is the implication of some of the trade complexities between Russia and Europe and so forth and, again, product moving from that part of the world into China. I would expect that will change over the next several years. That will have a big impact again on the opportunity for supply, and that will impact back to our production sector.

Senator STERLE: This may sound simplistic, but it was brought to my attention—and, I am sure, Senator Back's as well—about a month ago that, I think, the operations of about four dairy-farming families in Harvey were ceased. Weren't they, Senator Back?

Senator BACK: Yes, they were threatened to be ceased.

Senator STERLE: That is it—'Walk off the land. We're just not buying your milk.' There was no market for it. Are there any conversations within the department or between the department and the minister or anyone to say, 'Hang on—why are we pouring milk down the drain? Why are we having third-, fourth- or fifth-generation dairy families going into receivership or walking off the land? Can we progress trying to get this milk somewhere else?' Or is it just too easy for me to sit at the front and assume it is not that hard?

Ms Freeman: Obviously, the department is well aware of the arrangements to do with those Western Australian dairy farmers. They have been impacted by the decline in the market conditions—there is absolutely no doubt about that. A number of conversations have gone on. We have been in constant conversation with both the industry and the Western Australian government as well at the department level to try to look at some options in the short term and then over the longer term. There are also a number of measures in place. As I think Mr Williamson referred to earlier this evening, Western Australian dairy farmers are also receiving some assistance off the back of the dairy package.

Senator STERLE: No, no. I am aware of that, and I am not trying to politicise it. I am just trying to cut my way through the diplomatic and bureaucratic system. Is it really that hard to say to overseas export markets: how can we get this thing moving? How can we really start talking about providing a brilliant commodity that we have here in Australia and that can help out your people?

Ms Freeman: There is a couple of things. One of the issues, which Mr Read referred to, is the longer term significant efforts that go on by government and industry to gain and maintain market access. In many cases it

takes many technical elements to do that, and there is a vast amount of work that goes on both in relation to trade agreements and in broader negotiations, bilaterally and regionally.

In relation to the Western Australian one, obviously there are issues that are currently being considered about what is actually a response to a current market condition in Western Australia, and what can we do in the short term to assist them. So there is sort of a range of issues in there.

Senator STERLE: So, in other words, it is not just as simple as sending officials over to China and saying, 'Come on—let's speed this up'?

Ms van Meurs: Can I just—

Senator STERLE: I am not being a smarty. I do not know how it all works.

Ms van Meurs: Can I add some stats about the China free trade agreement, particularly for the dairy industry. Because it has been in force for around six months, there have been two separate tariff cuts in quick succession. The dairy exports totalled \$396 million in the first six months of 2016—that is a 113 per cent increase compared to the same time in 2015, so there is a growing market there.

Senator STERLE: So that is dairy. Is that milk, cheese, butter, ice cream?

Ms van Meurs: Of the milk powder exports, \$122 million, which is up from \$55 million.

Senator STERLE: Milk?

Ms van Meurs: That is milk powder.

Senator STERLE: Milk powder, okay.

Ms Freeman: I think I can also say I know that in relation to Western Australia there have been recent discussions about whether it was possible to export liquid milk, and Taiwan was mooted, and Malaysia, as well. The actual quotas are currently fully utilised so, at the moment, it is not going to solve the current problem.

Senator STERLE: No, no. That has answered it.

Ms Freeman: But I think we should register that the department is well aware and is having discussions with industry, but that solving this problem in the short-term is—

Senator STERLE: Just so no-one is confused, when I say milk, I am talking dairy products.

Ms Freeman: Yes.

Senator CAROL BROWN: My question is actually about a risk assessment for the—am I in the wrong area?

Mr Quinlivan: Yes. I guess it is actually that we are moving on to biosecurity now.

Senator STERLE: Through you, Chair, we do not have a lot, so can we bring biosecurity to join us? Oh, hang on—Senator Rhiannon's questions are in the next outcome, aren't they?

CHAIR: Correct.

Senator STERLE: If this is in the next outcome, can we go to the next outcome? Let's finish here and go to the next outcome.

CHAIR: I will declare that outcome 1 is at an end. Outcome 1 divisions are: sustaining natural resources for longer term productive primary industries; farm support; sustainable agriculture; fisheries and forestry; agricultural policy; trade and market access. Your officers who have been involved in this outcome are free to go, with our thanks and best wishes for safe travel to their destinations.

Mr Quinlivan: Can I just note, before she leaves the room, that this is Libby Bie's last appearance at estimates after many years of coming along.

Senator STERLE: Lucky Libby!

CHAIR: Good for you. Thank you for your service over the years. We appreciate it

[21:59]

CHAIR: We will now move to outcome 2 divisions: managing biosecurity and imported food risk.

Mr Quinlivan: Before we get into biosecurity properly, I will ask Ms O'Connell to give you an update on the varroa issue at Townsville, because there were a couple of things said in that conversation with Horticulture Innovation Australia this morning that I think might be capable of being misunderstood. It is a very important issue, and, obviously, one that we have been very concerned to make sure that any publicity about it is absolutely correct. I will ask Ms O'Connell to set the record straight.

Ms O'Connell: I think the essential point is in terms of the different types of varroa mite. There was a suggestion earlier that we had a varroa incursion. I want it to be clear that we remain free from *Varroa destructor*,

which is the far more concerning type of varroa mite. So for all trade reasons we remain free from *Varroa destructor*. We have recently had an incursion of *Varroa jacobsoni* in the Townsville area, which is currently being dealt with.

Senator BACK: Any idea of how it arrived?

Ms O'Connell: Yes, we believe it came in on a shipping container through the port and then moved—

Senator BACK: From?

Ms O'Connell: I would have to ask.

Senator STERLE: That would be a flag-of-convenience ship, not an Aussie one.

Ms O'Connell: Sally Troy will be able to tell us a bit more about it.

Senator BACK: And the obvious question: if *V.jacobsoni* was able to get here, is *V.destructor* also able to get here through the same trade route?

Ms O'Connell: It came on a hive of Asian honey bees.

Dr Troy: Was your question regarding where *Varroa jacobsoni*—

Senator BACK: Yes. Do we know the origin of this particular incursion?

Dr Troy: We do not know the specific origin, but *Varroa jacobsoni* is throughout South-East Asia and into Papua New Guinea. So it could have come on a container from any one of those countries in South-East Asia or to our north.

Senator BACK: And so could *V.destructor*.

Dr Troy: We are actually the only major land mass in the world that is also a honey producer that does not have *V.destructor*.

Senator STERLE: Where is the other place that does not have *Varroa destructor*?

Dr Troy: Antarctica—not a honey producer!

Senator STERLE: That is why when we saw the map in New Zealand we were the only ones that were not orange—but we did not look Antarctica.

Dr Troy: That is why I said, 'A honey producer.'

Senator BACK: So the obvious question to you both is—and I think it is a Queensland government matter as much as it is yours—what action are we taking at the moment to try to protect the status that we enjoy?

Dr Troy: The actions that we are taking are to keep out both varroa mites. So I might ask colleagues from the compliance division to come also and talk about some of the prevention activities. We have offshore work that we do in Papua New Guinea and through Torres Strait to make us aware of the movement of pests coming down through there. There are a whole heap of prevention measures that the compliance division can talk about to do with keeping pests offshore.

When they get onshore, we have a surveillance program and national arrangements for eradication. The incursion in Townsville is an example of that, where the pest has been detected and where it is now the subject of an eradication program.

Ms O'Connell: So we have a significant number of sentinel hives around. The importance there is early detection, which assists with a quick eradication and which is a very important response measure.

Senator BACK: The pessimistic view that the gentleman gave us in New Zealand—Senators Sterle, O'Brien, Colbeck and myself—was twofold. First of all, we will get it. And secondly, they were very pleased with themselves that they only had it on the North Island. They were congratulating themselves about that when it was immediately found on the South Island as well. He just said, 'Despite every effort we made.'

I am not being negative, I am just asking: what chance do we have of keeping it out? And if we cannot keep it out, how quickly are we likely to discover it? How long do you think it took to find the current incursion from the time it arrived?

Dr Troy: The current incursion, which is the jacobsoni species, we think was here for about two years before it was detected. At present there have been eight sites in Townsville where it has been found. It has come in on Asian honey bee rather than on European honey bee and that is why it is the less problematic of the Varroa mites because it is predominately a pest of Asian honey bee, which is exotic to Australia. Because it is on Asian honey bee, which is only now established in Far North Queensland around Cairns, it is still relatively exotic around Townsville, so by eradicating Asian honey bee around Townsville then we are eradicating the Varroa mite. The

nest that was in the Townsville Port had the mite and one other nest has had the mite, but the other six nests that have been found have been free of the mite.

Senator BACK: Is my recollection correct that the mite does not have much of a pathologic effect on the Asian honey bee but is absolutely destructive to the European honey bee? Is that what we were told?

Dr Troy: That is correct. Both *Varroa destructor* and *Varroa jacobsoni* have kind of coevolved with the Asian honey bee through Asia so the Asian honey bee behaviourally deals with it better. It cleans itself more often and the hives are smaller nests and they tend to abscond—they head off and form a new nest—when the pest pressure gets too great, because the mites are feeding on the bees and also on the bees' larvae in the nest. Whereas because the European honey bee has not coevolved with it it is not used to dealing with it. Most of the time the one that we have in Townsville—*jacobsoni*—actually rarely affects European honey bee but there have been incidences in Papua New Guinea where there has been a cross from Asian honey bee into European honey bee. That is why it has more of an effect on European honey bee than Asian honey bee.

Senator BACK: Thank you. That clears that up.

CHAIR: Is it fair to say that in the banana industry—fingers crossed and toes crossed—there has been no further evidence of Panama race 4 than on the affected farm?

Senator STERLE: Is that the one south of Darwin?

CHAIR: No, near Tully.

Senator STERLE: What did Darwin have?

CHAIR: Darwin is wiped out with Panama race 4.

Dr Troy: Sorry, could you repeat the question.

CHAIR: So other than the infection on the farm in Tully that the department is involved with—and I think you have done a fantastic job to get to where we are in isolating it—have there been any current reports of establishing Panama race 4?

Dr Troy: Panama race 4 is established in the Northern Territory and has been for about 19 years.

CHAIR: No, I am talking specifically in the Queensland population.

Dr Troy: In the Queensland population there is the one property that is confirmed and there was a second property where there were some suspect samples taken. Those samples are currently going through diagnostics and have cleared all of the tests so far. There is one final test that remains to be done. Results of that should be available by the end of the month. So far all the signs are good that there has been no second property in Queensland.

CHAIR: Senator Boswell lives through me so I have to ask the perennial question: at the moment are there any applications for bananas to be imported into this country?

Dr Healy: We have not received any import applications for the importation of fresh bananas.

CHAIR: Senator Boswell thanks you. He would be delighted.

Senator CAROL BROWN: I wanted to ask whether you could provide an update on the risk assessment for—hopefully, I am pronouncing this right—psittacine birds.

Mr Chapman: It is a silent 'p'. We announced the commencement of the review to look at risk management measures for psittacine birds at the beginning of May of this year. It is likely to take us a good 12 months. It is quite a complex area. Australia did not allow the importation of parrots between 1949 and 1990, because there is a range of diseases and not a lot is known about them all, and, obviously, we have a large and unique parrot population ourselves.

In 1990 imports did recommence, and that was partly because there were concerns about ensuring there was a legal pathway, because otherwise people smuggle birds in, and that is a risk. But there were concerns about a number of diseases affecting parrots, so in 1995 imports stopped. We have now put it back on the review agenda, because there is more detailed knowledge about the diseases that might affect parrots. I do not have a date for the finalisation of it. I would expect it would be probably in the first half of next year but I do not want to guarantee that. I should also say that it is just for pet birds and non-commercial birds, which includes those for zoos. The results of that will then determine whether we broaden it for larger consignments.

Senator CAROL BROWN: When you say pet birds, you mean people coming here to Australia and bringing their pets.

Ms O'Connell: Pets owned by people, not for commercial trade in selling pet birds.

Mr Chapman: For instance, people bring in cats and dogs that they own overseas. Parrots can live a long time and people get attached to them. There have been a number of requests made by quite a range of people over the last 10 years or so for us to look again at this issue.

Ms O'Connell: So it is individual imports rather than commercial imports.

Senator CAROL BROWN: So you are undertaking the risk assessment in May of this year. I understand what you are talking about with individuals asking if they can bring their pets to Australia. Was that just a routine issue?

Mr Chapman: At any given time, we have a whole range of requests for us to consider import conditions for a range of commodities. They can be driven by trade issues and market access requests by individuals. This was an issue which, as I said, had been addressed for a number of years by a number of people. It was us deciding that there were good reasons to put it back on the priority list. That was partly because of a need to resolve this issue. We also look at the specialist staff we have who have the technical knowledge which is necessary for these quite complex reviews. We have done reviews on other bird-related issues in the last few years, and now those staff are freed up, so we can devote them to parrots. In the number of technical staff that there are in my division—there is obviously a range of animal diseases and a range of specialities, so it is not like one person can do any thing; we have quite detailed and, in fact, world-class knowledge in these areas. It is really devoting those staff to those issues.

Senator CAROL BROWN: The reason I am asking is that I have been asked to ask about the process about a cockatiel called Budgie that wanted to come home.

Senator STERLE: That is cute.

Senator CAROL BROWN: I am telling you that because my next question is: do you know that case?

Mr Chapman: I am aware of the case but I do not know the specific details—one of my branch heads might have more knowledge. But at the moment, there are not any import conditions that would allow Budgie to be brought into the country. Once the review is concluded and we have some conditions in place—that is, assuming they do say that imports can occur, and we have appropriate risk-management measures—the owners of this cockatiel would be able to bring it into the country in accordance with the definitions developed.

Senator CAROL BROWN: We would have a favourable result—I am not seeking to criticise. But my question is: what processes have changed within the department following the request to have Budgie the cockatiel imported into Australia?

Mr Chapman: There have not been any changes in processes because of this request. We get requests of that sort on a regular basis and our answer is always the same which is that we have a—

Senator CAROL BROWN: Sorry, was there some change to remove ambiguity in the self-assessed clearance in BICON?

Mr Chapman: I will have to get some advice on that.

Ms South: Now that you have made the comment about the change in BICON, I know that we are talking about the same bird so I will tell you what I can. You are correct. I think the owner of Budgie was looking at import conditions on BICON, and BICON is our relatively-knew import-condition database. So we had to transfer all of our conditions from our old system onto our new system and it appears that during that transference process there was some information that suggested that pet birds were eligible, through a particular pathway, when in fact they are not. So that was corrected and the owner was advised. As Mr Chapman has explained, currently we do not have import conditions—

Senator CAROL BROWN: So it is all cleared up now?

Ms South: Yes.

Senator CAROL BROWN: Thank you for that update.

Senator STERLE: If I could just follow up on that. We bring fruit, vegies and seafood from all over the world and all sorts of stuff. Where does little Budgie live now?

Ms South: My understanding is that this bird is in Malaysia.

CHAIR: (inaudible)

Senator STERLE: I want to be serious, okay?

CHAIR: You cannot be serious—

Senator STERLE: I am composing myself. He has thrown me out.

Senator CAROL BROWN: It is not a budgie; it is a cockatiel.

Senator STERLE: Its name is Budgie but it is a cockatiel—but that is its name. Is the fear of the diseases that Budgie may bring in specific to the breed, to the region or to both? Can you help me out? We can bring dogs and cats and all of this sort of stuff in. Can we not have a little bit of clearing house for cockatiels or something—

Senator CAROL BROWN: We sell parrots commercially in Australia.

Mr Chapman: At the moment, parrots can only be imported into Australia from New Zealand because New Zealand has a similar pest and disease status as Australia as far as parrots are concerned. Other countries have a different pest and disease status from Australia, and I can say that one of the things that prompted the closure of imports for parrots into Australia in 1995 was a bird that was imported that did have exotic diseases. So to put it really simply: until we have done the review, there is too much uncertainty. We do not have clear measures by which we can ensure that imported birds do not present a disease risk to Australia. You can contrast that with cats, dogs and horses where we have very well developed conditions. There are a whole range of things that have to be done before the animal gets imported into Australia. We make sure that that is all aboveboard and then the animal does a period of post quarantine once it arrives in Australia. That is the sort of work we need to do with parrots and, as you would imagine, there is not as much known about parrot diseases as there is known about cat and dog diseases.

Senator STERLE: I have a hypothetical question and I want you, Chair, to back me up on this one because Senator Back will. Okay? What about if Budgie's parents sent Budgie to New Zealand—like China does with strawberries—and then the Kiwis could bring Budgie here. Would we accept him then? Well, that is what we do. This is a serious question.

CHAIR: We are going to be on to Boo Boo and Pistol here in a minute.

Senator STERLE: No, this is a serious question.

Mr Chapman: I do not believe that Budgie would be allowed to go to New Zealand. I am not sure of that, but I do not believe that Budgie would go to New Zealand.

[10:20]

CHAIR: We will now move on to the Exporter Supply Chain Assurance System, or ESCAS.

Senator RHIANNON: The 2014 review of ESCAS found that nearly 13,000 animals had been transported outside approved channels between 2012 and 2014. Can you inform us how many animals have been known to move outside ESCAS since 2014?

Dr Clegg: I do not have that information with me, but I can provide it to you after this.

Senator RHIANNON: You will take that on notice?

Dr Clegg: Yes.

Senator RHIANNON: Can you also tell us which exporters were involved in each case?

Dr Clegg: The information about which exporter is involved in each case is already available on our websites. With the information I am going to get you on the number of animals, I will provide you with a link to that so you can see each of the reports we have done.

Senator RHIANNON: Will that also provide information on the penalties for each of these breaches?

Dr Clegg: Yes, it will.

Senator RHIANNON: Can you describe what those penalties are, please?

Dr Clegg: The penalties depend on the nature of the problem in each of the ESCAS arrangements: the number of animals involved, whether there were significant animal welfare issues, whether any such issues were minor, and whether animals were moved to facilities that were already ESCAS approved or whether they were moved to facilities that were not. Those are the key things we take into account. The types of things we do depend on the actions the exporter takes. For example, an exporter can implement training or provide additional supervision. In those cases we have allowed exporters to continue to use facilities. An example of that is the Dabbah abattoir in Israel, where there were poor animal welfare practices exposed by video from Animals Australia. The two exporters that were using that facility put in place remedial actions—which continue to this day and have seen a lift in the standards in that abattoir. That is an example where the exporter has invested.

There are other examples where the exporter will say, 'I will have it removed from the supply chain.' An example of that is some of the consignments that have gone to Thailand. Exporters have decided to close their supply chains there and not continue to export to those markets. In some cases, facilities are removed from the supply chain for a period, after which time another exporter or that same exporter may say they have invested and

made some changes to the infrastructure or that there have been changes in personnel. They may say they have added an animal welfare officer or that they have better traceability systems in place. Then they will continue to use that facility.

Senator RHIANNON: I want to move on to the issue of repeat offenders. That same report stated that a limited number of supply chains were repeat offenders and that penalties to that point had not made any difference. Does that remain your assessment?

Dr Clegg: ESCAS is a work in progress. It depends on the relationship between the exporter and the importer. A good example of that is Kuwait, where there are decades-long relationships between the chief importer there and the exporter that sends most of our sheep to that market. They have implemented many things to try to reduce the leakage of sheep from facilities. They are generally abattoirs in Kuwait and they are taken out of those abattoirs by traders. They have gradually reduced that leakage over time but it has taken time to do that. In this year's Eid, I think the number of animals outside the supply chain in Kuwait was significantly less than in the first few years of ESCAS arrangements. Nothing works instantly. We rarely see that sort of success, other than just eliminating them. It is the ongoing investment and involvement between the importer and the exporter that is actually leading to animal welfare improvements.

Senator RHIANNON: Considering the scandals around the failure of ESCAS continues and the issue of repeat offenders is real, I understand that the report suggested that the department look at imposing fines or enforceable undertakings. Does the department have the power, under the Australian Meat and Live-stock Industry Act, to suspend or cancel a licence in response to an ESCAS breach? Can you cancel licences?

Dr Clegg: We can cancel licences under that act but you would need to meet a very high standard of proof that it was warranted. With ESCAS, in many instances there are some examples where exporters are vertically integrated and are responsible for the management of the facility and in most cases we have exporters that have a contractual arrangement with a third party in another country. It is actually the actions of the third party in another country or staff that are employed there that are breaching the ESCAS arrangement for their personal gain. In those circumstances, it is very difficult to consider that the exporter themselves have actually caused the breach. If there is enough evidence to prove that they are colluding, that they are deliberately flouting ESCAS arrangements, then we have a case to look at their licence.

Senator RHIANNON: Is what you are saying that some of that very horrific footage, like Animals Australia has collected, may not be sufficient because you or the exporter would argue, 'Well, it wasn't our fault'?

Dr Clegg: It is not that it was not our fault, it is the responsibility of the parties involved and the efforts the exporter has made to make their system work. It is an assurance system. It is not cast-iron guarantee that if anything at all goes wrong that you will be fined or your licence will be cancelled. That would be unreasonable. We could not administer that.

Senator RHIANNON: Can you provide details of any fines or enforceable undertakings that have been imposed on repeat offenders or on anyone?

Dr Clegg: At the moment, the Australian Meat and Live-stock Industry Act and the Export Control Act do not provide us with the powers that you are talking about but we are seeking to have those powers added to the Export Control Act and part of the export legislation review, which is currently underway, is also looking at adding those penalties to the toolbox that we have to manage regulatory breaches.

Senator RHIANNON: Can I just ask for some clarification, I must have misheard: I thought you said that under the Australian Meat and Live-stock Industry Act that you could suspend or cancel licences.

Dr Clegg: Yes I can but that does not mean that it is a fine and it does not mean that it is an enforceable undertaking. That is an actual cancellation or suspension of the licence that was under AMLI.

Senator RHIANNON: Okay. I will split the question up. How many times has a licence been suspended and how many times has it been cancelled?

Dr Clegg: There was one cancellation this year.

Senator RHIANNON: Who was that?

Dr Clegg: That was for Frontier International Agri, which is a company that was not exporting livestock under ESCAS arrangements. That was a breeder issue.

Senator RHIANNON: Right. How many licences have been cancelled?

Dr Clegg: To my knowledge, that is the main one that I can recall.

Senator RHIANNON: I thought you said the first one was a suspension.

Dr Clegg: Sorry, that is a cancellation.

Senator RHIANNON: Is that the only one involving breeding cattle?

Dr Clegg: To my knowledge, no licenses have been suspended because of ESCAS since ESCAS was introduced. The main way we have managed breaches with ESCAS has been by limiting an exporter's supply chain, by suspending the supply chain, so they can no longer export to that market. That is the way we have managed noncompliance with ESCAS.

Senator RHIANNON: The conclusion that you would draw from that is that repeat offenders are getting away with it.

Dr Clegg: I would not say that. I would not say they are getting away with anything, because actions are taken.

Senator RHIANNON: I will ask the question in another way. Do we still have repeat offenders?

Dr Clegg: We still have exporters sending livestock to markets where the ESCAS arrangements do not always perform as they should, that is right.

Senator RHIANNON: So we still have repeat offenders, but we do not have examples of repeat offenders having their licences suspended or cancelled?

Dr Clegg: That is right, we do not.

Senator RHIANNON: I will come back to you later. Thank you.

Senator BACK: I want an update on where you are nationally in terms of the department's involvement with state and/or territory jurisdictions in wild dog management.

Mr Koval: In terms of wild dog management, the department has a number of programs that we use. The one we look after is through our established pests and weeds program and there is another one through the drought measures, which is the cluster fencing through Queensland. We can talk about the established pests and weeds program. We work with the national wild dog action plan, which is a plan that was set up a number of years ago through some funding from the Australian government. We provide funding for them to work across communities and jurisdictions to set up a national program to control dogs, to train communities and doggers, and to look at control method methods and methodologies to make sure we have an integrated plan across the community. Dogs do not respect fences or state boundaries—so that is the national wild dog action plan. We also have funding through our research and development grant program to look at control methods such as lethal traps and the antidote for PAPP, the new bait. You can have a glovebox applicator for the antidote to PAPP so that domestic dogs or working dogs can take it. That is the main spread of programs.

We work very closely with states and territories in implementing the national wild dog action plan and we also work through the group called IPAC, the Invasive Plants and Animal Committee, which is made up of all states and territory agencies, as well as ourselves and the CSIRO. The Invasive Animals CRC is an observer on the group as well. The group looks at wild dog management and integrated management.

Senator BACK: Could you, on notice, give us a breakdown state-by-state as to where the federal funding in the wild dog management program is being expended and also provide us with some figures or some statistics that indicate what the success or otherwise of this reduction program is.

Mr Koval: Certainly, we can provide that on notice.

Senator BACK: Mr Quinlivan, I want to ask some questions about the live export of cattle to Indonesia. We have had some changes in the Indonesian central government's supply policies associated with quotas of live cattle going into Indonesia. Could you tell us what they are and what impact, if any, they are having on Australian producer exports?

Dr Clegg: The main change that has happened recently is a decree by the minister for trade that importers in Indonesia, for every five feeder or slaughter animals they import, must also import one breeder animal. That is to assist Indonesia achieve its goal of self-sufficiency. There are other variations to that. There is talk of—if you provide your breeder to a smallholder farmer then you can bring in 10 feeder or slaughter animals and one breeder animal. The reason it is causing a bit of stress with the Australian exporters and with the Indonesian importers is that if you continue on with that arrangement you will fill up the feedlots in Indonesia with more and more breeder animals, reducing the productive space to hold the feeders so that they are unable to hold the number of feeder animals that they normally would.

Senator BACK: So you meet the guidelines by sending up a heifer for every five steers—is that right?

Dr Clegg: Yes.

Senator BACK: And the heifer then remains in the feedlot?

Dr Clegg: Remains in the feedlot—

Senator BACK: They are not mated heifers; they just have to be females?

Dr Clegg: They have to be potential breeder animals.

Mr Quinlivan: There is not yet a lot of clarity about this new policy, because the legal instrument has not yet been made, but we understand that it is imminent. When that happens there will be more clarity about what the actual policy is and what its practical implications are. But the generic form of it is as Dr Clegg has described.

Senator BACK: When I met with some of their parliamentary officials last year I suggested that the best way they could meet their objectives in terms of owning breeder cattle would be to own them on properties in Australia. They were not averse to that idea, but obviously Widodo's idea of trying to create a breeding herd is continuing to the extent of wanting them—so the heifers sit in a feedlot; they don't get mated but they are there, so the five to one system works. Is that right?

Dr Clegg: I am expecting that they would expect their heifers to be mated at some point in time. Their whole approach is to improve their cattle production within Indonesia. That is their stated goal.

Senator BACK: Their goal is self-sufficiency.

Dr Clegg: Exactly.

Senator BACK: Whilst we are alive on the earth, that will not happen. I want to move to the Biosecurity Act 2015. You would be aware, Ms O'Connell, that there was great excitement a few weeks ago. Some people in Western Australia were very concerned that with the new act coming into force the Western Australian department of agriculture seemed to be losing most if not all of its independence in terms of decision making in consideration of what our producers would regard as uniquely Western Australia. Are you aware of that?

Ms O'Connell: Yes, I am.

Senator BACK: It was in the horticulture space particularly but it was broader.

Ms O'Connell: And we were having some dialogue with the Western Australian department at that time.

Senator BACK: Can you share with us what that dialogue was and can you also advise us as to whether you satisfied the concerns of the people who were raising these issues in Western Australia?

Ms O'Connell: Certainly. We had some good constructive and technical discussions with the officers of the Western Australian department of agriculture in four particular areas. I will ask Mr Koval to speak to those initially.

Senator BACK: Before you do—I do not know whether you saw the transcripts of ABC radio programs that I spoke on, but I defended the federal department valiantly and assured them that they had no cause for concern.

Mr Koval: We are very much aware of the issues you raise, Senator. We had a number of conversations with our Western Australian colleagues on four particular issues around making sure that there is enough justification why we would put different measures in place for Western Australia. We settled three of the four between ourselves, and the fourth one we are continuing to—

Senator BACK: What is the fourth one?

Mr Koval: The fourth one is table grapes.

Senator BACK: It is still Californian table grapes?

Mr Koval: Yes—well, table grapes, yes.

Senator BACK: Remind me again: is it a fungus or something?

Mr Koval: It is a fungus.

Senator BACK: Have we had any further advance on that? Certainly the grapegrowers are very concerned, and we had discussions at one stage, didn't we, about where the fungus was carried: was it carried on the skin? It is coming back to me, Mr Quinlivan.

Mr Quinlivan: Yes, the Western Australian industry and the department are looking to gather further information to provide to us, so we are awaiting further information from the WA side.

Senator BACK: Thank you. In fairness, that is me.

ACTING CHAIR (Senator Sterle): I have a couple of questions. The chair is not here, but I will say there seemed to be a confusion, because we had asked for the Water Division and the Murray-Darling Basin Authority to stay, but we have just been told that they have absconded. They got away.

Mr Quinlivan: I think it was more that they were advised that they were not wanted.

ACTING CHAIR: No. I am not blaming them, but not from us. The opposition senators did want them to stay. But, if I were in their shoes and someone gave me a free ticket, I would have been out of here like a shot out of a gun. Hang on. In all the excitement, I have lost my spot. I want to talk about turkey meat from the US. Who did advise them to go?

Ms O'Connell: Turkey meat to the US? That is us, Senator.

ACTING CHAIR: No, who advised Water Policy to go?

Ms O'Connell: The chair did. He read it out.

ACTING CHAIR: Oh, jeez! He's done it again!

Ms O'Connell: No, it was read out in the room, I think.

ACTING CHAIR: No, I had said we wanted them to stay. Anyway, they are gone. They are putting their feet up, they are having a cold bevvy and they are laughing at us.

Senator Ruston: I am sure they are not even watching us.

ACTING CHAIR: Well, I would be. Do not worry about it. Do not spin out. It is okay. It is not a jailable offence in Australia. Okay. Turkeys. Why did you grab your neck? You went like this.

Senator RHIANNON: Senator Sterle, the past four minutes have not been questions, and I would really love to come back in.

ACTING CHAIR: Do not come in here and start bollocking me, Senator Rhiannon.

Senator RHIANNON: No, I am not bollocking you. I am just conscious of time.

ACTING CHAIR: God! I have been sitting here since nine o'clock this morning.

Senator RHIANNON: I am conscious of time.

ACTING CHAIR: You are conscious of time? Well, you should have stayed in the other committee and not come in, and we would give you 10 minutes. Do not start lecturing me.

CHAIR: I have arrived just in time, Senator Sterle.

Senator STERLE: I am just in the mood!

Senator RHIANNON: Thank you. It would be good to move to questions.

Senator BACK: Senator Sterle is just kicking off his account.

Senator STERLE: You are not lecturing me, are you? God!

Senator RHIANNON: I will not go into what happened.

CHAIR: Senator Sterle, you had till 20 to, we had agreed.

Senator STERLE: No, I did not.

Senator BACK: No, I have just finished. I had my 10 minutes.

Senator STERLE: I am asking about—

CHAIR: Not any longer, Senator Sterle.

Senator STERLE: I am tagged between you trying to white-ant me and this one over here telling me off. I just want to ask about the turkey meat importation from the USA. What is happening? Do not keep grabbing your neck. You are putting me off.

Mr Chapman: We have concluded—

Senator STERLE: Scary, isn't it?

Mr Chapman: We have issued a draft report of the risk assessment of turkey meat. That has gone out for industry assessment. The industry has asked us for an extension of time to put together their comments. The extension of that will close on 15 November. So what they will do will provide us with a range of comments on it. They will have other expert advice. We have been working very closely with them. Once we get the comments in, we will consider them and see if that changes the draft outcomes that we have so far.

Senator STERLE: This is the USA coming in, is it? You said 'they'.

Mr Chapman: The US is the country which has sought market access for cooked turkey meat.

Senator STERLE: All right. How long before, do you reckon?

Mr Chapman: 15 November is the date that they need to have their comments in by, and then we will consider them. I cannot really put an absolute time frame on that. It depends what comes up. There are some issues that are still outstanding, so obviously we will need to give them some detailed consideration.

Senator STERLE: And how long has this process been going on for?

Mr Chapman: The entire process has been going on for a long time. The US originally asked for access for cooked turkey meat in 2007. We actually started work on this at the end of 2014.

Senator STERLE: So from our side, the Australian side, it has not been that long, in terms of protocols and this sort of stuff.

Mr Chapman: That is right.

Senator STERLE: What about the process to allow chicken meat from New Zealand? Where is that up to?

Dr Sheridan: Chicken meat from New Zealand was requested some time ago by New Zealand, and an audit was undertaken in accordance with the chicken meat IRA of New Zealand to ascertain whether it could meet the biosecurity requirements for Australia. It was concluded that it could, and chicken meat can now come into the country under appropriate conditions.

Senator STERLE: It can, so that is all done?

Dr Sheridan: Yes.

Senator STERLE: Is it cooked?

Dr Sheridan: It is cooked and raw, because New Zealand has a very good poultry-health status.

Senator RHIANNON: I am picking up from where we were up to on live export. I think we had agreed that there are repeat offenders and that there are no examples of licences cancelled; therefore it could be concluded that some exporters are willing to risk a breach. Does this mean the financial incentive to break the rules remains the biggest weakness of ESCAS?

Mr Read: We do not, as Dr Clegg talked about, apply the suspension of the licence but the suspension of the supply pathway as one of the measures to create that incentive to ensure higher levels of compliance. We are actually seeing that that is an effective mechanism. Not only is it the suspension of the pathway but the additional conditions that are being applied which have been identified on that website reference that Dr Clegg talked about. For example, from what we have seen occur, particularly in the Middle East recently from countries such as Kuwait and Jordan, we know the level of leakage that is occurring from those systems has decreased markedly. That is complemented by a range of activities that industry is performing in-country as well. It is a combination of the exporter and the relationship of the importer developing those relationships to the point that they have high degrees of abilities to keep those animals in those pathways. Effectively, the regulatory response we are applying has been demonstrated to be effective through those reduced numbers that are actually getting out of those systems.

Senator RHIANNON: You just spoke of a decrease. Were you talking about a decrease in the number of repeat offenders or a decrease in the number of incidences of breaching the rules?

Dr Clegg: It is about the number of animals that are reported to be leaving the supply chain. What we have found with Kuwait is that we are actually starting to see a decrease in the number of animals that are escaping, particularly in the high-risk period of Eid. The efforts that the exporters have put in with training additional people, closing down some facilities, not providing sales to the public during Eid, carcass-only sales and the phone-app arrangement have all reduced the amount of leakage of Australian sheep out of their supply chain into the markets and into the hands of private sellers. That is through the investment of the exporters and from the industry. They have put in a lot of effort, hours and work to get that result. That is the result we are after: an increase in animal welfare. That is what we are trying to achieve here: greater animal welfare everywhere and to spread Australia's better animal welfare practices to the countries we are going to.

Senator RHIANNON: Thank you for explaining that, but there are repeat offenders and that is what I am trying to understand. Can you run us through how you are handling one of the repeat offenders? Livestock Shipping Services: how many critical and how many major noncompliances does that exporter have on its record?

Dr Clegg: It has several major noncompliances and it has several critical noncompliances. I will have to take a question on notice for that to give you the exact numbers, but the ratings for that company are on our website.

That company has actually improved this year. It has actually taken some risk-reduction measures itself. It did not participate in the Kuwait sales this year. Its performance in Jordan was very good. It is actually starting to turn the corner with its performance, I think. That is through the penalties that have been imposed on it and the

additional costs it has had to bear to continue to supply the market, and those things are starting to change that exporter's behaviour in high-risk situations like Eid in markets where it is not the only supplier of livestock.

What we have seen this year is only one exporter actually going to Kuwait. This meant that it was responsible for everything and therefore standards lifted perhaps. We saw a similar incident in Jordan, where there were two exporters—Wellard and LSS—and Wellard decided not to participate in that market anymore. Now LSS is the only one that will be responsible and, again, I think that has changed the behaviour of LSS in that market.

Senator RHIANNON: That is the first time I have heard positive things said about LSS. I was going to develop this further but I will have to come back to it.

Senator BACK: It is very interesting to hear that you are having everything head in the right direction. It is very interesting. Following on from Senator Rhiannon, you mentioned that 13,000 sheep, I think it was—13,000 animals—between 2012 and 2014 were estimated to have leaked out of the system. Is that figure correct?

Dr Clegg: I am going to take Senator Rhiannon's word on that, but the report will have that in it—

Senator BACK: Oh, I see. In validating that, or telling us what the figure is, would you also tell us the total number of animals that were exported during that time? And also, if you are able to do so, for beyond 2014? I would appreciate that.

Dr Clegg: Yes.

Senator BACK: What I need to find out from you is this: when there is leakage, how does the department find out?

Dr Clegg: The department can find out through the exporter themselves reporting that there is leakage. During this year's Eid and last year's Eid, we had reports from exporters. We also had reports from Meat and Livestock Australia and from representatives of LiveCorp. And we had reports from Animals Australia, which had people in the market there—looking and checking.

We are seeing increasing numbers of reports from the exporters themselves as they are getting into understanding what an exporter assurance system is—that they are responsible for checking where their animals are, reporting to the department when things go wrong and telling us what they are doing to fix it. That is what ESCAS is about; it is not about stopping livestock exports, it is about fixing things when they go wrong.

It has taken a little while with some of the exporters. In the first few years of ESCAS there were not many reports of breaches from exporters. But in the last couple of years we have seen an improvement in their reporting of things that are going wrong and addressing the issues as they arise.

Senator BACK: In peak times, like the festival of Eid, does the department have personnel in these countries? When you say that exporters, or MLA, or Animals Australia or whoever are reporting to the department, are they reporting to you back here in Canberra?

Dr Clegg: Yes, they are. We also have people, like our counsellors, who are in the Middle East. They have been involved in the pre-Eid preparation. They work for the department and they are posted to the Middle East. So, for instance, we have a counsellor in Dubai and one in Riyadh. We also have one in Malaysia and one in Vietnam.

Senator BACK: We have seen plenty of examples, especially festival of Eid, where families have the opportunity now to select an animal, watch it being correctly processed and pick it up in a plastic bag to take home. My understanding is that locally bred sheep, or sheep sourced from other markets, are also being handled in the same ways. Do you have evidence of that process continuing, or was that just a one- or two-year only exercise?

Dr Clegg: We have reports from industry that they are seeing that. Those facilities that are processing Australian sheep will not exclusively process Australian sheep; they will have sheep from other countries as well. In some of those cases they will be processing them in exactly the same way as the Australian sheep are processed, because it is more efficient.

Senator BACK: So we are actually seeing evidence of Australian intervention in those markets having a positive effect on animal welfare for other animals that were otherwise not linked to Australia?

Dr Clegg: Yes.

Senator BACK: Lastly, I understand there were some issues with the Malaysian market again. Can you tell us what the issues were? What, if any, was the involvement of exporters in identifying this leakage to the department?

Dr Clegg: In this case this is probably an example of a market that has gone not so well this year. It has gone worse than in past years. There were far more reports this year from Malaysia about sheep and goats being outside supply chains. Animals Australia provided a report which identified 15 different locations where they took ear tags, took pictures or took video footage of animals being poorly treated. The type of treatment that was seen was poor handling and poor animal management in a difficult, stressful environment. Where there are a lot of animals to be slaughtered, you have a lot of people trying to process animals quickly, to drag them up, to quickly slaughter them and then to move them on. What we require under ESCAS is that you check for death, that you have a quiet place to slaughter each animal, and that you make sure they are dead before you move the animals on.

Senator BACK: Finally, I have shown photographic evidence in this committee before of Australian ear tags in Friesian cattle, which we do not export from Australia, which started their lives in the ears of Brahman cross cattle, but ended up in Friesian cattle in a different country. Have you had any evidence of removal of ear tags from cattle in any of our markets?

Dr Clegg: Yes, in Vietnam we have evidence of ear tags being removed so they are Australian cattle. Sometimes we have been able to identify them as our exported cattle just on the brand. You might actually see the brand. But yes, ear tags are being removed in some of the markets to enable them to avoid being traced. They are trying to avoid having an ear tag so people will not be able to trace them if they are photographed.

Senator BACK: Or are they trying to convince a buyer that this really is an Australian animal and therefore it has more market value because it has an Australian ear tag?

Dr Clegg: It may be that. Certainly tag removal is a big feature. With the sheep and goats in Malaysia there were tags and then there were a lot of untagged animals as well that looked to be the same.

CHAIR: Mr Quinlivan, before we close, I just want to make an observation—and colleagues are welcome to do so too—that during the course of the day your people, almost to a person, have been very impressive, very professional and very cooperative with the questioning. I just wanted to make that observation, through you, to your officers. If any of my colleagues want to make a comment, they are welcome to. Otherwise, that concludes today's hearing. I thank you and all the witnesses who appeared, and I thank those who did not make it for their patience. Thanks also to Hansard, Broadcasting and the secretariat.

Committee adjourned at 22:59