



COMMONWEALTH OF AUSTRALIA

# Proof Committee Hansard

## SENATE

STANDING COMMITTEE ON RURAL AND REGIONAL AFFAIRS  
AND TRANSPORT

ESTIMATES

(Supplementary Budget Estimates)

MONDAY, 20 OCTOBER 2008

CANBERRA

### CORRECTIONS TO PROOF ISSUE

This is a **PROOF ISSUE**. Suggested corrections for the Bound Volumes should be lodged **in writing** with the Committee Secretary (Facsimile (02) 6277 5811), **as soon as possible but no later than:**

Monday, 22 December 2008

BY AUTHORITY OF THE SENATE

**[PROOF COPY]**



## **INTERNET**

Hansard transcripts of public hearings are made available on the internet when authorised by the committee.

The internet address is:

**<http://www.aph.gov.au/hansard>**

To search the parliamentary database, go to:

**<http://parlinfoweb.aph.gov.au>**



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

**Monday, 20 October 2008**

**Members:** Senator Sterle (*Chair*), Senator Milne (*Deputy Chair*), and Senators Heffernan, Hurley, Hutchins, McGauran, O'Brien and Williams

**Substitute member:** Senator Farrell to replace Senator O'Brien from 15 September to 12 December 2008

**Participating members:** Senators Abetz, Adams, Arbib, Barnett, Bernardi, Birmingham, Bilyk, Mark Bishop, Boswell, Boyce, Brandis, Bob Brown, Carol Brown, Bushby, Cameron, Cash, Colbeck, Jacinta Collins, Coonan, Cormann, Crossin, Eggleston, Ellison, Farrell, Feeney, Fielding, Fierravanti-Wells, Fifield, Fisher, Forshaw, Furner, Hanson-Young, Humphries, Johnston, Joyce, Kroger, Ludlam, Lundy, Macdonald, Marshall, Mason, McEwen, McLucas, Milne, Minchin, Moore, O'Brien, Parry, Payne, Polley, Pratt, Ronaldson, Ryan, Scullion, Siewert, Stephens, Troeth, Trood, Wortley and Xenophon

**Senators in attendance:** Senators Adams, Boswell, Colbeck, Farrell, Fisher, Furner, Heffernan, Hurley, Hutchins, Joyce, Macdonald, McGauran, Milne, Siewert, Sterle and Williams

**Committee met at 9.00 am**

**AGRICULTURE, FISHERIES AND FORESTRY PORTFOLIO**

**In Attendance**

Senator Stephens, Parliamentary Secretary for Social Inclusion and the Voluntary Sector and Parliamentary Secretary Assisting the Prime Minister for Social Inclusion

**Department of Agriculture, Fisheries and Forestry**

**Executive**

Dr Conall O'Connell, Secretary

Mr Daryl Quinlivan, Deputy Secretary

Dr Cliff Samson, Deputy Secretary

Mr Stephen Hunter, Deputy Secretary

Mr Phillip Glyde, Deputy Secretary/Executive Director, ABARE

**Corporate and Management Services**

**Management Services**

Mr Bill Pahl, Chief Operating Officer

Mr Craig Penney, General Manager, Governance and Planning

Ms Vanessa Berry, Acting General Manager, Corporate Finance

Mr Steve Maxwell, General Manager, Levies, Contracts and Services

Mr Peter Moore, Acting Deputy Chief Finance Officer

Mr Greg Haughey, Manager, Budget Management

**Corporate Policy**

Mr David Williamson, Executive Manager, Corporate Policy Division

Ms Elizabeth Bie, General Manager, Ministerial and Parliamentary

Dr Vanessa Findlay, General Manager, Policy Development

Ms Susan Whitbread, Corporate Communications

Ms Kirsty Faichney, Acting General Manager, Policy Development

Ms Britt Maxwell, Acting General Manager, Quarantine and Biosecurity Unit

**Australian Wool Innovation**

Mr Brian van Rooyen, Chair

Mr Craig Welsh, Chief Executive Officer

Mr Les Targ, Deputy Chief Executive Officer

Dr John Keniry, Director

Dr Chris Abell, Director

Dr Kevin Bell, Director

Mr Roger Fletcher, Director

Ms Robyn Clubb, Director

Mr Walter Merriman, Director  
Mr Charles (Chick) Olsson, Director

**Quarantine and Biosecurity:****Australian Quarantine and Inspection Service**

Ms Jenni Gordon, Executive Manager, Quarantine Systems Division  
Ms Helen Gannon, Acting General Manager, Quarantine IT Systems  
Dr Mark Cloney, Acting General Manager, Quarantine Decision Support  
Mr Tim Chapman, Acting Executive Manager, Quarantine Operations Division  
Dr Chris Parker, National Manager, Border  
Dr Ann McDonald, National Manager, Animal Quarantine  
Mr Peter Liehne, National Manager, Plant Quarantine and Biologicals  
Mr Robert Langlands, Acting National Manager, Cargo Management and Shipping  
Mr Greg Read, Executive Manager, Exports Division  
Mr Mark Schipp, General Manager, Animal Products Market Access  
Mr Colin Hunter, National Manager, Food Exports  
Ms Narelle Clegg, National Manager, Animal, Plant Exports and Imported Food Safety  
Ms Jenet Connell, Executive Manager, Business Strategy and Corporate Services

**Biosecurity Australia**

Dr Colin Grant, Chief Executive, Biosecurity Australia  
Mr Bill Magee, General Manager, Biosecurity Development and Communications  
Ms Louise van Meurs, General Manager, Plant Biosecurity  
Dr Bill Roberts, Principal Scientist, Plant Biosecurity  
Dr Robyn Martin, General Manager, Animal Biosecurity  
Dr Mike Nunn, Principal Scientist, Animal Biosecurity  
Mr Robert Gehrig, Chief Finance Officer

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

Mr Tom Aldred, Executive Manager, Product Integrity, Animal and Plant Health Division  
Ms Lois Ransom, Chief Plant Protection Officer, Office of the Chief Plant Protection Officer  
Dr Andy Carroll, Australian Chief Veterinary Officer, Office of the Chief Veterinary Officer  
Dr Bob Biddle, General Manager, Animal and Plant Health Policy  
Ms Nicola Hinder, General Manager, Animal Welfare  
Mr Richard Souness, General Manager, Food, Product Safety and Integrity

**Australian Pesticides and Veterinary Medicines Authority**

Dr Eva Bennett-Jenkins, Chief Executive Officer  
Ms Joanne Mitchell, Program Manager, Corporate Services

**Agricultural Productivity**

Mr Simon Murnane, General Manager, Livestock Industries  
Mr Peter Ottesen, General Manager, Food, Horticulture and Wine  
Mr Bill Withers, General Manager, Research, Innovation and Training  
Mr Greg Williamson, General Manager, Food Security  
Mr Russell Phillips, General Manager, Crops  
Mr Mike Ryan, Project Manager, Irrigation

**Wheat Exports Australia**

Mr Ted Woodley, Chair  
Mr Peter Woods, Acting Chief Executive Officer  
Ms Caroline Rhodes, Senior Manager, Operations  
Ms Sophie Drew, Public Affairs Officer

**Grains Research and Development Corporation**

Mr Keith Perrett, Chair  
Mr Peter Reading, Managing Director  
Mr Gavin Whiteley, Executive Manager, Corporate Services  
Mr Iftikhar Mostafa, Executive Manager, Corporate Strategy and Program Support  
Mr Geoff Budd, General Counsel

**Meat and Livestock Australia**

Mr David Palmer, Managing Director  
Mr Ian Johnsson, General Manager, Livestock Production Innovation

**Climate Change**

Mr David Mortimer, Executive Manager, Climate Change Division  
Mr Mark Gibbs, General Manager, Climate Change Policy  
Mr John Talbot, General Manager, Forestry  
Mr Matthew Dadswell, General Manager, Drought Policy Review  
Ms Jenny Cupit, General Manager, Farm Adjustment

**Sustainable Resource Management**

Mr Ian Thompson, Executive Manager, Sustainable Resource Management Division  
Mr Rod Shaw, General Manager, Landcare and Sustainable Agriculture  
Ms Glenda Kidman, Acting General Manager, Community Partnership and Communications  
Mr Roland Pittar, General Manager, Domestic Fisheries and Aquaculture

**Australian Fisheries Management Authority**

Mr Glenn Hurry, Chief Executive Officer  
Mr David Perrott, Chief Finance Officer  
Mr Geoff Richardson, General Manager, Corporate Governance  
Mr Peter Venslovas, Acting General Manager, Operations  
Mr Mark Farrell, Chief Information Officer  
Mr Malcolm Southwell, Senior Manager, Northern Fisheries

**Land and Water Australia**

Dr Michael Robinson, Executive Director

**Trade and Market Access**

Mr Craig Burns, Executive Manager, Trade and Market Access Division  
Mr Paul Morris, Executive Manager, Technical Market Access  
Mr Bruce Bowen, General Manager, Apples Dispute Taskforce  
Mr Paul Ross, General Manager, Bilateral Trade (Americas, South-East Asia, Subcontinent, NZ and the Pacific)  
Ms Victoria Anderson, General Manager, Bilateral Trade (North Asia, Europe, Middle East and Africa)  
Dr John Kalish, General Manager, International Fisheries  
Mr Dominic Pyne, Acting General Manager, Multilateral Trade

**Bureau of Rural Sciences**

Ms Karen Schneider, Executive Director, Bureau of Rural Sciences  
Dr Kim Ritman, General Manager, Fisheries, Land and Forestry Sciences  
Dr James Findlay, General Manager, Climate Change and Water Sciences  
Mr Mark McGovern, Program Leader, Business Strategy and Operations Program  
Dr Anthony Hogan, Acting General Manager, Biosecurity and Social Sciences  
Mr Quentin Hart, Program Leader, Biosecurity and Statistical Sciences  
Dr Gavin Begg, Program Leader, Fisheries and Marine Sciences

**Australian Bureau of Agricultural and Resource Economics**

Dr Don Gunasekera, Chief Economist  
Dr Terry Sheales, Deputy Executive Director  
Dr Jammie Penm, Chief Commodity Analyst  
Dr Helal Ahammad, General Manager, Climate Change  
Mr Peter Gooday, General Manager, Productivity, Water and Fisheries  
Ms Jane Melanie, General Manager, Minerals and Energy  
Mr John Hogan, Acting General Manager, Agriculture and Trade

**CHAIR (Senator Sterle)**—I declare open this public hearing of the Senate Standing Committee on Rural and Regional Affairs and Transport. Today the committee will commence its examination of supplementary budget estimates with the Department of Agriculture, Fisheries and Forestry. As agreed, I propose to call on the estimates in the order shown on the printed program. The committee has fixed Wednesday, 10 December 2008 as the date for the return of answers to questions taken on notice. Under standing order 26, the committee must take all evidence in public session.

The Senate, by resolution in 1999, endorsed the following test of relevance of questions at estimates hearings. Any questions going to the operations or financial positions of the departments and agencies which are seeking funds in the estimates are relevant questions for the purpose of the estimates hearings. The Senate has resolved, also, that an officer of a department of the Commonwealth or of a state shall not be asked to give opinions on matters of policy and shall be given reasonable opportunity to refer questions asked of the officer

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

I remind all witnesses that in giving evidence to the committee they are protected by parliamentary privilege. It is unlawful for anyone to threaten or disadvantage a witness on account of evidence given to a committee; such action may be treated by the Senate as a contempt. It is also a contempt to give false or misleading evidence to a committee. When called to answer a question for the first time please state your full name and the capacity in which you appear.

I welcome Parliamentary Secretary Stephens, representing the Minister for Superannuation and Corporate Law, representing the Minister for Agriculture, Fisheries and Forestry. I also welcome Dr O'Connell, secretary of the Department of Agriculture, Fisheries and Forestry and officers of the department. Parliamentary secretary, do you wish to make a brief opening statement?

**Senator Stephens**—No, thank you, Senator.

**CHAIR**—Dr O'Connell, do you wish to make a brief opening statement?

**Dr O'Connell**—No, thank you, Chair.

**CHAIR**—Yes, Senator McGauran?

**Senator McGAURAN**—I am wondering why Senator Nick Sherry is not here and his parliamentary secretary is in his place? Is there any reason for that?

**CHAIR**—I have absolutely no idea, but I am sure the parliamentary secretary will be able to give us an answer.

**Senator Stephens**—Absolutely, Chair. Good morning, everyone. I am here representing Senator Sherry who has been called to a meeting in relation to some financial matters and will be here as soon as he can.

**CHAIR**—Thank you very much, Senator Stephens. Now we will go to questions. Senator Colbeck?

**Senator COLBECK**—Thank you, Chair. Good morning, Dr O'Connell. Can you tell us when the department's annual report is due to be tabled?

**Dr O'Connell**—It is due to be tabled by the end of this month, some time this week.

**Senator COLBECK**—Sometime this week but it has not been tabled yet?

**Dr O'Connell**—Not to my knowledge, no it has not been tabled.

**Senator COLBECK**—So it is with the minister for final sign off?

**Dr O'Connell**—I think at the moment it is with Mr Pahl.

**Mr Pahl**—My understanding was that it was to be printed over to the weekend and I expect it will be ready for tabling either today or tomorrow.

**Senator COLBECK**—So has it been signed off by the minister?

**Mr Pahl**—Yes, it has.

**Senator COLBECK**—Thank you.

**Senator McGAURAN**—If the annual report has gone to print this weekend, could it have been available for these estimates? Could you not have made some concerted effort? I have 36 reports in my office. The Department of Innovation, Industry, Science and Research—just as big as your department—tabled this last week in parliament. Could a concerted effort not have been made by your department for these estimates?

**Mr Pahl**—Senator, a concerted effort was made to get the report through and tabled as soon as possible, having regard to the deadline of the end of October. But, you just made the point, there are many of these out and about for printing with the various companies that do it and it is the time of the year that is quite difficult for printers and so on.

**Senator McGAURAN**—So, is it a printing problem?



**Mr Pahl**—No, I am not blaming printers. I am just saying it is that time of the year when everybody is trying to get their reports printed. The other point that I would make, Senator, is that when we set our timetable to produce the annual report to ensure that we do have it tabled by the deadline of the end of October, we are not necessarily aware of when the estimates committee will be convening in any event.

**Senator McGAURAN**—Well, when were you made aware? I know I have been aware for months.

**Dr O'Connell**—Senator, we will be tabling the report in the time required. So we are certainly well within our time line for tabling the report.

**Senator McGAURAN**—Oh, but you are playing games. You have gone to the printers this weekend.

**CHAIR**—Senator, you have asked a question and you may not like the answer, but that is the answer to your question.

**Senator McGAURAN**—Yes. True I do not like the answer.

**CHAIR**—The department is well within their guidelines and their time lines.

**Senator McGAURAN**—I do not like the answer.

**CHAIR**—Any further questions?

**Senator McGAURAN**—Yes. Just on the annual report: the gravity of estimates I hope is not lost on you. We have known since, I heard my colleague say, last year the date was set or early this year it would have been, I think when these estimates were set. You tell us it has, conveniently, gone to the printers this weekend. So that means you will have it Monday or Tuesday, is that correct?

**Dr O'Connell**—It will be tabled within the time lines.

**CHAIR**—That is the second time you have asked the same question, Senator McGauran, and you have got the same answer.

**Senator McGAURAN**—I put it that you are not being co-operative with this estimates committee if you have held up the printing to this week?

**Dr O'Connell**—We have not, Senator.

**Senator McGAURAN**—I mean the CSIRO have even got theirs out.

**CHAIR**—Senator McGauran, Dr O'Connell has answered your question and I do not think you should throw accusations about not being helpful. It is the same answer that has come three times now. If there are further questions please ask them.

**Senator McGAURAN**—Is the minister aware of the convenient delay in the annual report and has he discussed that matter with you?

**Dr O'Connell**—There is no delay in the annual report.

**Senator McGAURAN**—Is the minister aware of the time line?

**Dr O'Connell**—The minister would be aware of the time line I think but he probably would not necessarily be aware, I suspect, of how long the printers will take.

**Senator McGAURAN**—Did he show any keenness or otherwise to get it out for this estimates committee?

**Dr O'Connell**—I could not tell you whether he has any views on that. We put it through. Our normal clearance processes were getting it tabled within the appropriate time line. There has been no delay, convenient or otherwise; we are just going through our business as usual.

**Senator COLBECK**—Can I ask when the minister signed it off? Do you have that information?

**Mr Pahl**—Senator, I can get that information this morning for you, I just do not have it right at this moment. I will get someone to check and we will give you that information later on in the morning.

**Senator COLBECK**—Thank you.

**Senator McGAURAN**—Who is overseeing the production, the tabling and the compiling of the annual report? Is it you Dr O'Connell? Who is responsible for this annual report?

**Dr O'Connell**—Well, I am responsible as the secretary of the department. In terms of the mechanics, if you like, Mr Pahl is responsible for that and obviously the minister has to approve.

**Senator McGAURAN**—All right, just one last question on the annual report. Are you able to take this on notice if you could? When was the report tabled last year?

**Mr Pahl**—We can probably answer that question at the same time we answer Senator Colbeck's question later this morning, if that would be helpful, Senator.

**Senator McGAURAN**—Okay. What was the timeline to the next or the previous estimates on either side? The report can be tabled out of parliament; is that the usual practice? Would you be doing that with this report or waiting for the parliament?

**Dr O'Connell**—We would table it as soon as we can. I would expect that it would be this week because it is a question at the moment of the printing.

**Senator McGAURAN**—It is tabled out of parliament.

**Senator Stephens**—Senator McGauran, can I just remind you we did not have those estimates last year because the parliament was actually prorogued.

**Senator COLBECK**—Dr O'Connell, can you give us an indication of the staffing levels in the department and the changes since budget estimates in May please?

**Dr O'Connell**—I will ask Mr Pahl to provide those to you.

**Mr Pahl**—Senator, at the last estimates round, Senator Scullion asked that we be prepared to hand over a number of statistics in regard to staffing in the department, salaries, remuneration and so on. I have that all here if you would like me to just hand that over.

**Senator COLBECK**—That may assist us, thank you. Has there been an increase or a reduction?

**Mr Pahl**—Overall we are pretty much on target for where we would expect to be at this time of the year.

**Senator COLBECK**—It is a very skilful answer but it does not tell me if there has been an increase or a reduction.

**Mr Pahl**—I was about to go on and say we run about 4,400 people. That fluctuates a little bit. The key thing for us is the number of full-time equivalent staff year in, year out. I think at the end of September we were within a few FTEs overall. From our point of view we were very close to the number that we would like to be at. Now, the number in the document which my colleague is pointing out to me is that for 2008-09 we were expecting 4,415 FTEs. At the moment we are pretty much on target for that.

**Senator COLBECK**—Is that a reduction since—

**Mr Pahl**—No, that 4,415 was an increase of 70 over the previous year.

**Senator COLBECK**—Asking that question in the context of the efficiency dividend; it had no impact on employment? In fact, has employment risen despite the efficiency dividend?

**Mr Pahl**—We have not reduced staff as a way of meeting the efficiency dividend, no.

**Senator COLBECK**—So, the efficiency dividend then has been met through reductions in spending on programs?

**Mr Pahl**—No, that is not correct, Senator. The efficiency dividend has been met through a reduction in spending on a range of administrative overheads. This was the subject of some discussion in the previous round of estimates as to how we would go about that, and I think Senator McGauran was asking questions about that. We expect to meet the dividend this year by savings rather than reductions in many areas, savings generated by electronic timesheets, which is something that we have instigated inside the department to more effectively and efficiently pay our staff, particularly staff who work on rosters, shift work and so on. We formerly had thousands of those pieces of paper coming in every fortnight. We now have all of that moving through electronically and we have been systematically rolling that out across Australia.

There are also savings accruing to us through a reduction in our use of electricity. We moved buildings about a year ago and we expect our bill for electricity for our new building will be about \$75,000 less than it was in the old building. That is in part due to just better technology in the new building, double glazing and all those sorts of things. There is also a reduction in legal expenses and we are expecting that to be in the order of \$4 million. There was one other which just escapes me but I am sure I have got it here somewhere—travel. The reduction in travel costs was the other one, Senator, and that was as a result of moving to online booking and pursuing very, very aggressively best fare of the day, which has resulted in a saving of \$1.1 million. That is \$1.1 million for the travel, \$1.6 million for the electronic timesheets, \$0.77 million for the energy savings and just on \$4 million for legal savings. We have been able to manage that without actually making a reduction anywhere else.

**Senator COLBECK**—Is the reduction in legal expenses because you have decided to take less legal action or there have just been less legal actions floating around?

**Mr Pahl**—No. We had a spike in our legal expenses that went to some inquiries and so on in the last financial year. We do not need to meet those expenses again this year.

**Senator COLBECK**—But if you have had a spike in your legal expenses, that would be an extraordinary expenditure over the budget of the department. Therefore it is a bit difficult to call that an efficiency dividend when the previous year's expenditures are spiked by an abnormal additional expenditure. How do you justify that as an efficiency dividend?

**Mr Pahl**—Well, you have got to find the dividend across the organisation and the amount is \$7.559 million. As you said at the outset, one of the aims that we had was to try to absorb centrally the lion's share of the dividend amount. We chose to do it in this way to avoid actually passing through any cuts wherever possible to the policy and program areas of the department.

**Senator COLBECK**—Going to the \$1.1 million for travel, is that \$1.1 million saving purely and simply as a result of getting cheaper fares or is there less travel involved as well?

**Mr Pahl**—No. Off the top of my head—I might be out by a dollar or two—the number is \$16 per transaction that you save by using that online booking tool rather than ringing the call centre or whatever. It does not sound like much but when you have a lot of travel it very quickly turns into a lot of money. Also regarding the best fare of the day, we have just been very aggressive in the way we have gone about ensuring that we are minimising the actual cost of the travel that is undertaken. At the last hearing I provided a breakdown, which I can find for you again, of those savings and how they accrued.

**Senator McGAURAN**—Can I just jump in? I do not want to jump in every time you breathe in but it is on the same issue about the efficiency dividend. I totalled what you just said about the four savings to be about \$7.37 million.

**Mr Pahl**—The \$1.1 million, the \$1.6 million, \$0.77 million and the \$4.089 million should be \$7.559 million.

**Senator McGAURAN**—Right. But is that net savings. I mean, you will have expenses also going up if not wages and salaries. Is this a net saving?

**Mr Pahl**—This is a combination of reduction in expenditure and savings that we have chosen to apply to meeting the efficiency dividend.

**Senator McGAURAN**—Is the \$7.5 million net? You will have increases in expense also. So if you take one off the other it is basic accounting, your efficiency dividend is a net efficiency.

**Mr Pahl**—Senator, you are now throwing in areas that are not actually going to the efficiency dividend. The issue of how we increase our productivity and meet additional costs elsewhere in our budget is another issue again in budgeting terms.

**Senator McGAURAN**—So, it is not net; that is what you are telling me? The efficiency dividend is very onerous and demanding, perhaps too much so, but our coalition government were the first instigators of the term 'efficiency dividend' but it is a net efficiency. You can throw up these savings and they look all very good, but if your expenses are going up in the other room, for example, it is not a net efficiency dividend.

**Mr Pahl**—These are net savings but the issue that you are raising that other expenses might be increasing is something that, since ever I have been a public servant, we have had to contend with. Each year you have got to find productivity—

**Senator McGAURAN**—Yes exactly, but to meet the government's efficiency dividend it has to be a net efficiency right across the department.

**Mr Pahl**—There are instructions as to how one meets the dividend. What happens is the dividend is set. In big budgetary terms as a department we then look at that and we calculate it out as you have seen there, to the \$7.559 million in the current year. We then set about a strategy of how we will do it. Now, one way to do it would be to just take a little slice off everything in accord with the percentage; that is one way that you could certainly do this if you so chose. We have not chosen to do it that way.

**Senator McGAURAN**—Well, Mr O'Connell, is the efficiency dividend meant to be a net efficiency across the department?

**Dr O'Connell**—It is a percentage of the base that we have to meet, which we have done. In that sense it is net. I am not sure I follow exactly your thinking, but is it that you are suggesting that later during the year there may be government decisions which add to the—

**Senator McGAURAN**—No. I am saying that you are showing us \$7.5 million worth of efficiencies—travel, legal expenses, electricity savings, timesheet savings—but at the same time there may be other expenses increasing, wages and salaries would be your biggest. They could smother the \$7 million dollars and therefore you have no efficiency dividend, it is zero, it could zero it off.

**Mr Pahl**—No; in the departmental appropriation, we are allocated an annual appropriation overall and if that is 100 units of money, it is 100 units of money and it will have already been subjected to any efficiency dividend that is coming our way. So, from the very outset one then has to budget on the basis of the available appropriation, and that is what we do. You might choose one year to meet a reduction in a particular way. As I said a moment ago, if the efficiency dividend is 3.25 per cent you might choose to just smear it over all expenses at 3.25 per cent, but that is not the way we have chosen to do it. We have tried very hard to find ways of dealing with the efficiency dividend and meeting the government's objectives without at the same time impacting on our policy and programs.

**Senator McGAURAN**—Will that \$7.5 million saving go back into consolidated revenue?

**Mr Pahl**—It is already there. It does not go back.

**Senator McGAURAN**—Would it leave your department?

**Mr Pahl**—It does not come to the department, Senator, that is the point I am making.

**Senator McGAURAN**—You had better explain it to me.

**Mr Pahl**—In terms of the budget, the government makes a decision at some point about a dividend such as the efficiency dividend. It then nets it straight off the bottom line. So, the appropriation comes forward to the department. Because I am not very good at mathematics, let us go back and assume we were getting an appropriation of \$100 million and if the efficiency dividend was decided by government at say \$3.25 million then the amount of appropriation coming forward to the department would be \$96.75 million. So, the government or the Department of Finance and Deregulation has the efficiency dividend in its pocket at the outset of the financial year for which it has been set.

**Dr O'Connell**—So, in essence the revenue that the department got from the budget for 2008-09 was roughly \$7.5 million less than the year before as a result of the efficiency dividend. Other things were also reduced—drought and EI assistance—so the overall budget reduced by about \$31.1 million from one year to the next; part of it was the efficiency dividend. It is how we manage that within our budget that Mr Pahl is talking about. That is then when we look for these efficiencies in the way we do our business. Really the purpose of an efficiency dividend is to force us to look for those efficiencies.

**Senator McGAURAN**—So it is a net figure; thank you.

**Senator COLBECK**—The baseline for this year's budget amount is last year's budget and the 3.25 per cent comes off the operating budget of last year?

**Mr Pahl**—No, the 3.25 per cent comes off the departmental appropriation component but the baseline is affected by a whole lot of other ons and offs, depending on the particular financial year. If you have a terminating program for example and it has department appropriation attached to it then that amount would quite rightly be taken off. But equally, if the program has terminated then you do not have any expenses to meet because you are not actually delivering the program.

**Senator COLBECK**—No, I understand that but I was coming back to the legal. You had a spike in legal expenses last year for some reason, and we do not need to go into what that reason was, but then the baseline for this year, you have saved \$4 million through legal because you do not have \$4 million worth of legal expenditure.

**Mr Pahl**—We have chosen to divert money that we spent last financial year on legal to meeting the dividend centrally.

**Senator COLBECK**—Even though it was an extraordinary payment?

**Mr Pahl**—It was an unusual year, yes.

**Senator COLBECK**—So, what do you do when you have an extraordinary payment? Do you have to get ministerial approval to spend that additional money or do you have to find it within your budget?

---

**Mr Pahl**—No, again it is a matter of cutting your cloth to stay within the departmental appropriation that is allocated by government for the financial year that you are talking about. Every year there are challenges that present that we have to rearrange ourselves to ensure we meet so that we stay within our budget.

**Senator COLBECK**—Effectively every year you stay within your allocated appropriation?

**Mr Pahl**—In accord with the budget rules, if we want to run a budget deficit then we need to get the approval of the Minister for Finance and Deregulation, but we aim as far as we can to try to stay on the positive side of the ledger and to live within the budget allocated to us.

**Senator COLBECK**—So, in a year when you had extraordinary legal expenses, for example, and you had issues with maintaining everything within your budget appropriation, you could go to the Minister for Finance and Deregulation and say, ‘Look, we’ve got a problem here, we’re going to over run by \$4 million’?

**Mr Pahl**—You could.

**Senator COLBECK**—Did the minister sign off on the items that you were allocating to the efficiency dividend or did you just do that within the department?

**Mr Pahl**—The Financial Management and Accountability Act 1997 actually charges the secretary with the responsibility for the efficient, effective and ethical use of the departmental resources, and it is within his obligations under that act to ensure that that is the case. Things like efficiency dividends have been running for many, many years; it is just a matter of course for us to deal with whatever falls our way in terms of the actual amount.

**Senator COLBECK**—So there were no other discussions with the minister about how the efficiency dividend might have been met?

**Mr Pahl**—I certainly did not have any, no.

**Senator COLBECK**—Dr O’Connell?

**Dr O’Connell**—No, not to my knowledge; we manage that within the department. It is part of the business of keeping within our budget and we will keep this under review over the year and make what adjustments we need to make to manage our budget. In a sense it is one of the fluctuations that we might have to deal with in the normal sphere of things; if our electricity prices go up we have got to manage that. There are a whole lot of things that will change in a year and our job is to keep that all within the budget over the year.

**Senator COLBECK**—So, the minister takes no interest in that at all even though it was a fairly significant government initiative that there be an additional two per cent efficiency dividend?

**Dr O’Connell**—I do not want to put words in the minister’s mouth but I am sure he does take an interest in it. His major interest, I dare say, is that we manage to meet it and keep within the government’s policy parameters, which we are endeavouring to do.

**Senator COLBECK**—So, through what process did you receive your instruction that you had to meet the additional two per cent?

**Dr O’Connell**—It was the Finance guidelines.

**Senator COLBECK**—So effectively through a circular from Finance?

**Mr Pahl**—Effectively, yes, which would give expression to the government of the day’s views about what the efficiency dividend needs to be.

**Dr O’Connell**—And through our appropriation, which essentially sets the level. So it has come off our appropriation and we manage within that appropriation.

**Senator COLBECK**—You said that your new building is much more energy efficient and so you have saved about \$75,000 a year on your power bill. Is the rental any cheaper?

**Dr O’Connell**—That is a hard question to answer because, once you make a decision to actually move, you have to forecast what might have been the rental in alternative premises. The overall business case for moving from our previous building to the new building—and bearing in mind it is not just rental; it is also the refurbishments costs had we stayed in the old building—was a better financial proposition than to stay in the previous building. But, in terms of dollars per square metre, I would have to take that one on notice.

**Senator COLBECK**—All right, thank you. Have you done any work on the projected cost of the ETS, emissions trading scheme, on your power bills?

**Mr Pahl**—No.

**Senator COLBECK**—How many of your programs were under spec during the 2007-08 year?

**Mr Pahl**—I do not know that I have that. I will probably have to take that one on notice. Ms Berry might have it.

**Ms Berry**—I do not have the number as such, but we can take that on notice and actually get it back to you this morning.

**Senator COLBECK**—We might just keep going through, because you may have to take some more of these matters on notice as well. Have you had any requests to roll over any of those underspends—assuming that there are some, of course?

**Mr Pahl**—From last financial year to this financial year, Senator?

**Senator COLBECK**—Yes.

**Mr Pahl**—Yes is the answer.

**Senator COLBECK**—All right. That confirms part of the first question. How many of those have been successful?

**Mr Pahl**—There is about \$42 million from 2007-08 that has been rolled into 2008-09, and that goes to about 10 programs. The majority of that was in the Tasmanian community forests, which was about \$3.7 million, the fishing structural adjustment package, which was about \$12.97 million and drought assistance professional advice, which was about \$19.47 million.

**Senator COLBECK**—Excuse me, but can you give me the figure for the first one again, please?

**Mr Pahl**—For the Tasmanian community forests—bearing in mind there were three elements to this—the net effect was a movement of \$3.7 million.

**Senator COLBECK**—What is happening with the funding in those particular programs?

**Mr Pahl**—It has gone out into forward years to meet expenses that we now expect to fall in fact in 2008-09 rather than in 2007-08.

**Senator COLBECK**—Are they for expenses of programs or projects that have been allocated and approved but will not be met until later down the track?

**Mr Pahl**—That is correct. They were expected to fall due in 2007-08 and for various reasons they did not and the money has now been pushed out to 2008-09 and I think in one case maybe even 2009-10, and there is even one in addition to that to 2010-11.

**Senator COLBECK**—Which program does that come out of?

**Mr Pahl**—For 2010-11 it is 'Preparing Australia's forest industry for the future'. It is a very small amount of \$300,000.

**Senator COLBECK**—Which program is that from?

**Mr Pahl**—That is 'Preparing Australia's forest industry for the future'. That is the program name.

**Senator COLBECK**—And is that for 2010-11?

**Mr Pahl**—That particular component is, yes. In that case there was \$300,000 allocated in 2007-08 and it is now expected that the expenditure will occur in 2010-11.

**Senator COLBECK**—Is it possible for you to prepare for me a list of those programs and table it at some stage down the track?

**Mr Pahl**—Yes.

**Senator COLBECK**—What are the issues within the drought program that have been rolled forward?

**Mr Pahl**—Senator, you are probably better off asking the program area when they come forward rather than me. The information I do have is that the demand for professional planning and advice grants was expected to increase towards the end of the program and for that reason it has been pushed out into 2008-09 rather than 2007-08. But, as I say, when you get to that part of the proceeding, others will be better placed to give you detail about that.

**Senator COLBECK**—All right, we might do that. Is that similarly the case with the fishing structural adjustment program?

**Mr Pahl**—Sure.

**Senator COLBECK**—All right. I am happy with that. Can you tell me how much has been spent so far this financial year on media monitoring?

**Mr Pahl**—I do not have that with me, but—

**Mr Williamson**—The figure I have here, as of end of September, is \$68,820.

**Senator COLBECK**—And is that in line with normal business operations?

**Mr Williamson**—Actually, I understand it is slightly less certainly looking back to the previous financial year. I guess it is broadly consistent.

**Senator COLBECK**—Broadly in line?

**Mr Williamson**—Yes.

**Senator COLBECK**—Just going to your ministerial staff, how many DLOs are there in the minister's office at the moment?

**Mr Williamson**—Two, Senator.

**Senator COLBECK**—What are the current communications programs that you have got running and proposed?

**Ms Bie**—Senator, perhaps I could answer that. The communications programs are run by the various program areas. If you are referring to campaigns, there is a Quarantine Matters campaign that the department runs for AQIS, the Australian Quarantine and Inspection Service, but we do not have any other campaigns as such at the moment.

**Senator COLBECK**—Dr O'Connell, is it possible for you to get a compilation of those for me, please?

**Dr O'Connell**—Yes.

**Senator COLBECK**—Do you have them, Mr Williamson?

**Mr Williamson**—Do you mean a compilation of the communications activities under the various programs?

**Senator COLBECK**—Yes.

**Mr Williamson**—No, I do not have it with me, but we can get that.

**Senator COLBECK**—Yes, I understand that you might need to do that.

**Mr Williamson**—We can do that, yes.

**Senator COLBECK**—All right.

**Mr Williamson**—Under the broader government guidelines, as Ms Bie said, the Quarantine Matters is the only capital C campaign at the moment.

**Senator COLBECK**—All right. Can you attach the values to each of those programs, please. Just going on to board appointments, I know that this is subject to a continuing order of the Senate, but I note that there have been some research and development corporation board appointments made in recent times. Where are we at with respect to reporting to the Senate on all those appointments?

**Mr David Williamson**—My understanding is we have prepared a response to that standing order. I would have to check whether it has been tabled yet though.

**Senator COLBECK**—So what is the due date for tabling that?

**Mr David Williamson**—Mr Penney might be able to assist me.

**Mr Penney**—The due date was 13 October. I understand it was tabled on 10 October but I will confirm that.

**Senator COLBECK**—Thank you. Tabling of Senate orders in respect of grants is the same situation?

**Mr Penney**—Exactly the same date.

**Senator COLBECK**—Thank you. Has the minister been on any overseas travel since budget estimates in May?

**Mr David Williamson**—Yes, I think one international trip.

**Senator COLBECK**—Can you give us the gory details?

**Mr David Williamson**—Our international people, who will be along later, would be better placed to provide that.

**Senator COLBECK**—You cannot tell us generally where he went though?

**Mr David Williamson**—Indonesia.

**Dr O'Connell**—Papua New Guinea and Indonesia.

**Senator COLBECK**—So we will get the costs and all that sort of stuff of those when the international crew come on later in the morning. How many community cabinets have been held since May?

**Dr O'Connell**—Since May? Four, I think.

**Senator COLBECK**—Can you give us the details of the costs and how many ministerial staff and departmental officers travelled to each of those?

**Mr David Williamson**—Usually one departmental officer attends the community cabinets. I would have to take on notice the ministerial staff though, Senator.

**Senator COLBECK**—So that is standard that there is just one?

**Mr David Williamson**—It has been for us, yes.

**Senator COLBECK**—So there has been no occasions when there has been more than one?

**Mr David Williamson**—I will double check for you but not that I am aware of, no.

**Senator COLBECK**—Who is the lucky person?

**Mr David Williamson**—The secretary has attended several, Mr Quinlivan has attended one and I think Mr Hunter has also attended one.

**Dr O'Connell**—Either myself or deputy secretaries, one or the other.

**Senator COLBECK**—Does it depend on the location and the issues that you might expect to crop up or is it basically who is available to go?

**Dr O'Connell**—No, it is a priority. It depends on a range of other things but we would always keep it ideally at my level. It is appropriate for the secretary of the department to attend the community cabinet and I will do that when I can. If there are any reasons for which I cannot do it, then one of the deputy secretaries would attend.

**Senator COLBECK**—That is good. Do you have information on the costs of the travel for those?

**Mr David Williamson**—No, I would have to take that on notice.

**Senator COLBECK**—Do you have a list of reviews currently being undertaken in the portfolio?

**Mr David Williamson**—Not to hand, no.

**Senator COLBECK**—So you could not tell me how many there are, obviously?

**Mr David Williamson**—Not off the top of my head, no.

**Senator COLBECK**—How long would it take to compile that information?

**Dr O'Connell**—It would not take too long but we could take that on notice. It would also, I guess, depend what sorts of reviews, whether they are normal program reviews or reviews of our broader policy scale such as quarantine and biosecurity. There is quite a spread of reviews which happen from the normal program that are built into a program to the large scale policy review.

**Senator COLBECK**—I am really interested in the ones that are effectively the larger scale ones. I know that some of them have reported and are with the minister for comment and I would like to be able, if I can, to find out where they are and when we are likely to see either the report or some response.

**Dr O'Connell**—We could take on notice what are the policy reviews and what is the state of play with each of those.

**Senator COLBECK**—If we could get something relatively quickly because I would like to be able to ask some questions today if I can in respect of particularly some of the reviews that have reported.

**CHAIR**—I would like to take this opportunity to welcome the minister, Senator Sherry.

**Senator Sherry**—Thank you, Chair.



**Senator COLBECK**—Dr O’Connell, can you confirm whether or not a memo came from the minister’s office seeking to limit the number of briefs, letters and other official documents and correspondence per week from the department?

**Dr O’Connell**—I am not aware of such a memo. I might check with Libby.

**Ms Bie**—I am not aware of a memo with that request, not at all.

**Senator COLBECK**—If you could take that on notice. I note there is some uncertainty but I would be interested to know.

**Dr O’Connell**—When I say I am not aware of it, I think under normal circumstances I would be, so I would take that as a fairly strong not aware but I will check and just confirm.

**Senator COLBECK**—Thank you.

**CHAIR**—Senator Siewert has a question.

**Senator SIEWERT**—I want to ask about the impact of the drought on communities report that the minister received I think on 13 October. Who should I be asking questions about that?

**Mr Quinlivan**—All the drought questions should really be dealt with when the climate change division appears later.

**Senator SIEWERT**—Good, thanks.

**Senator McGAURAN**—I also have a question. I know it was the Treasury department that instigated a review of MISs, but I am sure your department would have intense interest in it—it ought to. Do you have a status report?

**Mr David Williamson**—Yes, Senator. The review of non-forestry MIS to which you are referring was announced by the Assistant Treasurer on 1 August. The current state of play is that there was an issues paper that was released that called for submissions. There were 79 submissions received by the closing date in mid-September. I think most of those were placed on the Treasury website last week and the intention is that a report will be provided to the Assistant Treasurer later this year.

**Senator McGAURAN**—Okay, that is good.

**Senator COLBECK**—I would just like to ask a couple of questions about the biosecurity report which was handed to the minister on 3 September. Can you tell me where that is in the overall system? Obviously it is with the minister.

**Mr David Williamson**—Yes, it is with the minister and he has indicated that he will consider the report before releasing it and providing a government response.

**Senator COLBECK**—We do not know how long he is going to consider it for?

**Mr David Williamson**—No.

**Senator COLBECK**—Chair, there were a few questions on notice on which we were going to get some information. I would not mind having the opportunity to deal with some of those, if the department can get back to us relatively quickly on some of that stuff.

**CHAIR**—I am sure they will not be far away, Senator Colbert. Are there any other questions? Senator Adams.

**Senator ADAMS**—Thank you. Coming back to a question asked, Mr Pahl, about the frequent flyers and your efficiency dividend, you did say that you were going to go back and look at that when you were reviewing the travel areas. How many frequently flyer points have been used by your staff for government business since budget estimates in May?

**Mr Pahl**—I don’t have that, but I can certainly get it for you.

**Senator ADAMS**—As pertaining to your efficiency dividend and the work you were going to do on travel?

**Mr Pahl**—Certainly we can get the number of points that have been used for official travel for you.

**Senator ADAMS**—And the number of people that have used them.

**Mr Pahl**—Okay, so the number of staff and the number of points?

**Senator ADAMS**—That is right. Thank you.

**Senator McGAURAN**—I have one on CSIRO but I think it is a corporate issue. In the last budget announcement there was some \$20 million worth of research taken out of agricultural production—agricultural research science, field work, farm gate work. That was good farm work that CSIRO built their reputation upon. It is what they are known for worldwide. It is their logo, their icon. Typically when Labor come into government, I should add, they shift and tilt the weight out of the farm and rural sector research and science into other probably more spurious and esoteric areas, certainly not of the value that CSIRO has given over its time to the rural sector. The questions are: what projects have been not commenced, what projects that were in the pipeline have been halted, what is the dollar value of the research being undertaken by CSIRO at the moment in the rural sector—farm sector research, agriculture—and what projects have survived? What projects are being undertaken?

**Dr O'Connell**—Obviously that is a question that in order to answer we would have to get the information from CSIRO. It could be put to the other portfolio but I am happy to take that on notice and provide an answer on notice.

**Senator McGAURAN**—Thank you. Maybe I will just throw this at the minister, who came late to the beginning of the estimates.

**CHAIR**—There was a very good reason why, Senator McGauran.

**Senator McGAURAN**—Indeed. I just make the point. Boy, are we sensitive today! It is not four-day estimates; it is only one day. Minister, I made the point about CSIRO and how it made its reputation, Australia-wide and worldwide in regard to farm gate research projects. It is an Australian icon. You come into government and the first thing you do is to slice the farm work, the agricultural work, of CSIRO. You have tilted it in other areas that I am convinced, having seen the past work of CSIRO, will not be as beneficial. Do you have anything to say in defence of the budget cuts to CSIRO? Do you have anything to say in regard to the loss that the farm sector is going to face over the long term, the reduction of important research projects? Do you have anything to say?

**Senator Sherry**—Two things: firstly, you may not have been aware of the reasons why I was late. There is a world financial crisis going on, Senator McGauran, and I did have some meetings that I was required to be at this morning and I was notified of that late last night. Secondly, as to the CSIRO, CSIRO is a world renowned research organisation. If you have concerns about the way in which they are operating as a consequence of changes to program allocations by this government then I think you should take it up with the CSIRO later in the estimates week whenever they are appearing.

**Senator McGAURAN**—That is it? That is your grand defence of cutting a swathe into the farm sector of research and development and the reputation of CSIRO—'Go and speak to CSIRO'? You are the government. You sit in cabinet and you caused the cuts.

**Senator Sherry**—Sorry, I wish I did sit in cabinet but I actually do not, Senator McGauran.

**Senator McGAURAN**—You do not?

**Senator Sherry**—No, I do not.

**Senator McGAURAN**—I thought you were more important than that—you certainly act it.

**Senator Sherry**—As I admitted in the Senate last week, I humbly represent. I am a representational minister when it comes to agriculture, fisheries and forestry, and I do so very humbly. But if you have concerns about the program implementation oversight by the CSIRO I suggest you raise it with the CSIRO.

**Senator McGAURAN**—But they did not cut themselves. You cut them.

**Senator Sherry**—All I can say, Senator McGauran, is the extent to which there has been an impact on the CSIRO as a result of our tough fiscal conservatism—and we make no apologies for that, Senator McGauran. In these times, we are all fiscal conservatives. We have to ensure—

**Senator McGAURAN**—You have just increased spending.

**Senator Sherry**—A \$22 billion budget surplus is a cushion—which we are now using, I might point out—in these uncertain financial times. This is a very important macro approach to government. But, if you wish to go to the micro impact in terms of the CSIRO, you should go directly to them. I could talk in defence for the next hour if you like, Senator McGauran, but—

**Senator HEFFERNAN**—No, don't.

**Senator Sherry**—Exactly. I think Senator Heffernan is very wise to rebuke you for asking lengthy polemic political questions. I am giving you a short, incisive answer.

**CHAIR**—On that, Senator McGauran, Senator Heffernan has a question if you have finished.

**Senator HEFFERNAN**—Could I ask the department: have you actually modelled the future? Are you starting to do modelling work on the future food task for Australia against the science of the future? If we get a dry autumn and winter next year, there is going to be a catastrophic impact in the Murray-Darling Basin. Have you blokes actually taken the trouble to model what will happen in that event—which is forecast, by the way, for another two dry years—to Australia's food production?

**Mr Quinlivan**—We really should defer that question until ABARE appear.

**Senator HEFFERNAN**—But I have the secretary here, you see.

**Mr Quinlivan**—Well, the work is done in ABARE.

**Senator HEFFERNAN**—Are you aware of any of that work?

**Mr Quinlivan**—We are and we are also interested in the world food supply situation, but our analytical work, which is the question you have asked, is done in ABARE and it is an ongoing—

**Senator HEFFERNAN**—So the answer is that there is work going on?

**Mr Quinlivan**—Yes, it is an ongoing task.

**Senator HEFFERNAN**—Will that include the social impact? You see a place like Wakool saying, 'We're for sale if you'll pay us enough money.' I would not venture to guess how many times the cost of the water they want to sell the district at, but are you doing that sort of work?

**Mr Quinlivan**—There was a reference earlier to a project on the social impacts of drought which the government has at present. It is more of a periodic than an ongoing assessment task.

**Senator HEFFERNAN**—What I am really asking is: if the science is right—and all human endeavour has human failure and all science has vagary—and we do lose this run-off and we do have the alteration in the weather that is predicted for the planet, has any work begun within the bowels of the government or your department on how we may have to absolutely reconfigure the way we have settled and do our business in rural and regional Australia? If it is true, we are going to absolutely have to alter what we are doing. Have you started to think about that?

**Mr Quinlivan**—That is one of the issues being looked at in this drought review that the minister has commissioned. The presumption there is that—

**Senator HEFFERNAN**—Could this committee have a look at what you have so far? You may or may not be on the right track. I would like to think that you were getting a bit of good practical advice instead of a whole lot of bureaucratic mumbo-jumbo.

**Mr Quinlivan**—The minister commissioned three pieces of work. One was from the Bureau of Meteorology and CSIRO, which was completed in July and publicly released, and I am sure you have seen that.

**Senator HEFFERNAN**—Which is best guess stuff, yes.

**Mr Quinlivan**—The second one was an analysis of the social impacts of drought which was undertaken by a committee chaired by Peter Kenny from AgForce in Queensland. That group has reported to the minister and he has that at present. The third piece of work is an inquiry being undertaken by the Productivity Commission. They will be releasing a draft report at the end of this month. The government will be considering that, of course. The presumption underlying each of those pieces and the objective behind the commissioning of them initially was that we are heading into a different environment, a less productive environment—hotter, with less moisture—and our policy and programs need to reflect that.

**Senator HEFFERNAN**—My problem is that I watched that bloody stupid *Two Men in the Top End* by John Doyle and Tim Flannery the other day, and it was a disgrace. It was absolute bucket of custard in the face of the Indigenous people for a start, but it just took this light-headed approach to the potential of the north. I would not like to think that the way the Australian public is going to be informed of the future is through some deadhead show on TV which is sort of amusement and entertainment value but really just skirted around the edges of reality. I would hope that there is some sound advice so that the electorate can become informed and

people in Sydney and other places can understand that in the future what is in the fridge is going to be more important than what is in the garage.

The other question I have got for you is, have you been briefed by Australian Wool Innovation on recent events?

**Dr O'Connell**—It depends what you call recent events.

**Senator HEFFERNAN**—Have you been briefed in recent times by Australian Wool Innovation?

**Dr O'Connell**—I think our agricultural productivity area probably has been briefed.

**Senator HEFFERNAN**—Could you give us the details of that briefing? Who attended?

**Dr O'Connell**—I would first of all have to get them to say yes or no whether they have been briefed, and then the content.

**Senator HEFFERNAN**—Right, so you are not aware of whether there was or not?

**Dr O'Connell**—It comes up under the Agricultural Productivity Division.

**Senator HEFFERNAN**—God bless you. That is all I have got.

**Senator WILLIAMS**—Thank you, Chair. Senator Sherry representing the minister, I am concerned about this reduction in research, because if rural Australia wants to go ahead and we need to produce food, surely research funding is vital. Just a week and a half ago I was out at the Douglas McMaster Research Station at Warialda where they released two new varieties of triticale. You are familiar with triticale, are you, Senator?

**Senator Sherry**—No, I am happy for you to give me some further information.

**CHAIR**—Tell me what it is a cross between.

**Senator WILLIAMS**—It is supposed to be a cross between—

**CHAIR**—Maybe we might leave it till later when we have got more time.

**Senator WILLIAMS**—wheat and barley but it is a high protein—

**Senator Sherry**—It has a Latin ring to it that always worries me.

**Senator HEFFERNAN**—You are wrong; it is a cross between wheat and rye.

**Senator WILLIAMS**—It is a cross between wheat and rye, but anyway—

**CHAIR**—Sorry, Senator Williams, if I can interrupt. Maybe Senator Heffernan you can brief everyone at another date when they want to know what it is all about on that. Time is ticking away.

**Senator WILLIAMS**—These research stations are vital to produce different varieties of cereals, whether they be wheat, barley, triticale or whatever. The importance of triticale is in it being such a good stock food. Because it is high in protein, similar to wheat, you can get up to 11 or 12 per cent protein whereas barley is much lower. Are you going to seriously consider increasing funding for agriculture research in next May's budget? That is about as simple as I could put it.

**Senator Sherry**—All requests for additional funding have a process to go through—the ERC, cabinet—when the budget is prepared. I am not directly involved in that. As I indicated to Senator McGauran, I am not the minister directly responsible for Agricultural, Fishery and Forestry, nor am I in cabinet. The minister, I am sure, will rigorously prosecute his case for improvements in programs that he believes appropriate.

**Senator WILLIAMS**—The point I make is that Australia has been a world leader in the production of all various types of cereals, whether they be for domestic stockfeed or for export, human feed if you want to put it that way. Surely, if that research is reduced, how can we stay in front of the rest of the world?

**Senator Sherry**—Just on the specifics, and it relates to grain research, the GRDC, Grains Research Development Corporation, is available for questioning if you have specific concerns about research activities in the grains area. There is a levy mechanism which provides significant funding which is pretty typical of the funding model across a range of research organisations in this department. It is not correct to say that research is totally dependent on government programs, specific program allocation; there are other areas for resourcing. I think it is a detailed question that can be put to the GRDC when they appear.

**Senator COLBECK**—What is your expected allocation for expenditure on R&D corporations across the budget for this financial year?

**Dr O'Connell**—I will just ask Mr Pahl to answer that question.

**Senator HEFFERNAN**—While you are getting the answer, by the way, triticale can be bred closer to wheat or to rye; there are various grades. The weevils love it and it is tolerant to acid soils, so it is a good plant. The great danger with this is the same as with the BRCA1 and BRCA2 breast cancer genes where we have now agreed to have it patented to a company and all breast cancer research now is going to go through a monopoly. The same risk occurs, which is what Senator Williams is referring to, with research. If we leave it all to Monsanto and the private companies, the industry becomes captive to someone's patent rather than the public purse, which is summarising where you are headed.

**CHAIR**—Does that answer your question, Senator Colbeck, that you asked of the department?

**Senator COLBECK**—No.

**CHAIR**—I did not think so. Thank you for that, Senator Heffernan.

**Senator HEFFERNAN**—I think we are gathering some further information.

**Mr Pahl**—Mr Chair, the R&D matching component that went out last financial year was \$192 million, if that is helpful?

**Senator COLBECK**—What is the projection for this year?

**Mr Pahl**—I haven't got that with me, Senator, but we will attempt to get that for you this morning.

**Senator COLBECK**—What was it the year before that?

**Mr Pahl**—The year before?

**Senator COLBECK**—Yes.

**Mr Pahl**—2006-07? I will have to get that for you as well.

**Senator COLBECK**—Have you any rough idea?

**Mr Pahl**—I do not like to—

**Senator COLBECK**—It was close to \$250 million at one stage.

**Mr Pahl**—I do not like to venture up ideas, Senator.

**Mr Quinlivan**—Senator, the numbers are very sensitive to the value of production across the industry.

**Senator COLBECK**—I understand that, that is why I am asking what the projection is for this year.

**Mr Quinlivan**—I think the projection is that it will rise again this year in line with increasing value of production—but we will get you the precise number.

**Senator COLBECK**—Could you give it to me on a broken down basis by RDC?

**Mr Pahl**—Yes, we can.

**Senator COLBECK**—Because some of them may increase, I think that is right, but I am sure that some of them may be going the other way.

**Dr O'Connell**—That would depend on the production levels, yes.

**Senator COLBECK**—Rice, for example, would be going backwards.

**Senator HEFFERNAN**—Senator Colbeck, would it not be an idea for you to ask perhaps for the 10-year snapshot of what is happening to the funding for research?

**Senator COLBECK**—You can ask that question, Senator Heffernan, and I will read it on notice.

**CHAIR**—This really is like a scene from *The Muppets* with the two of you from the balcony. So, if we can get something going, if we can channel our questions to the officials, I am sure we can get away with the cross-banter and questions to each other's answers. Because, at a quarter to eleven tonight I am sure some of you will be sooking because you did not have enough time to ask all the questions. On that, Senator Heffernan, did you wish to ask the department a question on notice? Did you, Senator Colbert?

**Senator Sherry**—Are we taking a question on notice that goes to 10-year funding?

**CHAIR**—I am trying to try to find out.

**Senator HEFFERNAN**—A 10-year snapshot.

**Senator Sherry**—Okay, so will take that on notice.

**Senator COLBECK**—We are talking about through the RDCs though, Senator Heffernan. My question related to the matching funding provided to the RDCs. I am presuming that that is what Senator Heffernan is talking about, to take it back that far. I am positive that it got up to close to \$250 million at some point in time in the last three or four years. I remember quoting that number, so I am pretty sure that it was up towards that level. A hundred and ninety-two has obviously dropped off a bit and I understand that that is based on matching funding and levy returns out of different industry sectors. I am interested in what your projection is for this year, because obviously that is informed by the work that is being done by ABARE or I would expect it is informed by some of that work, which goes to the questions that Senator Williams was asking earlier.

**Mr Pahl**—Mr Chair, earlier Senator Colbeck also asked a question about when the annual report for 2006-07 was actually tabled. The date was 17 October 2007. You also asked a question about the movement of administered funds between years and we undertook to give you a table. Do you have a copy of the portfolio budget statement document in front of you?

**Senator COLBECK**—I do not have it right in front of me. Are you going to refer me to it, are you?

**Mr Pahl**—At page 53 of that document there is a table that sets out the movement of administered funds between years which we were talking about earlier in the day, and it shows which funds are moving to which years, that being 2008-09, 2009-10 and 2010-11. It is table 3.1.2 on page 53. Thirdly, Mr Penney undertook to check the date that the grants and appointments were tabled, and that was on 13 October, not 10 October.

**Senator COLBECK**—Last Monday.

**Senator McGAURAN**—So just remind me: this week you are going to table the report, or next week?

**Mr Pahl**—This week, I would expect.

**Senator COLBECK**—Are you moving on from this portfolio area after morning tea?

**Senator ADAMS**—I do not have any more on this.

**CHAIR**—There are no further questions on this topic?

**Senator COLBECK**—If Bill is going to take some time, let us take advantage of the fact that we have finished early.

**CHAIR**—If there are no more questions, we will take a 15-minute break and then move on to Australian Wool Innovation. I thank officials from the department.

### **Proceedings suspended from 10.14 am to 10.30 am**

#### **Australian Wool Innovation**

**CHAIR**—I welcome officers from Australian Wool Innovation. Mr van Rooyen, as the chair, do you wish to make a brief opening statement?

**Mr van Rooyen**—Thank you, Chair. We are pleased to be here with you today to answer questions from your committee in respect of the activities of the company. I believe that we have a lot of certainly good and exciting projects that we can talk about and achievements that the company has made, and we look forward to cooperating with your committee. The full board, with the exception of Mr Ken Boundy, who is overseas and is an apology for today's meeting, is here as per your request. We will take your questions.

**CHAIR**—Thank you. I know that Senator Heffernan has questions, and I know also that Senator Siewert has questions. Senator Siewert, do you wish to ask your questions now?

**Senator SIEWERT**—It is part of the discussion.

**CHAIR**—Then Senator Heffernan has the call.

**Senator HEFFERNAN**—Mr van Rooyen, congratulations on getting the board together today. I think it is a fantastic achievement, and congratulations on some of the publicity you have received for Australian Wool Innovation in recent days. First I want to go to the role of the board and go through the concept of the present election as well. On 4 September, Vernon Graham wrote:

Van Rooyen keeps secrets from Australia's 'leaking board' —

which I think is unfortunate as a headline. In questions on notice at the last estimates, I asked the question of the role of the board. I asked how many directors talk to the retail industry, and the answer is this, 'The role of the company board is primarily to provide planning control and review oversight of the board and act as a check and a balance for management.' Do you agree with that?

**Mr van Rooyen**—The key role of the board is to set the strategic direction and to debate, discuss and agree the strategic direction for a company, and then to ensure that management carries out the strategic direction of the company. The other key role of the board, of course, was to appoint the chief executive officer so that those requirements of the board can be carried out. Within that, of course, there is an important oversight role as well, but the key and most important role a board can and should perform is to set the strategic direction of the company and to ensure that management carries out those requirements of the board.

**Senator HEFFERNAN**—I am unaware of the expertise of the board. I am aware that some actually have sheep, and I am aware that it is not necessarily required to have expertise in industry to be a successful board member. If it has reached the stage where you, according to Vernon Graham, are not prepared to fully inform your board on what is going on day-to-day because you are worried about leaks from the board, does that mean that you have no confidence in your own board?

**Mr van Rooyen**—That refers to a specific issue in relation to a mulesing alternative. In the context of the new development, or many new developments for that matter, in this area, we have experienced on the board leaks and breaches of board confidence, and we also have within the board conflicts of interest in this area. Quite clearly, where you have that situation, we have to take the interests of the Australian wool growers and the corporation first. In any board where you have a conflict of interest, one has to ensure that the interests of the Australian wool growers are protected. The situation that we have—and I can clearly demonstrate it with written facts and evidence—is that we have experienced commercial interests attempting to interfere with the development of alternatives to mulesing, and developing alternatives to mulesing is probably one of the biggest single most important issues that the industry and this company faces. With respect to keeping the board informed, it was not just one, two, three or four directors who were not informed; the decision was made to keep it limited to a very select number of managers and to two board members, myself included, because we have experienced in the past that leaks which gets to the hands of the animal activists overseas are used against the Australian industry to the detriment of our marketing options overseas.

**Senator HEFFERNAN**—Thanks very much for that, but can I just go to the point: who took the decision—

**Senator HUTCHINS**—Excuse me, I do not know if you have finished your answer, but if you have—

**Mr van Rooyen**—I am happy to go ahead, thank you, Senator.

**Senator HUTCHINS**—I would have liked to have heard the rest of your answer if there was more to contribute.

**Senator HEFFERNAN**—Well, if you want to be here all day.

**Senator HUTCHINS**—Bill, I want to listen to the answer; you might not want to.

**Senator HEFFERNAN**—Righto.

**Mr van Rooyen**—The key to the situation facing Australian wool growers at the moment is that we have to increase demand. We cannot allow animal rights movements to affect retailers overseas and affect our ability to increase demand. That is why we ensured that this was kept confidential as far as was possible so that we did not have the animal rights movements attempting to denigrate these new alternatives, as they have done on others. There is clear evidence, for example, on the clips that commercial interests within Australia, and animal rights movements, have attempted to damage new alternatives that we have developed.

**Senator HEFFERNAN**—Could you provide us with that evidence?

**Mr van Rooyen**—Absolutely. I can actually read it to you right now.

**Senator HEFFERNAN**—Take it on notice.

**Mr van Rooyen**—No, I can provide it to you now, Senator.

**Senator HEFFERNAN**—Take it on notice.

**Senator HUTCHINS**—No, I would like to hear it now.

**Senator HEFFERNAN**—All right, we are going to be here for a long day, then.

**Senator HUTCHINS**—Well, so we might be.

**CHAIR**—I assume you would also want to table that?

**Mr van Rooyen**—I do. I quote to you from a taped interview that was conducted by a journalist at *The Land* with one of the leaders in PETA, Mr Matt Prescott. Mr Prescott's comments in summary were, 'Retailers

are concerned that mulesing, including clip mulesing'—their words—'will go beyond 2010. No retailers PETA speaks to will accept clips.' He said:

AWR must understand that retailers will not accept this—

in other words, new technology—

as breeding better bred sheep and other welfare friendly husbandry as all that is required. Asked directly if the industry agreed to PETA's three-point plan, would PETA leave the industry alone, Prescott skirted the answer saying that he had not heard back from AWI and the ball was in AWI's court. Pressed on this, he would not commit to leaving the wool industry alone, even if AWI's response was in the affirmative.

That is the first point. If you just bear with me, senators, we have copies of other documents from PETA—

**Senator HEFFERNAN**—That is from the leak from the board, is it?

**Mr van Rooyen**—We were not discussing about a leak from the board, Senator.

**Senator HEFFERNAN**—I thought we were.

**Mr van Rooyen**—We are talking about activities of animal rights movements, what evidence I have—

**Senator HEFFERNAN**—I am talking about you having no confidence in parts of your board because you cannot trust them because you said they would leak.

**Mr van Rooyen**—The question was: have I got evidence—

**CHAIR**—Yes, you did, Senator Heffernan, that is right, and then in Mr van Rooyen's answer, he mentioned about the animal activists, about which Senator Hutchins wanted to hear. I think we can table that, Mr van Rooyen. We do understand that you have the information there. You have read that to us, and you can provide proof of that. Senator Hutchins, does that answer your question?

**Senator HUTCHINS**—If we are going to have a copy of the documents, yes.

**CHAIR**—Okay. Senator Heffernan.

**Senator HEFFERNAN**—This is pretty important, and I have to declare an interest. I actually have sheep. Could I go to the question of how you come to a decision to exclude certain members of the board from information, and to keep it with the rocket scientists there and one or two others; who took that decision? Was that a vote of the board or was that an executive decision by the chairman?

**Mr van Rooyen**—I will table examples here that will be embarrassing to certain board members, but we have—

**Senator HEFFERNAN**—I am asking you a direct question. Did you take the decision or did you consult the board and have a vote?

**Mr van Rooyen**—Mr Chairman, can I answer the senator's question?

**CHAIR**—Yes, please do.

**Mr van Rooyen**—Senator Heffernan, I have clear, documented evidence where we have had leaks from the board, demonstrated conflicts of interest, and I can read to you from board minutes where in fact the board has discussed this and had it minuted about directors leaking, breaching board confidentiality and acting not in the interests of Australian wool growers.

**Senator HEFFERNAN**—That is fair enough.

**Mr van Rooyen**—Having said that, I made the decision in this regard on this particular subject not to disclose the progress that was being made on a particular mulesing alternative.

**Senator HEFFERNAN**—That is what I want you to answer, because I am going to come to some of the expenditure, which has not been declared to the board, which may have gone to individual board members' properties in terms of the way you have conducted some of the experiments. I do not want to get beyond the hurdle. If you have to make that executive decision, and it is quite a common thing to have a conflict of interest on a board and you remove yourself from the room, but if you have got to that stage with your own board, that either means you do not have confidence in your board or, alternatively, the board does not have confidence in you. Which do you think it is?

**Mr van Rooyen**—The board recently reaffirmed their confidence in me, and that came about directly as a result of some of the activities that I have been referring to.



**Senator HEFFERNAN**—We will turn to some of those activities, because I think the board needs to sort this out, and the industry wants you to sort it out. With respect to the recently scrapped task force, you took a delegation to Europe, correct? A delegation went to Europe?

**Mr van Rooyen**—I did not—

**Senator HEFFERNAN**—You did not take it, but it went?

**Mr van Rooyen**—There was a delegation sent to Europe earlier this year, yes.

**Senator HEFFERNAN**—Was that a board decision?

**Mr van Rooyen**—No, it was a management decision, quite rightly.

**Senator HEFFERNAN**—Why would you not have informed the board?

**Mr van Rooyen**—Because management have the role to carry out management's activities. The board's—

**Senator HEFFERNAN**—Can I just say that it is an expenditure—

**CHAIR**—Sorry, Senator Heffernan, allow Mr van Rooyen to answer. If it takes longer, we will go longer.

**Mr van Rooyen**—Management has the role to manage the business within authorised and approved delegations. The decision to send the task force overseas or to send individual managers overseas is totally within management's role. That is the way companies operate.

**Senator HEFFERNAN**—What I am pointing to is that if you want to have a board that has full confidence in you and you in them, I would have thought that the serious issue of expenditure of the board—and I will come to Wilkinson Media in a moment—by the way, are there two Peter Wilkinsons?

**Mr van Rooyen**—There was one who was Managing Director of The Woolmark Company at one stage.

**Senator HEFFERNAN**—Surely it is an affront to a senior person on a board to know that the chairman and the chief executive do not have enough confidence in that person that is on the board to disclose the fact that a delegation to address one of the most serious issues facing Australia's woolgrowers is going to head off to Europe, and the board has to find out about it on the news?

**Mr van Rooyen**—First of all, every board member is equal on the board. There is no senior director.

**Senator HEFFERNAN**—No, they are not, because you are saying that you will not disclose to other board members.

**Mr van Rooyen**—No, Senator; at the time of that delegation, and many delegations going, I was not chairman, but the reality is that management has the role to manage. Board members are there to direct and monitor, and to ensure that management is carrying out the direction of the board. This is quite a normal process in 99 per cent of all Australian companies and others. In fact, within the number of projects that we have, you are making a big issue about the fact that the board was not advised about this particular research on this mulesing alternative, but at any one time we have between 250 and 400 projects running, and the board would not know the details of 70 per cent of them. If I may, Chairman, I would like Dr Keniry, who has very extensive experience in this area, to pass a comment on it.

**Dr Keniry**—Just to pick up on what Mr van Rooyen said, the work that is done is done within a set of delegations, and the work that was done in relation to the mulesing alternatives was done under a contract that had been signed by the chief executive within his delegated authority. I do not have any issue that I was not aware, for example, of what was going on. That sort of things happens within AWI across the board where the delegated authorities are, and it eventually gets reported up. So I cannot see—

**Senator HEFFERNAN**—Fair enough, Dr Keniry, but if there were \$100,000 or \$200,000 of grower and government money spent on that delegation, do you not think that the board is entitled to know that it was going to be wisely spent and who should form part of the delegation? Do you not think that a bloke like Roger Fletcher—Mr Fletcher, how many sheep do you run?

**Mr Fletcher**—We run about 50,000 ewes.

**Senator HEFFERNAN**—How did you find out about this delegation to Europe?

**Mr Fletcher**—It was documented, and my gardener told me when he heard it on the ABC.

**Senator HEFFERNAN**—There is a bloke, Mr van Rooyen, that runs 50,000 sheep, and the first he knows about it is when his bloody gardener tells him that it was on the news. Do you have no confidence in Dr Keniry and Mr Fletcher?

**Mr van Rooyen**—I think that is not the issue. I do have confidence in Mr Fletcher. We are on a board together in another environment. What I would say is that all of the directors, apart from the two who were aware, had an email that this was about to be announced, so maybe if he heard it on the radio, it is because he has not been checking his emails. Their advice was late, but we all did get some prior advice before it got into the newspapers.

**Senator HEFFERNAN**—But it would have been a decision that was made over a period of weeks or days before. If you are wondering why there is this tension on the board—and I will come to the present election later and whether there has been AWI travel expenses spent on electioneering—I would have thought that the makeup of that delegation was pretty important. When I asked Mr Hamblin what was the expenditure of the task force that he chaired, he did not know the budget figures, and he was the bloody chairman. You have given it to me as a question on notice; I have the answer. Wilkinson Media did quite well out of it, because Wilkinson Media had a lot to do with the organising of the person in London who has been up for fraud. He was part of your PR operation in London. There have been some dodgy dealings done there. I would have thought that you would have consulted people on your board who are vertically integrated into the industry to say, ‘Who do you think we ought to send?’ It begs the question of the presentation that was made over there, of which I have a PowerPoint copy. Would it not have been sensible in an organisation such as yours—which has \$60 or \$90 million worth of taxpayer and grower moneys to spend every year, and not a lot to show for it, I might say—for the chairman of the taskforce, and I do not know how the taskforce was appointed, to know what the expenditure of the taskforce was and whether it was being spent responsibly?

**Mr van Rooyen**—You have made a number of assertions, and you have asked a question. First of all, the expenditure on the taskforce was controlled within the company, and you have been provided the information on that.

**Senator HEFFERNAN**—That is right, but why would not the chairman—

**Mr van Rooyen**—Sorry, Senator—

**Senator HEFFERNAN**—Excuse me; why would not the chairman of the taskforce be informed on the expenditure of his own mob?

**Mr van Rooyen**—The chairman of the taskforce was there to perform a role acting and discussing issues relating to animal welfare in Australia with overseas retailers.

**Senator HEFFERNAN**—But do you not think it would be—

**Mr van Rooyen**—Excuse me, Senator—

**CHAIR**—Sorry, Senator; carry on, Mr van Rooyen.

**Mr van Rooyen**—He did not control the budget. The budget was controlled within the company. In response to your other assertions that you made in relation to directors being informed, following the Swedish affair, the board was concerned about the adverse publicity and also about the actual progress being made in those markets. The board resolved that management should take the issues in relation to managing retailers overseas within the company and we would no longer use external people to represent the Australian wool industry in respect of those affairs. As a result of that, it is now being managed within the company.

**Senator HEFFERNAN**—I realise there have been some big changes under your chairmanship.

**Mr van Rooyen**—Senator, if I can just finish. Yes, a number of us on the board were not aware at the time of what was developing in Sweden. It was between board meetings and things evolved quite quickly. We would have liked to have been better informed.

**Senator HEFFERNAN**—Who was informed?

**Mr van Rooyen**—No-one that I am aware of on the board. I was not informed.

**Senator HEFFERNAN**—No, no, who was informed? If the board did not know, who did know?

**Mr van Rooyen**—Management had the role to run that, and management was running it.

**Senator HEFFERNAN**—Mr Targ, did you know? Were you the management, or you, Mr Welsh, did you know?

**Mr van Rooyen**—If I can just finish that, Senator, and then—

**Senator HEFFERNAN**—No, no, let us just nail this down.

**Mr van Rooyen**—They will respond.

**CHAIR**—Let us just let Mr van Rooyen finish the line of questioning, then you can go to them.

**Senator HEFFERNAN**—With great respect, Mr Chairman, as we go through this, I just want to tick it off. You say the board did not know but your executive did know; is that true, Mr Welsh? You did and the board did not?

**Mr Welsh**—That is my understanding, yes.

**Senator HEFFERNAN**—Hang on, you are the chief executive. It cannot be your understanding. It is either right or it is wrong.

**Mr Welsh**—Well, the answer is yes.

**Senator HEFFERNAN**—Why would you not say that?

**Mr Welsh**—It is the same thing.

**Senator HEFFERNAN**—So they did not know?

**Mr Welsh**—No.

**Senator HEFFERNAN**—Why did they not know? Did you think it was beneath your dignity to tell them?

**Mr Welsh**—No, because it was within management's responsibility.

**Senator HEFFERNAN**—Oh, my God! Mr Targ, did you know?

**Mr Targ**—Senator, I was aware that there was some bubbling activity in Sweden, but I went on leave round about that period, so I was not aware—

**Senator HEFFERNAN**—So it is in your court, Mr Welsh? Did Mr Flugge know?

**Mr Welsh**—Yes, he did.

**Senator HEFFERNAN**—Did Mr Wilkinson know?

**Mr Welsh**—I assume so.

**Senator HEFFERNAN**—Is that not the greatest insult to the board, to have a crisis that envelops all of Australia's wool growers and you do not think it is necessary to tell your own mob, the board?

**Mr Welsh**—We told them, but we just did not tell them straight—we had to make a decision; it was a fairly dynamic and fluid environment. We took the decision to send the taskforce overseas—

**Senator HEFFERNAN**—But here you have some guys—Roger Fletcher is Australia's largest wool processor. How many sheep do you have?

**Mr Fletcher**—I have 50,000.

**Senator HEFFERNAN**—You have 50,000 ewes; how many sheep do you have?

**Mr Welsh**—I do not have any.

**Senator HEFFERNAN**—Have you ever shorn a sheep?

**CHAIR**—Can I just come in here? Sorry, Senator Heffernan, just so the rest of the committee has a handle on what is going on, are you suggesting that if anyone on the board does not own sheep that—

**Senator HEFFERNAN**—No, no, not at all.

**CHAIR**—I am trying to get a visual. So you are not suggesting that?

**Senator HEFFERNAN**—What I am suggesting is that you take an executive decision that there is a crisis in Europe, and you will decide, and not the chairman and not the board—you do not even tell the board—who you will send, and the bloke you are sending does not even know what his role is. I asked him what his terms of reference were, and poor old Don Hamblin did not even know that. You have a bloke on the board who is the largest wool processor in Australia, and one of our largest wool growers, and you think, 'Oh no, we do not have to consult him. I will figure this out.' The trip was a complete cock-up.

**CHAIR**—Okay, Mr van Rooyen would like to answer that.

**Mr van Rooyen**—Senator Heffernan, the chairman at the time, Mr McLaughlin, was aware of that, I understand, and he was fully briefed as to the developments and to the sending of the taskforce overseas. Furthermore, he was party to the discussions in relation to that. That would be a normal course of events where you have delegated roles to management, and that happens in all Australian and international companies.

**Senator HEFFERNAN**—I will not tell the board how to run its business, but—

**Mr van Rooyen**—Well, that is good, Senator.

**Senator HEFFERNAN**—I would have thought that Mr McLaughlin, if you want to have a confident board, would at least have the courtesy to have a phone hook-up and say, ‘Europe is melting down; we’d better do something about this. Mr Welsh says we should do this, this and this; what do you think?’

**Mr van Rooyen**—First of all, Europe was not melting down. Secondly—

**Senator HEFFERNAN**—Well, whatever it was.

**Mr van Rooyen**—No, no, Senator, those assertions cannot go unchallenged.

**Senator HEFFERNAN**—Well, I will rephrase it for you. There was a crisis that needed a delegation to be sent to Europe.

**CHAIR**—Mr van Rooyen is answering, so let us hear the answer. Senator Heffernan, the floor is yours; you have the call, but if we ask questions, at least we can have the decency to hear the answer out, and then we will go on to further questions. Mr van Rooyen.

**Mr van Rooyen**—Thank you, Chairman. The situation is that this crisis was in fact a very, very significant media beat-up, aided and abetted by PETA, and aided and abetted by media within Australia—and, in some cases, quite falsely. Senators might have noted recently a withdrawal by the ABC of some of the claims they made at the time. The situation is that, between board meetings, when situations arise, management of any company has to manage the issues which it is authorised and properly delegated to do. Our management did that. When this hit the media, that was when concerns were raised at board level that board members were not—

**CHAIR**—I am sorry, Mr van Rooyen; I would urge senators if you are going to have discussions with staffers or visitors to the room, could you please remove yourself or go into the back room, because I cannot hear what is going on, and I do not know whether other senators can.

**Mr van Rooyen**—As I was saying, the situation is that management manage and board direct. This was between meetings. Yes, all of us board members would have liked to have known about it before we read about it in the media, but as I understand it, it was a quickly evolving situation, and we have certainly addressed that issue with management from the board level. But to assert that the board should have been involved in managing the issue, with respect, no. This was a management issue.

**Senator HEFFERNAN**—I am not saying that. I am saying that the board ought to be fully informed of a major crisis, if you want to call it that. If it required the sending of a delegation at short notice to Europe, I would have thought that it was an event that was interesting enough for the board to have taken an interest. I do not know what money was spent on it, but I do know from questions on notice that there has been \$3.629 million spent by Wilkinson Media, Golin Harris USA, and PLMR—which is the mob in the UK—spent \$2.5 million. Given that recently an employee duded the meat processors board for \$4.5 million, I would have thought that every board member on your board would be keenly interested to know where the money is going to and where it is coming from, and that is major expenditure of which I understand the board was not informed either.

**Mr van Rooyen**—That expenditure was over a lengthy period of time. It was not in the period of the Swedish crisis, and I want to make it absolutely clear that that level of expenditure was over a period of time—

**Senator HEFFERNAN**—I understand that.

**Mr van Rooyen**—And was properly authorised. Furthermore, about other organisations that have been duded, to quote you, Senator, we have recently conducted detailed audits. We even took advice on that particular issue in that other organisation and conducted separate checks on our own. As the department will verify, and as the auditors and internal auditors will verify, our systems, our processes, are very robust, and we have a very robust board subcommittee process in place, through the finance and audit committee, to ensure that, to use your words, AWI is not duded. I would just urge you to look at the dates over which that expenditure occurred. It happened over a number of years.

**Senator HEFFERNAN**—I am aware of that.

**Mr van Rooyen**—Your assertion or implication that it happened—in respect of the Swedish crisis is wrong.

**Senator HEFFERNAN**—In no way am I asserting that. But what I am trying to get to the bottom of—and, once again, I congratulate you and your executive for bringing along the full board today; it is a great effort—

what I am worried about and what people out there are worried about is to continually read headlines like ‘Van Rooyen keeps secrets from AWI’s “leaking board”’. I realise there is an election underway now, and I will come to that, but there probably is fault on both sides in this. I realise you are only a newly appointed chairman and you are a professional director—that is how you make a living—but human nature being what it is, I think it is an insult to a professional board to the point where people are deliberately kept out of the loop on an executive decision by the chief executive and perhaps the chairman. That is a dysfunctional board in my book.

**Mr van Rooyen**—Senator, it is an interesting point you raise. When you have the intense agripolitical activity that goes around our company, but, more importantly, when you have the conflicts of interest that we have and have to manage within the board and the breaches of board confidence from within the board, then that makes it extremely difficult to manage that. Now, I did not go out and publicly state that I would withhold that information from the board. I was criticised in the media about this by what was obviously a leak from within the board and I clarified why members of the board had not been informed of this. Now, I have already stated to you quite clearly the reasons for this. We could not allow this sort of information to go either to people who were wanting to denigrate or damage the Australian wool industry or to people who wanted to take advantage of the situation overseas to further damage our efforts to increase demand for the betterment of Australian woolgrowers.

**Senator HEFFERNAN**—But wouldn’t the way to handle it be if someone on the board has a financial benefit, a conflict of interest, that person declares? The delegation that went to Europe downgraded one of the references that you are referring to, that is, the pain relief. I have got the presentation. To use the most graphic mulesing shots, which could have been pain relieved, but they were not, there is fault on both sides, because if some of your board members have an alleged interest, they should declare it and that would be the end of it. I do not know, but I understand there was money spent on the chairman’s property at Tuperoo. Is that correct? Was that authorised by the board?

**Mr van Rooyen**—Senator Heffernan, wherever trials are conducted, growers—

**Senator HEFFERNAN**—But did you consult the board?

**Mr van Rooyen**—Excuse me, Senator. Wherever trials are conducted, AWI money is spent on conducting those trials. Trials have been spent on director Merriman’s property and on the chairman’s property. The chairman received no financial benefit. They provided animals for trials, as did director Merriman, and it was within management delegation, Senator.

**Senator HEFFERNAN**—I am not saying they did, but some people standing at the back of the room, uninformed, would say, ‘Well, hang on, shouldn’t that have been a declarable interest?’

**Mr van Rooyen**—Well, Senator, the situation is just no.

**Senator HEFFERNAN**—Who is the judge of that?

**Mr van Rooyen**—Because there is no material personal interest in the outcome.

**Senator HEFFERNAN**—But—

**Mr van Rooyen**—Senator, excuse me. These were trials that were conducted on limited numbers of animals under scientific conditions. One could actually argue that those who participated in these trials suffered.

**Senator HEFFERNAN**—What were those trials, by the way.

**Mr van Rooyen**—They did not gain anything as a result of this.

**Senator HEFFERNAN**—What were those trials?

**Mr van Rooyen**—These were trials with clips to see whether the alternative flystrike protection technology provided by clips worked and how that compared to normal surgical mulesing. These trials were conducted on quite a number of properties right round Australia, including, as I said, director Merriman and director McLachlan.

**Senator HEFFERNAN**—So, Dr Chris Abell, did you have a role to play in that?

**Dr Abell**—In the trials? No, I did not.

**Senator HEFFERNAN**—In clips?

**Dr Abell**—I had a role to play in clips. Yes, I did.

**Senator HEFFERNAN**—What was your role?

**Dr Abell**—I guess I was the co-inventor of the clips technology.

**Senator HEFFERNAN**—So would you have had a declarable interest?

**Dr Abell**—No, because I donated all property, real and inferred, tangible and intangible, to AWI.

**Senator HEFFERNAN**—So going to the clips: here they are, how do you get them off when you put them on, if they do not fall off?

**Mr van Rooyen**—Well, I can tell you, Senator, because I have put a clip on myself to try to defeat the misleading and deceptive comments that have been made within Australia and overseas by the animal rights movements, that the clips are as painful as mulesing, and it is quite simple to get it off if you put it on. You can take it off with a screwdriver, Senator. Now, if you put it on an animal, they are designed so that they will fall off the animal when they have performed their function.

**Senator HEFFERNAN**—So if you have a 10,000-acre paddock with 1,000 ewes running around in it, you are going to have how many of these in your paddock?

**Mr van Rooyen**—Senator, wool growers will have to make the decision as to whether clips suit them or not. I can tell you that we did not have enough clips to meet the demand this year from interested wool growers who wanted to clip their lambs this year. Fifty-five thousand lambs were given flystrike protection this year as a result of the use of those clips that Senator Heffernan has got there in front of him. Now, growers will decide whether they want to use clips and take them off or whether they will have clips on their properties. We are also working with a new licensee on biodegradable clips, but these are decisions for individual growers to make, depending on their own circumstances.

**Senator HEFFERNAN**—But this clip here, to get it off you have to use a screwdriver?

**Mr van Rooyen**—Or a pair of pliers, yes.

**Senator HEFFERNAN**—That is right. So that means you turn them out into a 10,000-acre paddock and at some point in the future bring them back in. Do you chuck them all up in the cradle again to get them off with the pliers?

**Mr van Rooyen**—That is a decision a grower might make, but the clips are not designed—

**Senator HEFFERNAN**—Mr Merriman, would you like to comment on that?

**Mr van Rooyen**—Excuse me, Senator, may I answer the question you posed to me?

**CHAIR**—We will just hear the answer from Mr Van Rooyen and then we will go to Mr Merriman.

**Mr van Rooyen**—The clips are designed to fall off the animal when they have performed their function. If a grower wishes to take them off, yes, they will obviously have to muster again, but that was not the prime purpose of this design, Senator.

**Senator HEFFERNAN**—Fair enough. Mr Merriman.

**Mr Merriman**—What is the question, Senator?

**Senator HEFFERNAN**—These clips here, you have used them—right?

**Mr Merriman**—Yes, I did a trial.

**Senator HEFFERNAN**—What did you make of them?

**Mr Merriman**—Well, they are not suitable for my type of sheep.

**Senator HEFFERNAN**—That is because you have got good, dense merinos that have a fair bit of body wrinkle.

**Mr Merriman**—Yes, I grow a heavier cutting merino sheep—

**Senator HEFFERNAN**—I am familiar with your sheep.

**Mr Merriman**—and they do not work well with them.

**Senator HEFFERNAN**—How do you get them off? If you put them on, how do you get them off?

**Mr Merriman**—They just fell off. I am not going to bring sheep back again and try to unclip them.

**Senator HEFFERNAN**—So you let them fall off in the paddock?

**Mr Merriman**—Oh, yes. It is the only thing you can do with them. They work to some extent underneath the tail, but the problem with them is all around the tail. That is where the wool hangs down, that is where the urine gets in.

**Senator HEFFERNAN**—Yes, where the urine stain goes.

**Mr Merriman**—That is where the strike comes from. But in AWT's press releases about it they say they are good for 40 per cent of the flock.

**Senator HEFFERNAN**—The money that has been spent on these—and, Dr Abell, this is your idea?

**Dr Abell**—Partly, Senator.

**Senator HEFFERNAN**—So how much money has been spent on these?

**Mr van Rooyen**—\$5.95 million.

**Senator HEFFERNAN**—Did the board authorise that expenditure?

**Mr van Rooyen**—Absolutely.

**Senator HEFFERNAN**—Are there minutes to record that?

**Mr van Rooyen**—Absolutely.

**Senator HEFFERNAN**—So the merit of the spend—Dr Abell, what do you think?

**Dr Abell**—Well, it is a fairly complicated and long and involved process—

**Senator HEFFERNAN**—I appreciate that.

**Dr Abell**—to (a) develop the clips, (b) develop a biodegradable clip, which is still under way, and to trial and extend that technology into the grower community. I believe that the largest part of the expenditure was on the extension, demonstration to growers and trialling and on welfare components to show that the welfare benefit of using the clip far exceeds the pain issue of surgical mulesing.

**Senator HEFFERNAN**—I have read the documentation. It says in the documentation that these are less painful than the mulesing. Right?

**Dr Abell**—That is what the trial shows.

**Senator HEFFERNAN**—How do you find that out?

**Dr Abell**—Do you want me to—

**Senator HEFFERNAN**—Do you ask the sheep or—

**Dr Abell**—Well, it is through a combination of—

**Senator HEFFERNAN**—Is there less 'ooh'? How do you make a judgement on how painful it is?

**Dr Abell**—No, we do not ask the sheep. It is through a combination of blood chemistry and behavioural observations of sheep. It is quite an exact—

**Senator HEFFERNAN**—Could you provide that to the committee?

**CHAIR**—Sorry, Senator Heffernan, I do not have a clue about clips. I would like to hear the whole answer. Then we will go back to you, Senator.

**Dr Abell**—Well, Kevin will help me as well. It is a combination of measurements of blood within the sheep to look at stress indicators and behavioural observations of lambs that have been clipped compared to lambs that have been mulesed or had other operations. It is quite an exact science. There is quite a scientific community associated with it, and it is very deterministic. The results are very repeatable.

**Senator HEFFERNAN**—Fair enough.

**Dr Abell**—Kevin, you wanted to add a bit to that.

**Dr Bell**—Just to back that up, I have had a fairly long involvement with this area, not continuously, but back in 1986 on behalf of the wool industry I published a report on the animal welfare aspects of Australian sheep husbandry practices. I teach animal science. I have had a long career working with farmers, and, as Chris said, animal welfare science, determining pain and the ethical nature of treatments to animals, is a new and evolving science, but I can vouch for the fact that in the trials that were done here under the highest authority of CSIRO, which judges a lot of other animal welfare treatments also, the same was applied to the

clips as to mulesing, and, as you have alluded to and the trial showed, the clips do show considerable animal welfare advantages over surgically modifying the breech of unsuitable sheep.

**Senator HEFFERNAN**—Obviously the long-term solution is going to be to breed these things out.

**Dr Bell**—Yes, that is right.

**Senator HEFFERNAN**—I agree with all of that, but in determining that these are less painful than a mules on the science, what does the science say about trisulphin?

**Mr Targ**—Senator, perhaps I will answer that. The research that was conducted on clips—there were actually bodies of work, too, with the University of Melbourne Animal Welfare Science Centre and one with the University of Sydney. They all show very positive welfare results for clips. There was a study I know that was done on trisulphin which showed that there was a significant amelioration of pain over conventional mulesing for a period of time, but once that period of time had elapsed there was a sort of a rebound. So the conclusion that we have is that clips, whilst significantly better than mulesing, also offer a better outcome than mulesing with pain—

**Senator HEFFERNAN**—So have you done—

**CHAIR**—Sorry, Senator. I am sorry for the interruption to the board. There is a photographer who wishes to take photos, and the only way that can happen is if the committee is happy for that to happen once the witnesses are happy for that to happen, and I have to ask you are you happy to have your photo taken. I do not know where it is going to end up. Is that all right? Anyone against? Carried. Thank you. Senator Heffernan.

**Senator HEFFERNAN**—So with the clips there is a relief of pain from the raw mules; with the trisulphin there is a relief of pain from the raw mules. Mr Targ, what does the Australian Veterinary Association think about all this?

**Mr Targ**—The Australian Veterinary Association, as far as I am aware—I read their last quarterly report—believe that we are on track with having an alternative on the market by 2010, and I think they were specifically referring to clips. They, I believe, are—

**Senator HEFFERNAN**—They are saying that mulesing should remain for health and welfare reasons till a proper, viable, doable alternative is available, are they not?

**Mr Targ**—That has been their position for a long time, Senator.

**Senator HEFFERNAN**—Yes. So in the meantime you say there is this dreadful conflict of interest on the board, Mr Van Rooyen, where you have someone who has an interest in trisulphin and therefore you cannot promote it. I would have thought that that interest should have been declared and then the board could go about promoting trisulphin right across Australia, because it does work, and graziers are happy to use it more than these, but because of the alleged conflict of interest, up until recent months it was ignored. Now, the tender process for these—Leader corporation or someone has got this now, has it?

**Mr Targ**—Leader Products, Senator.

**Senator HEFFERNAN**—Leader Products. Was that a public tender?

**Mr Targ**—There was a registration of interest process, yes.

**Senator HEFFERNAN**—And how many expressions of interest did you get?

**Mr Targ**—For the clips? Not many.

**Senator HEFFERNAN**—How many?

**Mr Targ**—I cannot recall, Senator.

**Senator HEFFERNAN**—Well, could you present that information to this committee?

**Mr Targ**—We can.

**Senator HEFFERNAN**—And the names of the people? And, so, having expressed their interest; did the board meet and decide who to give it to?

**Mr Targ**—The situation is that this—

**Senator HEFFERNAN**—The answer is no?

**Mr Targ**—The board formed a subcommittee, Senator, which is the alternatives to mulesing committee, which is chaired by Dr Keniry, and I briefed that committee every step along the way until we decided to go with Leader.



**CHAIR**—Could you tell us who is on that?

**Mr Targ**—Dr Keniry, Dr Abell and Dr Bell.

**Dr Keniry**—And, Chairman, that committee took the decision on the advice of Mr Targ to go with Leader.

**CHAIR**—Okay. Thank you.

**Senator HEFFERNAN**—So there was not a discussion at the full board about awarding what is a substantial contract; it was a *fait accompli* when it got to the board?

**Dr Keniry**—At the last board meeting I advised them that we had signed up with Leader, and there were no questions.

**Senator HEFFERNAN**—That is an extraordinary way to do business.

**Mr van Rooyen**—I note an assertion from Senator Heffernan which I hope is incorrect. Are you implying, Senator, that the company will be paying Leader an extraordinary amount of money?

**Senator HEFFERNAN**—No, pull the other leg.

**Mr van Rooyen**—No, I am just trying to get clarity.

**Senator HEFFERNAN**—I am not asserting anything. I am asserting that this is a major contract for the future of Australia's wool industry for a product that we do not even know is going to work which you have allocated to Leader, and I am just wanting to know what the due process was and how your directors who are not in the loop—now, whether they are part of the board that you have no confidence in I have no idea, but I would have thought it was useful for the full board to be informed about what would be many tens of millions of dollars worth of future well-being to Australia's wool growers and yet it just comes to the board as a *fait accompli*, 'Yeah, mate.' Can we see the process?

**Mr van Rooyen**—Senator, this process of looking for a commercial partner has been underway for the clips for over a year. The full board has been aware of this, totally aware of this. In fact, some actions by some members of the board, or a member of the board, could be construed as having resulted in one commercial partner having walked away from signing on for the company. So to assert that the board was not aware of the fact that the company was looking for a commercial partner to take over the manufacture and distribution of clips is absolutely false.

**Senator HEFFERNAN**—But I am not saying that.

**Mr van Rooyen**—Furthermore, Senator—

**Senator HEFFERNAN**—I am saying—

**Mr van Rooyen**—we have a properly constituted board subcommittee which had the responsibility for carriage of this.

**Senator HEFFERNAN**—Fair enough.

**Mr van Rooyen**—They handle it properly within board parameters and advise the board of the outcome. And, furthermore, at the board meeting at which the whole board was advised, no-one raised an objection to the process—

**Senator HEFFERNAN**—Fair enough.

**Mr van Rooyen**—and, in fact, as I recall it, board members were thoroughly pleased at the fact that we have this new partner in place.

**Senator HEFFERNAN**—So when you came to the subcommittee to look at the tender—I am just trying to get my head around a board that does not seem to work—how did you actually arrive at the subcommittee? Was that a discussion amongst the board, 'You do it, and you do it, mate, and, yeah, you do it,' or was it a decision taken at the executive level?

**Mr van Rooyen**—No, Senator. The decision was made, and I advised the board that I thought that we should have—

**Senator HEFFERNAN**—But, hang on, who made the decision? I am asking you who made the decision.

**Mr van Rooyen**—The board was advised of the proposal and the board agreed to it.

**Senator HEFFERNAN**—No, who made the decision?

**Mr van Rooyen**—I raised at a board—

**Senator HEFFERNAN**—You made the decision?

**Mr van Rooyen**—No, Senator, I did not make the decision. I proposed at a board meeting that we had the need for an alternatives to mulesing subcommittee to run a tight rein over this area as it is so critical to the industry, and I proposed, and my exact words were, ‘I think it’s appropriate that our three PhDs should be on this committee and that Dr Keniry should chair it,’ and that was agreed by the board, and there was no dissension, disagreement or otherwise. The board agreed to this, and it was a consensus decision, Senator Heffernan.

**Senator HEFFERNAN**—But, Mr Van Rooyen, did the board have a choice?

**Mr van Rooyen**—The board members could easily have said, ‘We do not agree with that.’ Board members have got a role on the board. If they do not agree, it is their duty to speak up and dissent and, as sometimes happens, have their votes recorded as dissenting. This was not the case.

**Senator HEFFERNAN**—Thanks very much.

**Mr van Rooyen**—And, Senator, I would like to take up an assertion that you have made about a dysfunctional board. I do not want anyone here on this committee to get the impression which Senator Heffernan is trying to make that this is a dysfunctional board.

Let me illustrate to you very clearly why this is not a dysfunctional board. On 90-plus per cent of the issues that the board considers, we have consensus, agreement, and we get on with the business of trying to get demand up and the price up for Australian woolgrowers. Where there are issues, they are largely in the area of mulesing and where we have conflicts of interest arising from commercial interests or agripolitical interests. But let me give you an example of unanimity on the board on a highly contentious issue, which will prove, I hope, to Senator Heffernan, that this is not a dysfunctional board. We had a situation earlier this year where a board member made inappropriate comments.

**CHAIR**—In the media?

**Mr van Rooyen**—In the media. And this was despite in previous months board members being requested not to make comments in the media which could damage the company and/or the industry. A board member persisted in making inappropriate comments to the media, and this was discussed at a board meeting, and the board censured that member. The entire board censured that member. Now, if this was a dysfunctional board, that would not have happened. Furthermore, the board at the same meeting—and I will table the page of these minutes, Mr Chair—

**CHAIR**—You must be reading my mind.

**Mr van Rooyen**—The board resolved unanimously, with every member voting for the motion, that only the chair and the CEO would talk to the media unless otherwise authorised by the chair or the CEO, and that was as a result of these inappropriate comments that were made. Now, that is not the mark of a dysfunctional board. Furthermore, the board in its entirety unanimously signed off and approved the strategic plan, which was seven or eight months in the formulation after wide consultation with industry within Australia and without Australia. The board unanimously signed off on the strategic plan.

**CHAIR**—A strategic plan for the future of Australia?

**Mr van Rooyen**—For the next three years, an Australian Wool Innovation strategic plan for the work we do for the Australian wool industry.

**CHAIR**—Which included—

**Mr van Rooyen**—That included a very, very comprehensive marketing program, which has recently been presented to retailers and partners and brand partners all over the world. So I reject utterly the assertion that this is a dysfunctional board because the evidence is absolutely otherwise.

**CHAIR**—Thank you very much. I am sure the tabling of that document will satisfy our concerns.

**Senator HEFFERNAN**—Thank you very much for that. Earlier this year there were three new directors appointed?

**Mr van Rooyen**—Correct.

**Senator HEFFERNAN**—What was the process of that? Did the board decide it needed three new directors?

**Mr van Rooyen**—At a board meeting in, I think, March, we discussed with the board the fact that we needed to bring on board wider expertise and more professional, principled and independent directors with a much wider skill base than existed around the board table.

**Senator HEFFERNAN**—So what does this say about the old board?

**Mr van Rooyen**—Hang on a second, Senator. I will answer your questions. It was advised to the board that we believed this would add to the strengths of the discussion and debate around the board table, particularly given the fact that we were completing our merger with The Woolmark Company and the company was evolving from an R&D corporation into a global marketing business, which clearly requires additional skills and expanded skills. In fact, it is quite interesting that some sectors of the Australian industry at the time were calling for exactly that. If I may quote from a newspaper article from the Australian Wool Growers Association Chairman, Martin Oppenheimer, in which he said:

Fresh blood and a wider skill base were needed on the AWI board. We need people with more marketing skills and more women.

Now, that was a quote on 5 April in the media. So at that time we were already addressing this issue, and we advised the board that this was going to be a totally independent process, arm's length, but if any board members had any views on people that they wanted to put forward, they could be put forward to the company that was going to independently look for those directors. Now, one or two directors did avail themselves of that opportunity to participate in that process. To the next board meeting an independent company, Spencer Stuart, came to us with their recommendations for three professional, independent, highly respected directors.

I had not met two of them, Senator Heffernan, so there was no issue of cronyism or networking or anything like that. This was a true arms-length, independent process. They were brought to the board. The board debated the issue, debated the candidates, and on a vote—I think the vote was five to two—they were duly appointed. I must say that their skills, professionalism and expertise have been significant to the debate around the board table.

**CHAIR**—For the committee, Mr van Rooyen, could you identify those two new directors?

**Mr van Rooyen**—There are three directors. It is Dr Keniry, Ms Robyn Clubb, and Mr Ken Boundy, who, unfortunately, is an apology here today.

**CHAIR**—Thank you.

**Senator HEFFERNAN**—Thanks very much. I realise that a fair bit has happened since Mr McLachlan retired. Mr Van Rooyen, you have made a lot of it happen. I realise that. Since we were here last, is it true that Mr Chapman is finishing up?

**Mr van Rooyen**—Yes. He is leaving the company. He is part of an overhead reduction plan and, as such, his position is redundant. I might say to you, Senator, his departure and other departures have nothing to do with the assertions that were made at the last meeting. Mr Chapman has been, and still is, a valued member of the company who is making a significant contribution to the company—

**Senator HEFFERNAN**—Fair enough.

**Mr van Rooyen**—and to the Australian wool industry.

**Senator HEFFERNAN**—Fair enough.

**Mr van Rooyen**—And that should be recognised.

**Senator HEFFERNAN**—Is Mr Targ also finishing up?

**Mr van Rooyen**—Mr Targ is also leaving us as we rationalise our administration following the merger with The Woolmark Company. This was actually discussed with Mr Targ over a year ago, and Mr Targ, I am sure, will not mind me saying that he undertook to see to the merger of The Woolmark Company with AWI before he considered moving on, and I think he has done a brilliant job in seeing us through that process. Again, Mr Targ's departure, as we rationalise our overhead structure, has got nothing to do with what happened here at the previous estimates hearing.

**Senator HEFFERNAN**—No, I am not suggesting for a minute it did.

**Mr van Rooyen**—I did not want anyone to have any thoughts that it might have.

**Senator HEFFERNAN**—Wilkinson Media—have they finished up?

**Mr van Rooyen**—A number of consultants who are working in conjunction with the task force are no longer doing that as we have brought that entire process in-house in accordance with the board's wishes.

**Senator HEFFERNAN**—So is that the impact of some new board members?

**Mr van Rooyen**—That decision to bring it in-house was done, I think, could have been about the time of the new appointments. I stand to be corrected on that one, but certainly the new board members have discussed the involvement of the task force in-house and have been very supportive of that move as well.

**Senator HEFFERNAN**—So what about the Inall mob? Are they finished?

**Mr van Rooyen**—Well, obviously in respect of any roles in relation to the task force roles, yes, because we brought that in-house. I do not know if they perform any other functions for the company.

**Senator HEFFERNAN**—Mr Welsh, do they?

**Mr van Rooyen**—I would rather take that on notice, Senator.

**Senator HEFFERNAN**—Well, he could easily—

**Mr Targ**—I can clarify that, Senator. Just to clarify, Cox Inall did not play any role in the task force activities. They were retained for other activities.

**Senator HEFFERNAN**—But is it fair to say they are finished up?

**Mr van Rooyen**—I will take that on notice, Senator.

**Senator HEFFERNAN**—But if you do not know and if your chief executive who should know does not know, who does know?

**Mr Welsh**—No, they have not finished up.

**Senator HEFFERNAN**—Well, there you go.

**Mr Welsh**—They are still involved in industry association surveys on our behalf.

**Senator HEFFERNAN**—What other PR people are still on the payroll? Have the mob in London finished up?

**Mr Targ**—Yes, they have.

**Mr Welsh**—Yes, they have.

**Senator HEFFERNAN**—And have the mob in America finished up?

**Mr Welsh**—When you say 'the mob in America'—

**Senator HEFFERNAN**—Oh, whatever their name is.

**Mr Targ**—I think the basic principle is that, once we acquired The Woolmark Company with its offices overseas, we were able to better reach retailers who have been approached by PETA through that network rather than international companies.

**Senator HEFFERNAN**—Fair enough.

**Mr Targ**—That is why Golin Harris and PLMR were appointed in the first place. There is no need to have them on board anymore.

**Senator HEFFERNAN**—This is progress as far as I can see. How much did you give for The Woolmark Company?

**Mr Welsh**—Fifteen million.

**Senator HEFFERNAN**—Sixteen or fifteen?

**Mr Welsh**—Fifteen plus GST.

**Senator Sherry**—That makes 16½.

**Senator HEFFERNAN**—How has it gone?

**Mr Welsh**—We are still working through the actual integration itself. We have just started a global relaunch of the Woolmark brand. We have integrated the offices around the world quite successfully. We have entered into a significant restructuring of the organisation where we closed facilities in the UK, and we have rationalised the businesses elsewhere around the world. The main asset, the brand, is part of a global relaunch, which we are in the process of doing at the moment, and it has been accepted exceptionally well.

**Senator HEFFERNAN**—Do you quarantine the overheads from that organisation from AWI's?

**Mr Welsh**—It depends on the overhead.

**Senator HEFFERNAN**—Has the income halved or is that a nasty rumour?

**Mr Welsh**—Over the period of time, yes, it would be very close; it has halved.

**Senator HEFFERNAN**—What does that say about it?

**Mr Welsh**—The income in the last 12 months has come down probably by about 10 per cent, but the income over the last maybe seven or eight years has come down by about half.

**Senator HEFFERNAN**—When was the income last at \$18 million?

**Mr Welsh**—I am guessing it is close to eight years ago.

**Senator HEFFERNAN**—And what is it now?

**Mr Welsh**—This year it is going to be \$10 million or \$11 million.

**Senator HEFFERNAN**—Are you in charge of the redevelopment of—?

**Mr Welsh**—It is part of our strategic plan, yes.

**Mr Merriman**—Chairman, I do not know the protocol here but I can help with these figures because I am vitally interested in it.

**CHAIR**—Feel free to jump in, Mr Merriman.

**Mr Merriman**—Thank you. In the Woolmark annual report last year I think their licence fees were something like \$16 million to \$17 million, and this year with us it was about \$7.3 million or \$7.5 million or something like that. This year, with us, in our annual report, it is \$7.3 million.

**Mr Welsh**—No, the licensing fees in the Woolmark report last year were not that high.

**Mr Merriman**—It is in the Woolmark report, so—.

**Mr Welsh**—Yes, but you are not referring to the licensees; you are referring to their total income, of which licensees is a much smaller component.

**Mr van Rooyen**—Chairman, can I suggest that we take that on notice and provide the actual detail We are dealing with assumptions here.

**CHAIR**—Most certainly, yes.

**Senator HEFFERNAN**—Mr Welsh, how much has the income declined as a percentage since you took it over?

**Mr Welsh**—I am guessing it is going to be around 10 per cent, which is pretty much in line with the reduction that it had been tracking over the last eight years.

**Senator HEFFERNAN**—Mr Abell, you are on the finance oversight committee. Have you any comments to make on the worth of the acquisition of Woolmark, whether it was a great or not so great investment or the challenge of the investment?

**Dr Abell**—The fundamental reason for the acquisition of The Woolmark Company was strategic for the industry. You will be aware of that because the government grant supported the acquisition. The decline in the Woolmark revenues is consistent with the trend that AWI inherited from The Woolmark Company. The most important element associated with The Woolmark Company has been the strategic plan to refresh the mark, refresh the brand, add strength to what we purchased from The Woolmark Company and revamp it through company offices worldwide in support of the marketing of Australian wool now, not internationally grown wool.

**Senator HEFFERNAN**—So, it would be fair to say, Mr van Rooyen, that under your chairmanship you have rationalised the activities in a positive way at Australian Wool Innovation?

**Mr van Rooyen**—We are busy doing that. Yes, we are. We are looking at significant overhead reductions and cost reduction plans. This is not just me; it is the board and management. We have got a very aggressive, we think, and very robust marketing program in place to meet a quite challenging target to increase demand and thereby price for Australian wool growers. That ultimately is what we are here for—to deliver outcomes for Australian wool growers which will further improve their profitability or return them to profitability. That has got to be our most single-minded, important focus. That is what we are busy about.

**Senator HEFFERNAN**—I see that in your publication here. Your aim is to reduce wool cost of production by 40c a kilo. Is that right?

**Mr van Rooyen**—Yes.

**Senator HEFFERNAN**—What sort of wool are you referring to there: crossbred wool that is worth 250c, merino wool that is worth 850c or is it across the board? How do you arrive at 40c a kilo?

**Mr van Rooyen**—This is a general picture—

**Senator HEFFERNAN**—Like a motherhood statement.

**Mr van Rooyen**—No, it is not a motherhood statement, because it is actually quite important to us. There are a lot of people who tend to pooh-poo the thought of reducing costs on farm. I am going to ask Dr Bell to talk about this because this is his speciality area. But let me tell you that in the merino area if we can increase the clip per head by 600 or 800 grams, it will easily achieve that target. A lot of our on-farm projects—and I have here for the committee a detailed list of them—are absolutely designed to assist growers to increase production—to increase production per hectare and to increase production per head—through better nutrition and better management techniques. That is what this is all about. I do not think that is a challenging target if we can get adoption. I will let Dr Bell talk a bit about some of the programs.

**Senator HEFFERNAN**—Before you go to the doctor, does that include some modelling on future carbon emissions?

**Mr van Rooyen**—Not at this stage, no. That is an area that we are currently discussing and are looking at from a board perspective. We have directed management to conduct some research in this area.

**Senator HEFFERNAN**—I do not think anyone knows where we are going with carbon trading. At \$17 a tonne, the dairy industry is out of business. Have you blokes done any figuring at all on the impact of carbon pricing on the sheep industry?

**Mr van Rooyen**—We are currently doing research so that we can talk with firm science in this area. It is something that the board has been directing management to undertake. It is an area that we are looking at quite seriously because of the significant potential implications. At the end of the day, we do not want to see wool growers turned into kangaroo farmers and blue gum plantations. But I would like Dr Bell to just finish off there please.

**Senator HEFFERNAN**—The floor is yours.

**CHAIR**—Before we go to Dr Bell, I believe you wanted to table some information for the committee, Mr van Rooyen.

**Mr van Rooyen**—Yes, I would.

**CHAIR**—Good.

**Dr Bell**—Where would you like to start?

**Senator HEFFERNAN**—Where your chairman wants you to start.

**Dr Bell**—Let us just deal with the carbon one first; that is important. All the board will know that in the last two or three meetings we have been addressing this issue, as part of our strategic plan for us representing the wool industry, and are looking at it from a wool growers' point of view because we do not want to be lumbered with agriculture in general. We actually think we have got a good story to tell on the marketing front and the production front.

**CHAIR**—Good. We would love to hear it.

**Dr Bell**—It actually fits in very well with improving farm productivity. An average farm using maybe 30-35 per cent of pasture grown does not present a pretty picture in terms of carbon usage. The sort of production that we can get from a farm that has efficiently grown sheep—well bred, on good pastures and with good parasite control; all the things that we like to aim our research at—is far more carbon friendly than an average farm. I will talk about that in today's economics, if you would like to hear it.

**CHAIR**—Dr Bell, I think that time really is against us. We would appreciate a brief overview because there are a lot of points. We are not diminishing the good work that you are doing but there are a lot of questions to cover.

**Dr Bell**—It is not my work; it is the whole industry doing the work. And AWI has a brief on behalf of wool growers. We recognise that wool is grown—this is stating the bleeding obvious—on sheep. Sheep graze grass,

they get worms and they have genetics. It goes across all of those things too. So we have to operate in that sphere. We do, with hopefully the best people available. A lot of people, for example, query the investment in unified state-of-the-art sheep genetics in Australia for merino sheep—not for meat production, which I think everyone knows is very good. In the last six years, since SGA has been up and running, we know for a fact—you can table it—that the seven per cent merino index has gone from 123 to 132 per cent. On today's price of wool at the EMI, that would give me 50c a sheep per year increase in profitability for someone who uses best practice genetics in a sheep flock. This just does not happen. There has been an investment there. People have to adopt it on their own farm and in their own system. That is just one little thing. I will start on another project that is very good, and I will stop anytime you want me to.

**CHAIR**—I will pull you up pretty soon, Dr Bell, but carry on.

**Dr Bell**—Thank you. I will take another one. This is a very good project, the idea of which was instigated back in the nineties. It was not really funded by AWI until about 2003-04—Lifetime Wool. We know that farmers can confidently now look at managing sheep without the penalties. Where I find it very useful, and you would identify with this, is when it comes to paying \$300 a tonne for another truckload of oats when I have run out. Can I afford to do it? Lifetime Wool tells me whether I can or cannot. Up until this project, that information was not there for growers. Is it worthwhile pregnancy testing sheep? There is a lot of work that has been done—

**CHAIR**—There is obviously, Dr Bell.

**Dr Bell**—We know that that is worth anywhere between \$4 and \$7 per ewe to a flock, depending on where they are.

**CHAIR**—That is great. If you have that information, you can table that for the benefit of the committee—

**Dr Bell**—Yes, I can.

**CHAIR**—because it is nice to hear some good news.

**Dr Bell**—It is out there.

**CHAIR**—The first half hour was not all good news. On that, Senator Heffernan, before we go any further, do you have many more questions? Do you want to have a break or do you want to keep going, because all the Senators will get a chance to ask questions?

**Senator HEFFERNAN**—You say 50c a head. Was that a saving?

**Dr Bell**—Yes, \$5 a kilo for wool. That is what I worked on.

**Senator HEFFERNAN**—Was it you, Mr Van Rooyen, who said we might have to bring in extra shearers?

**Mr van Rooyen**—This was raised with me at a number of meetings I have had with growers around the country, who expressed their concern about a shortage of shearers. This has been a widespread concern, particularly in Western Australia, but it was also expressed to me in South Australia.

**Senator HEFFERNAN**—Can I just say of this 40c a kilo, I do not know whether that is on a sheep that is going to cut seven kilos or four kilos.

**Dr Bell**—It is on your average sheep.

**Senator HEFFERNAN**—What is your average sheep?

**Dr Bell**—In my clients, I work on five kilos at five bucks a kilo, because we just grow standard 19-20 micron wool. If you are in a fortunate area where you can grow 18 and 17 micron wool, you would expect to grow less kilos—worth more.

**Senator HEFFERNAN**—So \$2 a head improvement?

**Dr Bell**—Fifty cents a head I said.

**Senator HEFFERNAN**—Yes, but with the 40c a kilo target—

**Dr Bell**—I did not say—

**Senator HEFFERNAN**—Your chairman did.

**Dr Bell**—Yes, that is right. I said that you could straightaway get that.

**CHAIR**—Senators, when we are asking questions we will direct our questions through the chairman who may wish to pass on to another member of the board who has expertise in that area.

**Senator HEFFERNAN**—Mr van Rooyen, that would equate to roughly \$2 a head if it were across the average of the clip.

**Mr van Rooyen**—Correct.

**Senator HEFFERNAN**—How much do you reckon a head extra is going to cost to crutching an extra time a year?

**Mr van Rooyen**—Could you just clarify your question, Senator?

**Senator HEFFERNAN**—You have picked up that New Zealand are going back to mulesing because they say the other method does not work. It is at least one extra crutching a year that they are involved in, which is a big deal out in the back country.

**Mr van Rooyen**—That, Senator, is using those particular management techniques. There are a number of alternatives which will not involve double crutching. So, you cannot generalise and apply that to—

**Senator HEFFERNAN**—But the basis of your extra shearers, part of the blurb, it may be not correct, was that we need more shearers for extra crutching. Is that not right?

**Mr van Rooyen**—No, that is not right. The issue that was raised with me was that currently in certain parts of the country, particularly in Western Australia and some parts of South Australia, there is a shortage of shearers.

**Senator HEFFERNAN**—Yes, there is.

**Mr van Rooyen**—And that has been raised with me as a concern. My answer to that was that 15 or 20 years ago the shortage of shearers in Australia was resolved by a large influx of New Zealand shearers. They play a very important role at the moment in shearing in Australia.

**Senator HEFFERNAN**—And their wide combs?

**Mr van Rooyen**—And their wide combs.

**Senator Sherry**—Let us not go there because it will be a long, long day.

**Senator HEFFERNAN**—Shearers' elbows were going to fall off if they used wide combs. Have you seen any shearers without an elbow?

**CHAIR**—Mr van Rooyen, I will give you the opportunity. We have asked for the board, at great expense to the board members to be here. Let us get the questions directed to the board that are of utmost importance because we are really starting to run out of time and there are other senators wanting to ask questions.

**Mr van Rooyen**—Just very quickly, Chair, the situation is that, if there is a shortage of shearers—and our training programs are active and out there and are valued by the industry—and we are not training enough then we have to get shearers in from a low-cost country, as we did with New Zealand all those years ago. If there is a shortage and if we can get the short-term visas, it is a logical solution to a short-term problem.

**Senator HEFFERNAN**—There was an injectable research program—how many years ago?—that failed. Was it knocked on the head in 2003 or 2005?

**Mr van Rooyen**—What you are referring to is an intradermal?

**Senator HEFFERNAN**—Yes.

**Mr van Rooyen**—I notice in the *Hansard* on 18 February, you referred to it continuously as the 'injectable' but it was actually the intradermal.

**Senator HEFFERNAN**—Yes, well, whatever. That failed. So we have now got a new process which, once again, has been kept from the board.

**Mr van Rooyen**—That happens to be the same one that you referred to earlier, Senator.

**CHAIR**—Just on that, is there anything you wish to table, Mr van Rooyen, because questions keep coming back to the original line of a dysfunctional board. I will bring it up. You have defended or you have answered the questions. But so that we do not keep coming back to this, do you need to table anything?

**Mr van Rooyen**—Yes. As much as I am uncomfortable tabling documents that may be highly critical of fellow board members, given that Senator Heffernan has a focus on a dysfunctional board, I will table documents detailing breaches of board confidence. I will detail documents that show board members asking questions of staff on behalf of other commercial interests without disclosing that. I will detail documents reflecting directors not disclosing their commercial interests at a time when they are writing to other directors



pushing a certain line in respect of animal rights movements overseas. I will table documents where I have continuously reminded directors of the requirement to be totally open and to disclose conflicts of interest every time they are discussing or writing about somewhere that their commercial interests could be affected. These go back to November last year and continue to be an issue for us. If the chair would allow us just two minutes, I would like to ask Director Clubb, who is a new appointment to the board and who has a particular view on governance just to give you her impression of the issues we have to deal with.

**CHAIR**—I think it is probably very important. I apologise for not asking earlier.

**Mr Merriman**—Excuse me, I presume board directors will get a copy of these allegations?

**CHAIR**—Once it is tabled it is news for the world. It will be on the website.

**Mr van Rooyen**—Let me assure the board members here that they are well aware of them, and they have seen them. There is nothing new in this. This is something that all board members should be aware of if they read their board papers and their board minutes.

**CHAIR**—Thank you, Mr van Rooyen. Director Clubb, do you wish to add some commentary?

**Ms Clubb**—Yes. Thank you. The fundamental issue, as I see it, is the inability of some directors to understand that their first responsibility is to Australian Wool Innovation and that, where there is a potential for a conflict of interest, it is up to them to identify that conflict and to manage that conflict. That involves declaring that they have a conflict and not being party to a discussion and certainly not disclosing information outside the boardroom where it could be of detriment to AWI and, hence, to the industry.

**Senator HEFFERNAN**—What are you actually referring to there? What is this great conflict of interest?

**Ms Clubb**—It is where some directors obviously have commercial interests.

**Senator HEFFERNAN**—What are they? Are these spelt out in the documents we are about to see?

**Ms Clubb**—Yes.

**CHAIR**—On that—and I will come back to you, Senator Heffernan—if it is possible that we could have them tabled ASAP, Mr van Rooyen, so that the committee could have that in front of them?

**Senator HEFFERNAN**—Is there something else besides Tri-Solfen?

**Ms Clubb**—There are a number of instances where people have actually disclosed information or discussed information outside the boardroom which may or may not have been detrimental to AWI. It goes back to our original point: do these people understand where their responsibility lies? It is to AWI; it is not to their group of wool growers that they represent. It is to AWI. Under Corporations Law that is their fundamental responsibility.

**Senator HEFFERNAN**—Yes. So what are some examples of that?

**Ms Clubb**—As will be tabled shortly, there have obviously been issues around Tri-Solfen and the company that one of our directors is associated with and—

**Senator HEFFERNAN**—This is Bayer?

**Ms Clubb**—Yes.

**Senator HEFFERNAN**—You can talk simple language. You do not have to—

**Ms Clubb**—That is one example.

**Senator HEFFERNAN**—What else?

**Ms Clubb**—There have been instances where communication has been with Bayer outside the boardroom at inappropriate times and that information has been given to a commercial interest that could have been detrimental to other activities within AWI.

**Senator HEFFERNAN**—So that is why you had to quarantine these clips away from the Tri-Solfen gang on the board. An administrator should probably be put into AWI because there is so much division and misunderstanding that Australian wool growers are being sadly let down.

**Mr van Rooyen**—Mr Chairman, could I challenge that assertion.

**CHAIR**—Most certainly.

**Mr van Rooyen**—The clips were not quarantined like that.

**Senator HEFFERNAN**—How much money has been spent on—

**CHAIR**—Let him answer the question. Mr Van Rooyen has the floor.

**Mr van Rooyen**—We cannot allow these assertions to go unchallenged. The clips were not quarantined. The board were aware of the situation with the clips. The board voted the funds for the clips. It is absolutely damaging to the Australian wool industry if we allow these sorts of assertions to be made, which have no basis in fact.

**Senator HEFFERNAN**—Yes, fair enough. How much money has been spent on these?

**Mr van Rooyen**—We have already given you that figure. It is \$5.9 million. You were given that answer about half an hour ago.

**Senator HEFFERNAN**—I got a different figure to that actually.

**Senator SIEWERT**—The issue is about allocation of resources to a particular technology and whether other information is not being given to board members when they are making the decision. My concern is that, if you are making a decision to invest in one technology and the full range of knowledge on all the other possible technologies is not there, how do you make a decision about whether that is the right area to invest? I am not questioning whether the investment was right or wrong; I am asking how you make a decision if the board members who are making that decision do not have the knowledge of all the other possible technologies.

**Mr van Rooyen**—First of all, we do not only invest in one technology.

**Senator SIEWERT**—I understand that.

**Mr van Rooyen**—We are investing in a whole range of technologies, and any new technology—

**Senator SIEWERT**—Investing in research or investing in actually getting it off the ground?

**Mr van Rooyen**—No, I am talking about R&D as well, if necessary, in assisting commercialisation. Because we have one potential solution for clips, do we stop work? Absolutely not. We understand that, to solve the mulesing issue, we have to have a wide range of alternatives available for growers because growers in different parts of the country, growers with different types of sheep, will select an alternative that suits them best. That may range from genetic options, to management options, to clip options, to new chemical options or whatever other new technology we may come up with in the future. But just because we have investment in one particular technology, it does not mean we do not invest in others. I want to make that clear. We are investing widely across the whole spectrum of options.

**Senator SIEWERT**—But, for example, when it comes to the technology you are using on a range of sheep, how do the board members have confidence that there is not another technology that is slightly better—a technology that they do not know about and which would be better for the board to invest in?

**Mr van Rooyen**—The board would look at any other option that might come forward. The board does not restrict the flow of options to the board. If another alternative came up that could be, let us say, a modification of the type of clip or some other new technology, the board would look at it. There is no restriction on options coming forward to the board.

**Senator SIEWERT**—Yes. But you have already said that some of the board members have not known about some of the research you are doing. I have heard the reasons that you used, and I will come to that in a minute. But we have already heard that some board members do not have access to the full range of information because of possible conflicts of interest or because you are worried about information being leaked.

**Mr van Rooyen**—Only in respect of the chemical injectable were board members not advised—up to the point where they became public.

**Senator SIEWERT**—Is that the only technology that the board members have not been informed about?

**Mr van Rooyen**—That is the only one that I can recollect; there is no other. All the other alternatives are out there and are discussed and debated.

**Senator HEFFERNAN**—Would it be fair to say that—

**Senator SIEWERT**—Can I just finish this train of thought. What I would like to know is: do you think that is an effective way for the board to operate—to not keep board members informed of progress or research areas because it is possible information can be leaked? Is that an effective way of operating? It does not seem effective to me.

**Mr van Rooyen**—No, absolutely. But what do you do when you have a board that has demonstrated that it leaks confidential information to companies that have been shown to be acting not in the interests of Australian woolgrowers and the development of alternative technologies? We had to manage that at that time. I agree with you that the board should not have representatives as directors, who are conflicted. You should have professional, independent, principled directors of a company—but that is not what we have.

**Senator SIEWERT**—I agree with you, but there is always a potential that people have conflicts of interest. It is inevitable.

**Senator HEFFERNAN**—It is no big deal.

**Senator SIEWERT**—But most boards have effective ways of dealing with it.

**Mr van Rooyen**—But the only effective way you have of dealing with it is to insist that the directors concerned absent themselves. If directors do not abide by those requests, or continue to act against the interests outside of that, a normal commercial board would insist on their resignation. In fact, we have a very experienced director here. I think Dr Keniry, a very experienced director, should give you his view of this situation.

**Senator HEFFERNAN**—Can I just put the committee on notice—

**Mr van Rooyen**—Senator Siewert, he could actually answer you best.

**Senator HEFFERNAN**—Mr Chairman, could I just put the committee on notice of how serious a concern I have about this discussion? When do the ballots close for the election of directors?

**CHAIR**—Senator, you have put on notice that you have some concerns, but Senator Siewert has the floor.

**Senator HEFFERNAN**—Before we go to that—

**CHAIR**—You put the committee on notice. Let Mr Van Rooyen—

**Senator HEFFERNAN**—Before you get to this answer—

**CHAIR**—Mr Van Rooyen will continue his answer. If you want to jump in later, as long as Senator Siewert is happy with it, you can.

**Mr van Rooyen**—Dr Keniry could probably give a very independent view of this because this comes back to the issue that was raised earlier about the board not functioning together. I would like Dr Keniry, with his vast experience in this area, to give you his views.

**Senator HEFFERNAN**—Before he does, could I just make the point that there is an election of this board at the present time. When does the ballot close?

**Mr van Rooyen**—17 November, I think.

**Senator HEFFERNAN**—If I were a cynic, I would see a lot of what was going on this morning as campaigning.

**Senator SIEWERT**—You are the one who asked—

**CHAIR**—I will stop that right there because, as I see it—

**Senator HEFFERNAN**—The answers you get, you might not like.

**CHAIR**—I have seen some of the questions too, Senator Heffernan, so I do not think we should go down that path. If there are fair dinkum questions to be asked of the board, we will ask them. Otherwise, I am going to pull it up and then your colleagues can knock you out at lunchtime because they did not get a chance to ask their questions. Dr Keniry, could you answer that very briefly. We will then go back to Senator Siewert, and there are other senators who are full members of this committee who want to ask questions.

**Dr Keniry**—There are conflicts and then there are conflicts. If the conflict is basically all pervasive, then normally in companies there is a process where that director just does not get onto the board in the first place—if you can see it is going to be a perpetual conflict. Even political parties have preselection processes, and I presume part of the reason they have those is to make sure that they screen out people who are going to be a problem. AWI simply does not have that. There is no preselection process. There is nothing. There is just an election. Of all the companies I have been involved in as a director over the last 20 years, this is the only one where agripolitics can get into the boardroom as aggressively as it does. You have got to make a political platform to get elected, and unfortunately that is what happens.

The board gets there on a lot of issues, as the chairman has said, but there are some aspects of AWI which I think are the worst of any of the companies I have been involved in. Trust among the directors is not good. There is public disunity, and everybody knows disunity is death, particularly in an area like this. There is leakage of board information, which should not happen, and there are these persistent conflicts. Now, you have said that the board works, that we get there, but I would say that the board will never work properly. These are really fundamental things about how boards work. There has to be trust. You have to sort out the issues behind closed doors and not go out to the media and get them out there.

**CHAIR**—Thank you, Dr Keniry; no truer word spoken.

**Senator SIEWERT**—It seems to me at the moment that the key thing that is dividing the board is the mulesing issue. Would that be an accurate statement?

**Mr van Rooyen**—That is the major issue, and probably contributes to the leaks which then, of course, undermine confidence.

**Senator SIEWERT**—My understanding is—and please correct me if I am wrong—the board has in general accepted that mulesing needs to be dealt with, so what you are trying to do is to find a way to deal with that in an economically feasible process; is that correct?

**Mr van Rooyen**—That is correct. The board, I think twice or three times between December last year and March of this year, reaffirmed its commitment to the industry's commitment to the phasing-out of mulesing and to developing alternatives as quickly as possible. I can read the exact motion; I have it here in the board papers.

**Senator SIEWERT**—Was that unanimous?

**Mr van Rooyen**—That was a unanimous motion, yes.

**Senator SIEWERT**—So now what you are trying to do is to find a range of alternatives to deal with—let us call them wrinkly sheep and non-wrinkly sheep, for want of a better term; is that correct?

**Mr van Rooyen**—That is correct.

**Senator SIEWERT**—Is that accepted by all board members?

**Mr van Rooyen**—All board members voted in favour of the resolution.

**Senator SIEWERT**—For all types of sheep?

**Mr van Rooyen**—All types of sheep which are applicable as far as flystrike is concerned. Obviously it is not as big an issue with cross-breeds.

**Senator SIEWERT**—Is what we are dealing with here conflicts of interest because different board members and different parts of the farming community support different techniques? Is that the bottom line? I am trying to get to the bottom of what the fundamental causes of this are.

**Mr van Rooyen**—Certainly there are some parts of the industry that have indicated a desire to continue mulesing, for whatever reason. There are others who have indicated they want to continue mulesing until suitable alternatives are available. It certainly appears to have divided the agripolitical side of our industry quite sharply. What does concern me is that some parts of the industry, namely those supported by AWGA, the Australian Wool Growers Association, appear to have a platform that does not support new technologies and seems to be single-mindedly focused on mulesing with pain relief.

**Senator SIEWERT**—With pain relief. And that is where the—

**Mr van Rooyen**—The Tri-Solfen comes in. That is a significant issue for us because, at the same time, our retail customers' brands and the people who ultimately are the ones that make the decision whether Australian wool is sold around the world have said that the industry must honour its commitment to the phase-out of surgical mulesing by 2010. That is what, without exception, every retailer that I have spoken to—and I was overseas five weeks ago—has said; that is the consistent message.

**Senator SIEWERT**—So, in other words, the pain relief spray is not going to solve the market's problems?

**Mr van Rooyen**—Not post-2010.

**Senator SIEWERT**—Okay. So it is useful in the period of use up to 2010 and after that it will not solve the industry's problems?

**Mr van Rooyen**—It will certainly not solve our problem overseas with the major retailers and brands, no.

**Senator SIEWERT**—Are the retailers that you are speaking to overseas accepting of the other technologies that you are talking about, such as the clips and injections?

**Mr van Rooyen**—Yes, there are some retailers who are accepting them. Of course, they are the subject of a major campaign by PETA and others to denigrate the clips. Statements have been made by PETA and others that the clips are as painful as mulesing; hence my stunt to clip myself. Clearly that information is false; it is not backed by science and is, in fact, just plain wrong. A number of retailers, as a result of the efforts we have made, have said they would privately support the clips situation—depending on other alternatives available—come 2010. But the biggest concern for retailers is to keep their heads down until 2010 and urge us to continue to look for solutions, because they keep on indicating to us that, if we do not find the solutions, and if mulesing continues post 2010, the Australian wool industry will have a very significant marketing problem.

**Senator SIEWERT**—In the past we have had discussions focused on PETA—which has, I must say, masked all these other issues that have been going on. Where are we internationally? And how is the current conflict—that is going on within the industry and which is reflected in the board—affecting our progress against other countries?

**Mr van Rooyen**—What is unfortunate about the conflicts within Australia—if I can handle that part of it first—which manifest themselves in the board to some extent, is that all of that is publicly reported overseas and is used by the animal rights movements against the Australian wool industry, just as some elements of this meeting today, no doubt, will be misreported and used to damage the industry. What we must not forget is that the animal rights movements are continuing to actively act against the Australian industry. Our new marketing campaign—and I will table this for you—is a picture that looks like this one. It is not just a picture, but it is all about ‘luxurious’, ‘sustainable’ and ‘soft’, and conveys the picture of sustainable wool production with the highest animal ethics as far as welfare is concerned. This other picture shows what, three months ago, the animal rights movements were doing on the streets of Paris where we had the Woolmark Prize announcement. You will agree with me that those pictures are in conflict with each other. I am just trying to explain to Senator Siewert: this is the conflict that we have. You try to market the wool as ethical, soft and luxurious, and that is what the opponents are painting it as. That is the issue that we have to address by 2010.

**Senator SIEWERT**—I am aware of the issue, and that is why I am trying to find out how much the disruption is actually impacting on your trying to find a solution to this issue.

**Mr van Rooyen**—The issue for us is that managing the internal conflicts and the breaches of confidence, and the inappropriate comments that are made in the media, distract the board and distract management. Are they distracting our researchers who are looking for alternatives? No.

**Senator SIEWERT**—Then it seems to me to be then coming out in where you are actually going to be investing in the long term. What you are telling us is that the research is continuing unaffected. But how is that translating into which technologies you actually go with?

**Mr van Rooyen**—At the end of the day it is the growers’ choice as to which technologies will be used. Growers will have alternatives which will be out there, and growers will select those that give them the best flystrike protection.

**Senator SIEWERT**—Except that, with all due respect, we have just heard that you have let a big contract worth millions of dollars for clips, so it does have an impact.

**Mr van Rooyen**—That is not true, because we have not let a contract of millions of dollars. This is why I questioned Senator Heffernan earlier about whether he was implying that we have awarded a contract worth millions that we were going to pay for to somebody. That is not the case. A company—and this is not the first company that we looked at—has signed a licence to commercialise the clips. They will take the IP that is involved in that out to growers and market it as one of the alternatives to solve surgical mulesing. That company will have a lot of risk associated with it, because clearly other alternatives could overtake it. This is not a case of that company necessarily being given something that will give them tens of millions of dollars of income. They have a high degree of risk in their setting up to undertake this exercise. And, as I said, there was another company involved before this, that we were looking at, to commercialise with. It was properly handled within a board subcommittee. That subcommittee’s decision was advised to the board and it was totally within their delegation. So there is no inappropriateness here.

**Senator SIEWERT**—I was not implying that there was. What I am trying to get to is how you make decisions about what will be commercialised and the timeliness of that decision. Is it the case—and I am not saying it is, I am just asking—that some of the disputes that are going on around some of these technologies

are holding up their commercialisation or progressing from research to actually getting them hitting the ground?

**Mr van Rooyen**—I would say that they are not holding them up. There is a certain amount of frustration and aggravation along the way when you discover that people are trying to delay or damage new technologies, but we do not allow that to interfere. We insist that we just continue, and that management continue. At the end of the day, bear in mind, it is management's role to carry out all of this. So, from a board perspective, we have to drive management to ensure that they deliver these outcomes. Of course, the conflicts of the board may distract or weigh on management from time to time, but, at the end of the day, management are carrying this out.

**Mr Fletcher**—I think the main issue here today is unity. I have been on the board for nine or 10 months, and before I came on the board I knew of it. So, if you are blaming the board that is there now, I think you have to go back further than that. With respect to the taskforce, we never met the taskforce. We never knew who they were. They were that imaginary mob. The staff were even sent an email at one stage before we were on the board that they were not to speak to the directors of the board. I think it could be improved by opening it up and keeping the board better informed. Take the media situation—the latest ones and twos that have just gone out. That went to the media before we had a chance to even speak about it. Couldn't we have had a board meeting that day and then had it go out to the media the next day? What was the hold up about? That is what causes the problem of trust. How do you build trust when you have those issues? We have to have an open board and work together as a team, but if you want to split it like that—and this has existed before we were on the board.

**CHAIR**—I do not think any of us up here would disagree, Mr Fletcher, but it must be frustrating if there is a persistent leak coming from the board. The respect has to go both ways. I am not lecturing you. I have been sitting here listening for the last two hours, and I find appalling what I hear going on. We have seen what has been tabled. This is quite alarming, but I certainly hope that you do get to a stage where you can all trust each other. Respect goes both ways.

**Mr Fletcher**—The problem I have is that some of the reason for the leaks is that, naturally, when you hide things from people the leaks will come out. If it were more open, it would be much better.

**CHAIR**—You have resolutions now, I believe, on what we have seen, and if there is leaking going on it will be addressed, and the directors of the board should have the trust of the growers.

**Mr Fletcher**—I have an issue in mind where I am on a lot of different boards and I am in different sections of the industry. I will always have media coming to bang on my door every minute of the day. I try to keep out of the flystrike control issue as much as I can. But on other issues we have got to. I think since we have come onto the board we have cut costs. I have said, 'Some of them could have been done a year or so earlier.' You can see what we have done: we have got rid of some of the media junkets, the taskforce—I don't know what they were doing. That is where the dissensions and problems come from.

**Senator HEFFERNAN**—That is the photograph that was used in Europe. You were talking about lying on the couch with the lamb. Mr Hamblin took that over there and presented that in his presentation. Mr Fletcher, you mark 20,000 or 30,000 lambs a year. It is obvious that because of this dysfunctional set-up that has existed in recent times—I am not saying it is not on the mend now—not only was the Tri-Solfen pain relief thing ignored, it was downgraded. It was certainly downgraded in that presentation that they gave in Europe, and I have it here. On your farm, do you use Tri-Solfen, and does it work?

**Mr Fletcher**—I was the first big user of it, if you want to know. I want to just go away from that slightly. When you talk about overseas and marketing, we export to 95 countries around the world. We understand all the complexities of those different countries. I just could not believe that I was not worth a phone call from some of those people who were on that taskforce before they went as to how they would handle Sweden. We have been exporting meat, and it is the most difficult country in the world for us to export meat to, and I knew what was going to happen. Even if I could have sat with them for an hour before they jumped on the plane, I could have helped them and given them some advice. I would have chartered a flight down there for that.

**CHAIR**—Mr Olsson, did you wish to make a statement?

**Mr Olsson**—Senator Siewert has asked some very interesting questions. The issue in the wool industry is that there is a deep suspicion that in two years' time mulesing will be phased out and banned completely, regardless of the alternatives available. The division in the board primarily comes from the fact that there are those of us on the board who will support surgical mulesing until we find alternatives, regardless of the date.

There are those on the board who have an anti-mulesing philosophy who want to ban it in 2010 because of some retailers. That is where the underlying mistrust and division is coming from—as a philosophy that a farmer’s rights should be protected. I was voted onto the board overwhelmingly last year by wool growers, with a huge vote, to protect surgical mulesing and farmers’ rights. There are those people on the board who do not support those rights and are causing a huge lack of confidence by propagating and spending a huge amount of money saying, ‘You must end it and it is over in two years time.’ That is where the whole division comes from.

**CHAIR**—Was it not a decision made by the whole wool growing industry to phase out mulesing? I read that somewhere—that it was the whole wool industry. Am I right or wrong?

**Mr Olsson**—I was chairman of the AWGA at the time, and I am the only man here who was there and part of that day. I remember clearly that it was a genuine intention to find alternatives by 2010. Never did we say it would be over. We certainly made the condition that, if we found something that was going to work and would be effective, we would immediately drop mulesing. Who would not? Who would not get rid of such an operation? Never, ever was ‘deadline’ ever used. It is not in any document, and there are only 10 wool growers on that day there, out of another 35 people, and four of those wool growers have now said publicly that ‘deadline’ was never an issue.

**CHAIR**—So what was the agreement with PETA?

**Mr Olsson**—I never made an agreement with PETA. The board signed with PETA.

**CHAIR**—No, did not the wool industry have an agreement with PETA that they would not campaign against you if you agreed to phasing—

**Mr Olsson**—There was an original negotiation in 2005 which I led to the state to try to talk to the retailers and to PETA. Obviously, talking to PETA is a very hard thing to do, as you can imagine. The retailers were very happy with the fact that at least we tried to present the information to them, which I think was requested by the retailers. Of course, the activists rejected all the information and the good science that went behind surgical mulesing—they rejected the CSIRO, Sydney University and AVA, plus our federal and state governments; they rejected the whole lot. But at least the retailers were given the right information. And still, as far as I can see, most bodies in Australia support the value of surgical mulesing to protect our sheep from flystrike. Indeed, that is my position.

**CHAIR**—Thank you for that.

**Mr van Rooyen**—I think some comments were made that need correction, and they will be in the tabled documents that you will receive. To say that some of the board support the end of—well, the words used were ‘the ban on’—surgical mulesing post 2010 is false. Let me just read to you a board resolution that was passed in the meeting on 19 March this year—

**CHAIR**—Are you going to table this?

**Mr van Rooyen**—I will table this. ‘The AWI board unanimously resolved that, as required by the decision of the whole-of-industry meeting in November 2004, AWI will continue to vigorously research alternatives to surgical mulesing in support of the industry’s commitment to the phasing out of surgical mulesing by 31 December 2010.’

**CHAIR**—So I did read it.

**Mr van Rooyen**—That was a unanimous resolution of the board. You will note that there is no word ‘ban’ in that, and you will note that every board member here, that was on the board at the time, voted for that. So it is an incorrect assertion to make that some members of the board support a ban on mulesing and others do not. Every board member voted for that resolution. I do not like to contradict a colleague, but I think the facts are the facts.

**CHAIR**—We will have that document to look at. Thank you, Mr van Rooyen.

**Senator HEFFERNAN**—What was the date of the meeting where the whole of industry took that decision?

**Mr van Rooyen**—I think it was 2004.

**Senator HEFFERNAN**—It was 2004. Was it Monday 8 November?

**CHAIR**—Does anyone have an answer to Senator Heffernan’s question?

**Mr Fletcher**—It was 2004. But the interesting thing about that is: was it the whole of industry, or was it just that group of people at that meeting, where I looked and I could only count 10 people who would have probably seen mulesing in their lives before?

**Senator HEFFERNAN**—I have the list of people who were there, and I have to tell you there were all sorts of media people and all sorts of bureaucrats, and there was no vote taken to end mulesing. It is just what came out of Wilkinson Media—

**CHAIR**—You will table that, Senator Heffernan?

**Senator HEFFERNAN**—I will. It is just what came out of Wilkinson Media as their analysis of the meeting.

**Mr Fletcher**—Can I just say something that is vitally important? When you are doing R&D, how can you put a time on it?

**Senator HEFFERNAN**—You cannot.

**Mr Fletcher**—We would not need R&D if we knew what we were doing exactly on those things. We would be using water in our cars today if we could, and our Prime Minister would get up and say that we could save fuel.

**CHAIR**—I think that is going to be more expensive than fuel soon, Mr Fletcher!

**Senator Sherry**—Chair, I know that this has all been valid questioning et cetera, but unfortunately I do not think we are going to solve the internal disputes of the organisation here. Whilst I do not want to take away the right of members to ask questions, a series of issues have been raised which just not will be resolved here, and we are spending a lot of time. It is the senators' time and I am in their hands, but there are other policy issues about which people want to ask questions, not just here but in other areas, and we have a limited amount of time.

**CHAIR**—Exactly.

**Mr van Rooyen**—Senator Heffernan made an assertion—and I am sorry that he has left the room. Senator Heffernan has just said that the industry decision in 2004 was not a decision of that meeting and that somebody made a press announcement subsequently, which implies that the members there, I am sure, would have been shocked and surprised at that. Why is it that in 2008 we are now trying to rewrite history, and where have those people who were at that meeting been since then? It begs the question.

**CHAIR**—On that point, Senator Heffernan is going to table the list of who was there.

**Senator SIEWERT**—The point here is that whether or not the industry has agreed by 2010 is really a moot point, when it is the retailers and the consumers who are saying, 'We do not want this stuff.' Aren't we behind the eight ball? New Zealand is already bolting off. Aren't we behind the eight ball if we don't actually pull our finger out and get this issue solved?

**Mr van Rooyen**—Absolutely. That is the message we have been trying to get through to growers. At the end of the day, if you do not listen to your customers, you are doomed to failure, and our customers are the ones who are speaking loudly here. You are absolutely correct. That is the issue.

**Senator SIEWERT**—We have spent a lot of time previously in this committee talking about PETA. It seems to me that it is not just PETA we are talking about; it is the buyers now who have actually taken on board the issue, and it is a waste of time now trying to undo that. The fact is that we need to be moving on. Is that the approach that you suggest?

**Mr van Rooyen**—That is exactly our approach. In fact, I say wherever I speak today that it is about marketing, not about mulesing anymore, because that is where we are. We are about marketing our wool.

**CHAIR**—We really are running out of time. Everyone will get a chance.

**Senator ADAMS**—I have a question just on this. A number of bales of wool from unmulesed sheep have been on the market for a few months. Can you tell me if there has been a price differential in what the price would have been for that wool but for the fact that it has been certified that it has come from unmulesed sheep?

**Mr van Rooyen**—At this stage we can see no discernible difference either way. There certainly does not appear to have been a price signal at this stage, no.



**Mr Merriman**—At the first sale that they had, it was 20c below the market. We have a problem with stain in it, and that is the reason it will get downgraded. I would like to address the committee and say why people like me think we should be still mulesing and have to be mulesing. Many wool growers will not grow wool if they do not have the practice of mulesing. It is a one-off surgical procedure that protects the sheep for life. You will see people go out of the industry, and you will see wool weights decline, and that is why someone like me says it is the most viable alternative we have at the moment.

**CHAIR**—Thanks for that, Mr Merriman; we understand.

**Senator ADAMS**—With respect to your latest initiative on this particular farm advert, what is your budget for this new initiative?

**Mr van Rooyen**—Over three years, the intention is to spend \$120 million in marketing Australian merino wool to our key target base overseas. That includes our key account management program and our total marketing program that we have in place for that. So the round figure over three years is \$120 million, and that is reflected in our strategic plan.

**Senator ADAMS**—How are you going to get the value of this wool up from unmulesed sheep? What are you using? Are you using anything within this initiative to advertise the wool to really push it so that farmers, for all the trouble that they have gone to, whether they are crutching three times a year or just for what they are doing, other than surgical mulesing? What return is it to the farmer?

**Mr van Rooyen**—That is not targeted at mulesed or unmulesed wool; it is targeted at Australian merino wool, and it does not promote or push any particular type, whether it is ceased mulesing or non-mulesed or surgically mulesed with pain relief or not at all. It is about pushing the properties of Australian merino wool without going into that detail in terms of picking which declaration or type to support.

**CHAIR**—I think also that Dr Bell was going down that path, and he was going to table documents that could assist us.

**Senator ADAMS**—I just declare an interest because we were clients of Dr Bell, and possibly still are, but we do not have any sheep. Coming back to the area from the gentleman at the other end of the table on mulesing, Dr Bell, what will happen on 31 December 2010 to your clients and the people around the area I come from if they continue to do surgical mulesing because they are not happy with any of the other alternatives? They have tried the clips, they have tried the pain relief, and they have tried all the other issues that have come up to prevent their having to go back to surgical mulesing. What will happen to those people?

**Dr Bell**—I do not think there is any information out there that would allude to that at all. There are no forecast penalties or anything like that. The fact is, as the chairman has said here, the market does not want to have to market Australian wool with the image of mulesing there. There are a range of alternatives that people are already trying. I would be arrogant to say that by 31 December 2010 there will be 10, 20, or 30 per cent of growers in the area you refer to who desperately feel they cannot keep farming with any of the alternatives at the time. It is not for me to say what those individuals will do. They have a right to choose what to do.

**Senator ADAMS**—That is right. As far as the animal welfare people go, if they cannot come up with any solution and they continue to mules, or if they do not mules and all the sheep are fly-struck—and there is nothing worse, as you know, than a fly-struck lamb, and it is a horrible thing to see and deal with. Really, there is huge confusion out there as to: is there going to be a penalty on 31 December 2010?

**Dr Bell**—I think we can say categorically that there will not be a penalty.

**Mr van Rooyen**—The issue here is whether or not there will be a premium for the one option or a discount for the other. It is difficult at this point to say. There is no indication on sales to date whether they are premiums or discounts. I think for us in this environment to forecast one way or the other is very difficult. But the reality is that ultimately market forces will prevail here. If the customers are demanding a certain type of product, ultimately customers will insist on getting that.

**Senator ADAMS**—But they are not paying any more for it.

**Mr van Rooyen**—Absolutely.

**Senator ADAMS**—This is the sad part.

**Mr van Rooyen**—We tell the retailers every time we meet with them, ‘If you are so strong and of a view that you want non-mulesed wool, send the price signal,’ because that is the best message that could go to the industry.

**Senator WILLIAMS**—The customers who are virtually demanding that they have wool from non-mulesed sheep are the same customers for the last 20 years who have demanded ‘keep the clip clean’ and the program that had to be put into Australia. How do you keep the clip clean from stain if the sheep are not mulesed?

**Mr van Rooyen**—Clearly we will have to have an alternative in place that solves the problem of the stain.

**Senator WILLIAMS**—What if you do not have it in place by 2010?

**Mr van Rooyen**—We are working very hard on that. We have a number of options coming through that hopefully will give us the sorts of results we are looking for. We are talking 27 months away, and a lot of research is being undertaken. We are very well aware of the urgency here.

**Senator WILLIAMS**—I think you will be very lucky to get a premium. From my time in the wool industry, we have seen everything that the customer demands better: cleaner wool, finer products, higher yields—

**CHAIR**—Are you declaring an interest here, Senator Williams?

**Senator WILLIAMS**—No, I do not have any sheep. I am saying that I have seen the industry for decades demand a better quality product but never pay for it. We saw the boom times of the late eighties and early nineties that did not last long, and my concern is that this will be another situation where the customer will demand more but pay less. So my question is: what if you do not have it by 31 December 2010? What if there is no other solution, and the customer demands the clean clip as they have the ‘keep the clip clean’ that we have had for decades? What is going to happen? What are we going to do?

**Mr van Rooyen**—The issue will be that what the customer demands, the customer usually gets. If that results in a discount, it would be most unfortunate. However, let me also remind you that the marketing programs that we have in place are there to increase demand for Australian merino wool. If we can increase demand to the point where there is a shortage of wool, it will be interesting to see whether those retailers will be demanding to the extent that they are signalling. At the end of the day, retailers are also commercial, and, if we can increase demand, price will go up. The issue that we are debating here is whether the price will go up for non-mulesed or mulesed or whether discounts will be applicable. The market will determine that, but the one thing we cannot do is dictate to our customers how they must decide how they want to run their businesses. They want to run their businesses in a socially responsible way. Corporate social responsibility is now a major issue overseas, and it will be coming here as well. We will have to ensure that we produce wool ethically, responsibly, with the best animal welfare standards that we have, and we have to make sure that we do not give our opponents that unfortunate picture that they use against the Australian wool industries, and that is absolutely contrary to the marketing of Australian merino wool.

**Senator WILLIAMS**—We still sell a lot of wool to Japan—correct? The mills are still active there?

**Mr van Rooyen**—No, senator, the mills are not active in Japan any longer, but Japan is still an important consumer nation for us, yes.

**Senator WILLIAMS**—So they do not process in Japan anymore?

**Mr van Rooyen**—Some 62 per cent of our clip now goes to China, and very little, if any, is processed in Japan. China is the major manufacturing transformation point for Australian wool today.

**Senator WILLIAMS**—Do you see the recent rapid decline in the Australian dollar as positive for the wool price in the near future?

**Mr van Rooyen**—Clearly the decline in the Australian dollar will be good for all commodities that are sold on the basis of US dollars, and wool is certainly sold on the basis of US dollars. That will be positive for us. Offsetting that, however, is the issue of the financial meltdown in other markets in the Northern Hemisphere in particular, which will have an impact on us; there is no doubt about that. But there is a positive—

**Senator WILLIAMS**—Let me stop you there. What steps has AWI taken to perhaps better promote wool because of the financial meltdown? Have you made any changes of late?

**Mr van Rooyen**—Absolutely. I was about to continue with that. The situation is that today half the clip that goes to China remains in China. It is consumed in China. That means 31 per cent of our wool today is consumed in China, and increasingly so. We have target markets in Asia, and we are doing an enormous amount of R&D; in fact, most of our R&D is now conducted in China and other parts of Asia, and a lot of it is focused on the Asian markets. You may have heard about the shower suit technology, or you may have seen that. That was developed for an Asian market, specifically for Japan, and will be very applicable in a market

like China. So, yes, on the upside, we clearly will have to have more activity in Asia, and in China in particular, and to a lesser extent in India, where they are less affected by the financial meltdown. As I said, China today is the biggest single consumption nation for Australian wool.

**Senator WILLIAMS**—The reason I brought up the exchange rate is that, if my memory serves me right, and sometimes it does, in January 1985 the Australian dollar was worth 210 Japanese yen. Just remember that figure of 210. The wool indicator was on about 520c, so the Japanese at the time were paying about 1,100 yen for a kilo of Australian wool, clean. Then we saw the crash of the Australian dollar through the early nineties. I remember it well; I had a foreign currency loan. That is why I have not forgotten so rapidly.

**Senator HEFFERNAN**—Is that why you don't have any sheep any longer?

**Senator WILLIAMS**—No, I found there was more money in shearing than in selling the wool. The Australian dollar devalued by 50 per cent. We saw the wool boom of the early nineties, but what happened after that? With 70 or 80 yen to the Australian dollar, the indicator peaked around 1,100c. We saw for 12 months or two years the benefit of devaluation. We saw after that that the overseas countries were buying it at half price. That is why I asked about Japan. At today's rate, at 70 yen—Bill, what is the wool indicator on these days?

**Senator HEFFERNAN**—836 or something.

**Senator WILLIAMS**—So they would be paying 560 or 580 yen equivalent if they were still buying wool. This is the argument I put where we should get the benefit for the Australian wool grower. If we get it for a year or two, the final result is that people overseas buy it at half price. This is why I come back to the 'keeping the clip clean' argument. What I have seen in my life is that the customer demands more and pays less. Life is about fairness. If you do away with mulesing, they will want to keep it clean, but then they expect the wool growers to introduce another crutching to keep it clean, because you can keep flies away with products such as Vetrazin, et cetera, but I have found that the customer demands more and gives less. How do you see it?

**Mr van Rooyen**—But that is true of a wide range of products. In fact, it is true about life today. Everyone is interested in improvements in quality and does not want to pay more for it. That is a factor if you look at the automotive industry, at the progress that has been made over the last 20 years in the type of car you drive. Whether it is in the wool we are selling, and the customers are demanding more, it is a normal part of life that customers will demand more and want better, more ecofriendly products.

**Senator WILLIAMS**—For less.

**Mr van Rooyen**—I could quote you an example of Marks & Spencer three years ago. Marks & Spencer at one stage were looking at organic wool. When we asked them the question, 'What sort of premium will you pay for that?' the answer was, 'Oh, no, we want it for the same price.' You can say that about a whole range of industries and products.

**Senator WILLIAMS**—And they will probably do the same for wool from sheep that are not mulesed.

**Senator HEFFERNAN**—They usually talk the market down, there is no doubt about that.

**Senator WILLIAMS**—With respect to the emissions trading scheme, agriculture is exempt until about 2013. What effect do you see that will have on the wool industry, and what plans is the AWI putting in place to keep our industry alive?

**Mr van Rooyen**—We did touch on this earlier, and I think Dr Bell gave an answer. At board level we have discussed this. We have a plan in place, a program in place, to conduct research so that, when we do get to the stage where we talk to government and others about this, we can talk with absolute science and fact about our industry. So it is very much on the agenda.

**Senator WILLIAMS**—Let us hope we are still growing wool and not kangaroos, because I can tell you that it will be difficult shearing them.

**Senator MILNE**—I want to ask some questions about innovation and the accusation that Australian Wool Innovation has changed its priorities from R&D to promotion. In terms of dollar figures, is it true that, from spending \$60 million in the early 1990s on R&D, we are now down to Australian Wool Innovation giving about \$800,000 only to CSIRO and others for R&D of new product?

**Mr van Rooyen**—First of all, as is required by WoolPoll, our spending percentages between on-farm and postfarm are determined every three years by WoolPoll. We are currently operating under a regime that indicates that 40 per cent of our expenditure should be on-farm and 60 per cent off-farm. That does not imply

that the postfarm expenditure is on marketing in isolation and does not include innovation. The cornerstone to our marketing campaign will be the new product development work we are doing, the R&D work we are doing, in new product, new innovations, new fabrics and new technologies. So a very significant element there is still R&D.

Coming back to your question on CSIRO, it is true that the amount of money we are spending with CSIRO has diminished in recent times. In part, that is because the emphasis has moved to product rather than process, so we are no longer, for example, trying to redesign spinning frames. It is not our function. There is efficient transformation of wool from fibre to yarn out there already, and there are companies that make machines that do that. So, yes, we have stopped spending money on the new technology for the processing of wool, which was a major feature of that money—the \$90 million you quoted—in the early nineties.

The other reason we have cut back on spending money with CSIRO is that, as we move more and more into product development R&D, this is by nature dictated by the fashion cycle. You need quick response to get these technologies developed very quickly and very speedily to market. CSIRO was unable to deliver that outcome for us, hence, we are doing far more work now in Asia, with Hong Kong Polytechnic and other institutions, which can give us two-, three- or four-month turnarounds on new technology, which we were unable to get and we had made this very clear to CSIRO. I sat on a review committee there two years ago looking at the way the TFT division was operating at the time. There has been money available for CSIRO to conduct research but they have not come up with programs or projects that we found acceptable.

**Senator MILNE**—How much of that 60 per cent are you spending on research and development? Can you give me a figure of how much you are spending on research and development and how much you are spending on promotion?

**Mr van Rooyen**—Can I take that on notice, Senator?

**Senator MILNE**—Yes, please do, and I just want to say—

**CHAIR**—Sorry, Senator Milne, I saw a hand up in the corner—Mr Olsson.

**Mr Olsson**—Senator, I think it is about 60 to 40 at the moment as a percentage.

**Mr van Rooyen**—I have already given that percentage, thanks, Chick. It is a question of the exact dollars that the senator is asking.

**Senator MILNE**—I am asking: out of the 60 per cent that is spent off-farm how much is spent on promotion versus how much is spent on research and development? You will take that on notice?

**Mr van Rooyen**—Correct.

**Senator MILNE**—My next question in relation to that is: why can the agricultural research government-backed institution in New Zealand deliver but CSIRO cannot?

**Mr van Rooyen**—Senator, I can only go on our experience of time and performance and I really cannot comment on the differences between them. The fact of the matter is that we were able to get speedy action on programs we needed and we found that we could not get the same responses out of CSIRO.

**Senator MILNE**—There is a difference between speed and innovation and I would just like to cite to you some of the products that the New Zealand agricultural research people have developed which were released recently. There was the 100 per cent wool-shirting and suiting fabrics that do not use chemicals for shrinking; there is a stab-resistant and flame-resistant fabric, which will have huge marketing potential with security forces around the world; there is the non-woven, windproof fleece, and so on and so forth. Years of research and innovation have gone into providing, once again for New Zealand, very cutting edge textiles with wide application, not just in the fashion industry. Can you give me an example of some of these innovations that you can achieve in a three- or four-month turnaround? What are you talking about?

**Mr van Rooyen**—I will give them to you, Senator, but let me just come back to you on your New Zealand example. We actually funded some of that. Some of that work was done on behalf of the Australian wool industry so it is not true that this was funded only by New Zealand for New Zealand. We have, in fact, funded what used to be WRONZ and then subsequently Canesis. We actually did a lot of work in R&D with them. Coming back to some of the work that we have done, I will give you a couple of examples. The Merino Fresh technology was developed in Asia for us and evolved into the shower suit technology, which has gone to market and has already sold at last count, I understand, 250,000 suits. It has now been taken up and looked at by Air France through Gucci for their flight attendants and we have a host of other retailers who are very keen on this technology. We have Mercerised Merino, which is an update of an old technology in terms of

modifying the surface fibres to give you a more lustrous fibre. That was developed over there in a very short time. Those are just two examples. The other one was the Intimates range, which was developed for us, again, in a very short time frame to meet fashion cycles.

**Senator MILNE**—It is not about the range, it is about the actual textile that supports the range.

**Mr van Rooyen**—Well, this is about the textile, not range. This is about a technology that supports ranges. Merino Fresh is the technology I spoke about, which enables woven products such as suitings to be cleaned and refreshed in a domestic shower rather than go through dry-cleaning or machine washing. Mercerised Merino is the technology that modifies the surface fibres to enable more lustrous and brighter colours to come on to the fibre and enable us to compete with cotton. Cool Merino is an update of the old Cool Wool program where we introduced new technology which takes the fabrics into an ultralight area, which is much lighter than anything that has been out there before. Merino Touch is another one where we have gone for a very fine micron product, which has softness and fashion, and it is a soft, fluid and comfortable-to-wear fabric. Machine washable suits, which were done a year or so ago, are technology that can be used in the domestic washing machine. Textured merino gives a felted look on the product. These are unique developments that were done quickly and speedily and are now in the market helping to increase demand for Australian woolgrowers.

**Senator MILNE**—Are you saying that you are spending the money at research institutions overseas because they can deliver and the CSIRO cannot?

**Mr van Rooyen**—It is a combination of research institutions and, more importantly today, manufacturing partners. If you want to get the quickest result you must work with a partner who is actually a commercial operator and you then get urgency and speed out of that relationship. The Merino Fresh technology came out of a relationship we took with a major Japanese firm for the development of that shower suit technology. It is a combination of institutions and, increasingly, commercial partners who will work with you in improving this technology.

**Senator MILNE**—What is your view about the closure of the wool scour in Victoria?

**Mr van Rooyen**—Money was spent on that wool scour years ago. It has been used recently, not by us for R&D purposes, but has been used by small commercial interests to get small production lots through. As I said to you earlier, we have moved away from processing improvements. That is not where we will get our best return for growers' investments. We are no longer looking to build a new scour or a new spinning machine, as I indicated earlier. That is not where we are going at all.

**Senator MILNE**—What about the 3,000 or so small commercial enterprises, which are all in rare and small lots essentially, who will have nowhere to send their wool for scouring and processing unless they send it to New Zealand or Peru in the case of the alpacas? Is that of no concern to you?

**Mr van Rooyen**—The alpaca industry is not, Senator.

**Senator MILNE**—No, I understand alpaca, but I am talking about the small lots of coloured wool and so on.

**Mr van Rooyen**—I do not think there were 3,000 enterprises using that scour. I spoke to somebody involved in this last week and I understand a commercial entity has either taken it over or is looking to take it over to service that market. At the end of the day it has to be serviced on a commercial arms-length basis. It is not in Australian woolgrowers' interests for us to be subsidising that or, for that matter, for CSIRO to be subsidising that with government funding. It has to be commercial or else it must fail.

**Senator MILNE**—I understand that three million fine wool Merinos in New Zealand have been selectively bred to have bare breeches in an attempt for New Zealand to make way in the global markets on the mulesing issue. What are we doing in Australia in terms of that selective breeding? Are we part of that work in New Zealand or are we doing that as part of our effort as well?

**Mr van Rooyen**—There is significant work being undertaken within Australia. If you want some more details, I can ask Dr Bell to give you more information or would you like that provided out of session?

**Senator MILNE**—It is probably as well to table it if you might because we only have 10 minutes and Senator Colbeck wanted to ask some questions. But I would like to know what we are doing in terms of selective breeding.

**CHAIR**—You are taking it on notice?

**Senator MILNE**—Yes.

**Mr Targ**—Just on that, Senator, there are quite a number of programs and we are making progress.

**Senator MILNE**—If we could have a written response, I would appreciate that, thank you.

**Senator COLBECK**—I just want to go back to the restructure of the business since the takeover of Woolmark, which is obviously a significant change to the way the business was operating, as you said, essentially from an R&D to an R&D and marketing company. In reference to the question Senator Milne asked, when was the last WoolPoll conducted?

**Mr van Rooyen**—In 2006, Senator.

**Senator COLBECK**—In 2006. So there is another one due next year?

**Mr van Rooyen**—Next year.

**Senator COLBECK**—Would it be your intention to put to the growers a change in the balance of the expenditure as part of that process?

**Mr van Rooyen**—The board and management have not even considered those options at this moment in time.

**Senator COLBECK**—That is a process you will have to go through?

**Mr van Rooyen**—It is a process we will have to go through, and we will be doing that in the period February through to April.

**Senator COLBECK**—When is the poll conducted?

**Mr van Rooyen**—The poll is usually conducted in August or September and announced, I think, in November.

**Senator COLBECK**—Okay. Did the restructuring of the business and changing from an R&D corporation to an R&D and marketing corporation involve any change in your statutory funding agreement with the Commonwealth?

**Mr van Rooyen**—No, it did not.

**Senator COLBECK**—With the money that you are spending on marketing at the moment, would there not be some approval process to spend a certain amount of money on marketing?

**Mr van Rooyen**—Under the statutory funding agreements we are obliged to spend the government contribution—

**Senator COLBECK**—On R&D.

**Mr van Rooyen**—on R&D.

**Senator COLBECK**—That is correct.

**Mr van Rooyen**—Which is what we do. Beyond that, I do not think the SFA specifies the requirement for permission to be granted on how we spend that funding. However, we have to abide by the direction of the most recent WoolPoll, which is the determinant. That is the one that would constrain us.

**Senator COLBECK**—So you are constrained at this point in time by the most recent WoolPoll—

**Mr van Rooyen**—Correct.

**Senator COLBECK**—which says that you will spend 40 per cent on-farm and 60 per cent off-farm.

**Mr van Rooyen**—Correct.

**Senator COLBECK**—And then you would also have the influx of funds that come from the acquisition of Woolmark that would have been spent on marketing, based on your returns there. How are you separating that in the process at the moment, given that you are integrating two companies?

**Mr van Rooyen**—Well, the income side of The Woolmark Company—licensing income, royalty income and other income—is going to be put back into marketing in support of the brand and in support of the Woolmark, obviously in an attempt to increase: (a) the demand for wool and (b) the number of partners we have out there, either as licensees and/or business partners. So the intention is to use that back in the marketing of Australian merino wool.

**CHAIR**—Senator Colbeck, if I may, Dr Keniry had his hand raised. Did you wish to add a comment?

**Dr Keniry**—Just to elaborate on the chairman's response, the levy that is collected as a result of WoolPoll is two per cent of the wool proceeds. The Commonwealth only matches 0.5 per cent of it. So, in effect, 1½ per cent of the levy is free to be spent as the directors may determine—

**Senator COLBECK**—As the directors see fit.

**Dr Keniry**—and subject to WoolPoll. So the statutory funding agreement really relates to the 0.5 per cent which the Commonwealth matches—the first five per cent of the levy. So there is one per cent—the 0.5 from the grower plus 0.5 from the federal government—that has to be spent on R&D.

**CHAIR**—Thank you, Dr Keniry. Senator Colbeck?

**Senator COLBECK**—Under the terms of the collection of the levy, which is bringing it back to my mind, are there not some arrangements within the funding agreement for expenditure of the levy collections based on your arrangements with the industry? I am not criticising any expenditure either way, because I understand perfectly that the growers made a significant decision to reduce the marketing expenditure in the 90s, and I think that had a significant impact on market share. The complaint, to my recollection, was that it was not increasing market share but probably sustaining market share, which was an achievement in itself. But the reduction in spend has had an impact on market share. So I am not criticising in any sense the way in which it is going; I am just trying to understand where you are as far as the transformation of the business is concerned in spending, because I would suspect there would have to be some constraints on the company at the moment based on the existing WoolPoll return.

**Mr Targ**—I might have a go at answering some of that. I think the statutory funding agreement sets out rules under which both the levy element of our funding plus the Commonwealth matching fund element are to be spent. The matching fund is purely R&D, as has been said. The levy funds can be used a little bit more broadly but, nevertheless, there are some pretty tight rules. A couple of those conditions, and I think it is section 5 that spells it out, include provisions to spend money for services for woolgrowers which might not generally otherwise be available, but it has to be in the interests of woolgrowers, and so on. So there is provision in the statutory funding agreement for the company to spend money on this sort of activity.

The WoolPoll, though, is a pretty important part of the process because that is the process by which the company goes to the growers and says, 'If you give us one per cent or two per cent or whatever, this is how we intend to split up the money.' The statutory funding agreement obliges us to take account of that in setting our strategic plans.

**Senator COLBECK**—So you are effectively free to spend the income from Woolmark as you see fit because it does not come through that two per cent levy. So there are no constraints on the way that you spend that because it is from a separate source other than from the levy. But you are constrained at this point in time in the way that you allocate the balance of the two per cent outside the R&D funding for marketing?

**Mr Merriman**—The WoolPoll is an indication. We are not duty bound. We can change that wherever the board sees fit.

**Senator COLBECK**—Given agri-politics and what I have seen—

**Mr Merriman**—We feel the wrath.

**Senator COLBECK**—it would be pretty brave.

**Mr Merriman**—When we change it, we feel the wrath of it at the election.

**Senator COLBECK**—I would understand that.

**Mr Merriman**—The board is not duty bound to go to that 60:40 split, by law or anything else.

**Senator HEFFERNAN**—Under the statutory agreement, AWI funds are not supposed to be used for generic wool promotion, are they? Is that right?

**Mr Merriman**—That is what it says. It is a grey line.

**Senator HEFFERNAN**—Given that nothing much has happened with Woolmark, other than you had a bit of a change to the logo or something, what have you done? You are in charge.

**Mr van Rooyen**—We have actually relaunched the whole of our branding, including the launch of two new marks, and upgraded the Woolmark.

**Senator HEFFERNAN**—So would that be seen as—

**Mr van Rooyen**—Excuse me, Senator. If I can finish—

**Senator COLBECK**—Yes, let him finish, Bill, because I am interested in this.

**Mr van Rooyen**—We have upgraded the Woolmark itself, and I am more than happy to provide very detailed information to any Senator who is interested. I would like to correct a comment that was made. WoolPoll does dictate to us the direction of our spend. We cannot ignore WoolPoll otherwise what is the point of conducting a WoolPoll exercise? It is spelt out quite clearly, and, in fact—

**Senator COLBECK**—That was my recollection.

**Mr van Rooyen**—I had a meeting with the department last week in which we reported on our performance. One of the questions we get asked is: are we keeping within the WoolPoll guidelines. That is why WoolPoll is conducted—it is to give direction to the company in how it would spend its funding on a broad basis between farm and off-farm.

**Senator HEFFERNAN**—The wool on Woolmark, would that be just considered generic spending? If that is so and you are spending it, are you not breaching the statutory funding authority?

**CHAIR**—Sorry, Senator Heffernan, we have one minute to go and Senator Colbeck was still—

**Senator HEFFERNAN**—Think about it over lunch.

**CHAIR**—Mr van Rooyen, you do not even have to answer that. Senator Colbeck, with one minute to go.

**Senator COLBECK**—Well, the direction in which Bill has taken us leads me to say that you are obviously going to have some conversations, from what you have just said, with the department about the way that you operate as an integrated company, because you effectively have a number of funding streams, one of which is your levy, another one is the Woolmark income and perhaps some others from commercial arrangements that you have through commercialisation of R&D and the like. But if the industry wants to put more money into marketing, then that will have to be dealt with either through WoolPoll or through arrangements with the funding agreement.

**Mr van Rooyen**—Correct. And if I could just correct a point that was made about the Woolmark—that is not generic promotion. We are using those brands to market Australian merino wool to retailers and brands. Generic promotion is when you advertise wool. We are not advertising; we are marketing Australian merino wool to retailers and brands, primarily using new technology but also encouraging them to utilise the reputation of Australian merino wool. So there is no generic promotion involved here at all.

**CHAIR**—On that, thank you, Mr van Rooyen. It is one o'clock. The committee will now adjourn until two o'clock on the dot.

**Senator Sherry**—Sorry, Chair, are we going back to—

**CHAIR**—Sorry, yes. There is about another 20 minutes to go. I am so sorry, yes. I have asked AWI to come back at two o'clock. There are a few more questions to ask. Thank you for reminding me, Minister. In all the excitement I forgot to let everyone else know, because we knew at the front.

#### **Proceedings suspended from 1.01 pm to 1.59 pm**

**CHAIR**—I welcome everybody back. In continuation, Senator Colbeck.

**Senator COLBECK**—I would like to continue with questions I was asking before lunch. You might have to take this on notice. How much are you spending on extension as part of your R&D?

**Mr van Rooyen**—I will have to take that on notice. It is one of the most challenging parts of our whole exercise because, as Dr Bell has already indicated, we have some very good information and technologies out there, particularly for growers. One of the frustrations that we have is the fact that we do not get it out to enough growers through the current work that we are doing. The board has recognised this and we intend to have a brainstorming session on this very shortly to see whether we can get some lateral thinking in some alternative ways of trying to get this information to and adopted by growers. There is no doubt about it there is an enormous amount of good quality science out there that, if adopted, would lead to significant cost reductions for growers. I will come back to you with how much in dollar terms we are spending on extension.

**Senator COLBECK**—Has there been any review type work where you have gone back over a period of time and looked at the R&D that you have done on a particular issue and then compiled that into a document to provide that as an extension document to the industry? I have seen that in another industry where it has provided some quite profound potential benefits. Those that have taken it up have been able to be used as an example of how it does work and how it can impact positively on returns for growers.



**Mr van Rooyen**—We do that quite extensively. In fact there was a document that had been supplied to be copied to all of you which shows a complete summary of all the on-farm projects that we have undertaken and the type of them. It is all the major ones. Then, of course, we have other documents along the lines that you are suggesting which are out there for growers to use. We promote these through our Beyond the Bale and through the various extension groups we have. We do have quite attractive brochures on each of these technologies. I will arrange for a full set to be sent to you so that you can get some idea of the work that we are doing there.

**Dr Bell**—In relation to any on-farm project, or in fact any project that is done by this organisation, most R&D organisations now would have, as part of the condition of funding, would evaluate the success of it. In other words, built into it is not just the extension part of it, but confirmation that it has reached its target in terms of a significant number of industry participants, and AWI is probably no different there. In the post-farm-gate area, as you said, the company has a target when there is a marketing initiative with a particular business. Mr Welsh could probably help us out here, but in excess of 200 businesses are now involved with AWI in putting Australian wool on the shelves. As part of our involvement with them we want documented evidence of the kilos of wool going. We have to know that we are meeting the objectives of the industry, which is to improve the price of wool, sell more wool and increase demand. It is the same with the on-farm. Without going on, those documents would show that for a particular project or for any number of projects, a large number of growers have heard about it, have changed practice and consider that they are or have documented evidence that they are more profitable in their production of wool. That is good. You are quite right in that we would demand that.

**Senator COLBECK**—Would those documents demonstrate joint projects that you do with the likes of Land and Water Australia and some of those other RDCs or perhaps even with the MLA, so that you are combining issues of interest into joint funding? Can you give me an idea of how you are spending in that region as well?

**Mr van Rooyen**—Yes, I will do that. The documents do reflect that. We do a large number of joint projects with the likes of MLA and others as well.

**Senator COLBECK**—Has it grown over recent years?

**Mr van Rooyen**—I would suggest that it has possibly reduced, because the focus of expenditure has now moved from a fifty-fifty split, which it was in the prior wool poll, to forty-sixty, so there is less money now being spent on farm. My intuition tells me that it has probably reduced, but I will take that on notice as well.

**Senator COLBECK**—In the context of climate change there are a lot of issues that are going to affect across industries. I would be interested in what your general direction is going to be in that context.

**Dr Bell**—There is a very good initiative which has been coordinated across all the RDCs, universities and CSIRO to avoid duplication in this area. It is a very good point. We do not want to duplicate things. Also, we are unique in the wool industry in that we have a product; dairy cattle produce milk, lamb produces lamb and beef produces beef. We have this duality product of meat and wool and we want to make sure that the wool is included in the mix as a good news story. You have picked up some good news, but there has been some work done—not AWI, but myself in another capacity—that shows that a well run sheep farm in the western districts of Victoria can be carbon neutral with no more than 15 per cent in trees. ‘Well run’ is the message, and most farms would have that in terms of remnant vegetation and trees. That information has to get out there, rather than being on the back foot all the time in terms of carbon trading and impact.

**Senator COLBECK**—Have you got data and information on that particular example that you have given?

**Dr Bell**—Yes. This was a project done through the Mackinnon Project in Melbourne University. Linda Hygate did that work. It was a very nice little study. Ms Hygate used the University of Melbourne greenhouse, Richard Eckhardt’s, work, which is nationally recognised. It is not rocket science, but just points out the obvious fact that farming is not the villain that it is painted out to be.

Just going back to the other point, all our rural research corporations, universities and CSIRO, which can operate under that are in a loop to make sure we do not duplicate things.

**Senator COLBECK**—Who is coordinating that process?

**Dr Bell**—The person that I am with is Rod Banks at MLA. He seems to be a fairly articulate person in the nuts and bolts of that.

**Mr van Rooyen**—It is being coordinated through the Chairs Group.

**Senator COLBECK**—Mr van Rooyen, you said earlier that you considered all options for mulesing, which was articulated with questions from Senator Siewert and Senator Milne about the perception of the industry's decision. Effectively, whether the industry has made a decision to end mulesing by 2010 or not, everyone else thinks they have, so the argument is effectively gone. It is the perception versus reality thing, and everyone else out there thinks that you have made that decision, so that is what they are all saying. I am not sure where you sit with the argument, but that is one of the tensions within the board. You said that you considered all options for mulesing, but one of the initial issues that has brought us to where we are today with respect to the board is the fact that the board was not prepared to consider pain relief back in 2004-05 as an option at that point in time. I had the misfortune or displeasure to be at a board meeting and just wanting to ask some questions about that. I found that very difficult to deal with, because at the time, having responsibility for the operation of the organisations, I left it feeling quite jaded. To be frank, I am not sure whether I am asking a question or making a comment, but it is probably the latter.

One of the questions that I was wanting to ask at that point in time was why the board would not consider the pain relief, because at that point in time 2010 was five or six years away. While it may well be an interim product to deal with the effects of mulesing during that period of time, it certainly was something that I felt was worth consideration at the time, but really did not get two bobs' worth when I went to the meeting with the board.

**Mr van Rooyen**—We are just looking up the paper work to give you the actual facts.

**Senator COLBECK**—I have one more question.

**Senator HEFFERNAN**—When did you start to get assistance on the clips?

**Dr Abell**—We did not get any assistance on the clips. We started to work with clips about four years ago.

**Senator HEFFERNAN**—It all depends on what you call assistance.

**Dr Abell**—Perhaps you might help me with that.

**Senator HEFFERNAN**—I should say 'support'.

**Dr Abell**—I do not think it happened quite that way.

**Senator HEFFERNAN**—What I am trying to establish is whether it was about the same time that a conscious decision was made to look the other way on pain relief, and that you had more influence on the board to convince them to do the clip thing and not the pain relief?

**Dr Abell**—Not at all. Pain relief was under study at AWI long before we started playing with clips. Work continued beyond clips as well.

**Senator COLBECK**—You might like to come back to me on notice.

**Mr van Rooyen**—I will take it on notice and come back you with the actual dates and what was done at the time. The perception that Senator Heffernan is conveying that because of clips we declined to support pain relief is wrong.

**Senator HEFFERNAN**—You are wrong, too, because that is not what I am saying.

**Senator COLBECK**—I do not hold that belief. I am not talking about what Senator Heffernan is saying or what his perception is; I am talking about what my personal experience was at the time, which I was not happy with. You can come back to me with that.

**Mr van Rooyen**—I will take that on notice.

**Mr Targ**—As a general comment, there were some studies going into pain relief back in 2004 that we conducted, contemplating what to do with those in 2005 when Tri-Solfen came onto the market, and that is effectively when we stopped looking at further pain relief. There was a product being promoted.

**Senator COLBECK**—We can probably continue with this for some time, but I am not sure that we are going to get anywhere, so I will not continue.

I would like to discuss the purpose for setting up the committee that was looking at issues relating to mulesing. You had a name for the committee earlier.

**Mr van Rooyen**—Alternatives to Mulesing.

**Senator COLBECK**—What was the effective purpose of that?

**Mr van Rooyen**—Within the board and to assist management, given that we had these unique skills on the board—we have three highly skilled directors with a lot of knowledge on research, chemistry, physics and animal husbandry—we could utilise those skills to assist management to speed up development of alternatives to surgical mulesing. It was believed that the board could play a role here, especially these three specialists in this field with vast experience in R&D—they could assist management in coordinating and perhaps coming up with new concepts and new ideas, but importantly ensuring that we manage the speed of the development of these alternatives.

**Senator COLBECK**—Was that set up in March?

**Mr van Rooyen**—No, it was set up in August of this year.

**Senator COLBECK**—What was the process for selection on those committees?

**Mr van Rooyen**—We did discuss that earlier.

**Senator COLBECK**—You had three people and you decided to put them on.

**Mr van Rooyen**—No. I raised this at the board meeting. If you recall at this meeting I said that I thought it was appropriate that our three PhDs would be the right people, given their experience and relative background, to put on this committee.

**Senator COLBECK**—I recall that.

**Senator HEFFERNAN**—Do they have practical experience?

**Mr van Rooyen**—These PhDs have a lot of practical experience. Two of them are big wool growers themselves, and we have Dr Bell, a professor of animal husbandry who has spent a lot of time out in the field. He is a qualified vet and he also has a lot of experience as an on-farm consultant.

**Senator HEFFERNAN**—What is a big wool grower?

**CHAIR**—That is a wide-ranging question.

**Mr van Rooyen**—As Dr Abell has said, depending on the weather, anything between 20,000 and 30,000 sheep. That would be a fairly big wool grower.

**Senator HEFFERNAN**—They are all big wool growers.

**CHAIR**—Senator Colbeck, have you finished your question?

**Senator COLBECK**—Very close.

**CHAIR**—Senator Colbeck.

**Senator COLBECK**—It was established in August this year?

**Mr van Rooyen**—Yes.

**Senator COLBECK**—Is that because so much of the board's time was being taken up on this issue so you were putting it to one side to a certain extent?

**Mr van Rooyen**—We were not putting it to one side at all. Like you have with a finance and audit committee or a remuneration and appointments committee or an intellectual property committee, these board members could focus on detail with management and be available between meetings to meet with management to ensure that these strategies are developed speedily. That was the intention there.

**Senator COLBECK**—It is a good way to take some of the tension out of what is going on around the board table at every meeting by having someone else dealing with it and removing that from the board.

**Mr van Rooyen**—That was not the intent of it. The intent here is to ensure that we get effective alternative strategies developed as quickly and economically as possible.

**Dr Bell**—I would like to add some light to the formation of board committees of this nature. I have been on three, and this is the third one in my skill area. First of all, when we inherited a shearing technology that was going nowhere, we had a committee to deal with that. Once it was sorted the committee was disbanded. When the AWI acquired the Faulkner Memorial Field Station, which had been donated to the industry and eventually came to AWI on behalf of industry, as a farm it needed rationalising and sorting out. With one of the minor skills I have I could help in that regard, together with Dr Abell. Within a very short period of time when we felt it was okay, the committee disbanded, but in the meantime there were a lot of issues coming up which really did not need to be aired to a whole board where a lot of people could not contribute. We would see this

particular committee, I would hope, as one that would do the same thing and be disbanded when it is no longer necessary.

**Senator COLBECK**—In terms of the composition of the committee and the board, does it effectively leave one of the interest groups on the board off the committee? You are effectively sidelining a perspective that sits around the boardroom table.

**Mr van Rooyen**—First of all you talk about interest groups. Decisions of the board are made with the three members of the board having differing opinions at different times, and it is not confined to one group or others, so I must correct you on that.

The second point is that this is about skill; this is about knowledge. This is a science R&D area. We are particularly lucky to have on our board three highly qualified and highly experienced research PhDs with practical knowledge of wool growing, and we would have been stupid not to use them. Had any other member of the board had similar qualifications in the science area—I repeat, this is very science oriented—they would have been proposed as well.

**Senator COLBECK**—I think there is room for opinion on that. I will reserve mine and I will hand back to Senator Heffernan.

**Senator HEFFERNAN**—So there is a lot of science. I would like to take you to Frankenstein's laboratory, which is the dead sheep experiments. Dr Abell, is this another one of yours? You got the clips; that was your brainwave. Is this 'intermede' or whatever you call it also yours?

**Mr van Rooyen**—Chair, I can respond to the first part of the question, then I will gladly let Dr Abell respond.

**CHAIR**—By all means.

**Mr van Rooyen**—Frankenstein, I believe, in agriculture is used in reference to GM crops at the moment.

**Senator HEFFERNAN**—So you do not waste a lot of time scallywagging, this is the proposition where, because you did not have the right authorisations to experiment on sheep, as I understand it out of your own briefings, Dr Abell said, 'We were actually doing it on dead sheep.' I would like to know how you chose the dead sheep? Did you just pluck them randomly? When you test for a live tissue test on a dead sheep, do you store them in a freezer or do they just rot? Take me through the process of testing chemical reactions on dead sheep.

**Mr van Rooyen**—I will gladly do that. I just need to correct that. The last thing we want to do is give any animal rights movements a headline name for a new alternative strategy that is coming forward. We already have enough problems on clips—

**Senator HEFFERNAN**—My understanding is that you did not have the correct tick-offs and you are now getting them.

**Mr van Rooyen**—We are going to answer the question. I am just trying to avoid the headline that you are not going to do the Australian wool industry any good at all. I will hand over to Dr Abell to give you the details.

**CHAIR**—That is a very fair request.

**Senator HEFFERNAN**—The statutory funding authority—

**Senator Sherry**—Hang on. A couple of questions have been asked. Is the witness going to have the opportunity to answer?

**Senator HEFFERNAN**—We certainly are waiting for an answer. Before you answer the question, the statutory funding authority states that the money must be spent efficiently, effectively and ethically. You say you are the brains behind it. Where does that fit into starting the testing without having the appropriate approvals?

**Dr Abell**—Let us correct a couple of things for a start. Firstly, I am not the brains behind it. I am a contributor along with others. Secondly, this is a mountain being made out of a molehill. In a public forum when I was describing the formation of the gel, which is important in keeping whatever we put under the skin of a sheep in place, I was asked how we knew that the gel formed in the presence of body fluids of sheep. The answer, which has subsequently been taken miles out of context—and which you are using here—is that I tested in on a dead lamb. Where did the dead lambs come from? I was doing quite a lot of experiments on the rheology of the gel, for which you need the two constituent chemicals in two different syringes. I was doing

that on glass plates to try to test the rheology and the viscosity of the gel. We were lamb marking at the time and there were a couple of lambs with broken legs that had to be euthanized, and I took advantage of those carcasses to do some tests. In answer to that question in a public forum I said, 'Yes, I confirmed the presence of the gel in the presence of body fluids by using dead lambs.' That is the extent of it and it has been blown up from that.

**Senator HEFFERNAN**—That is fair enough. But in reality did you start the testing on your property?

**Dr Abell**—I undertook that rheological testing on my property.

**Senator HEFFERNAN**—Was that a decision of the board?

**CHAIR**—What was the answer to the first part of that question?

**Dr Abell**—I did the rheology testing on my kitchen table mostly.

**Senator HEFFERNAN**—On your property?

**Dr Abell**—Yes, I did.

**Senator HEFFERNAN**—Was it a decision of the board to let you go ahead with that?

**Dr Abell**—I was not aware that I needed a board decision to test rheology of gels.

**Senator HEFFERNAN**—I presume there is some support from AWI for what you are doing?

**Mr van Rooyen**—A properly authorised project was signed off by management within management's delegation to review a whole range of chemicals in an effort to find other alternatives to surgical mulesing. Dr Abell worked in conjunction with a registered veterinary practitioner, who was the one who had the project, not Dr Abell. Dr Abell was assisting him in his own time and without remuneration, because of his knowledge, to review all these chemicals. This is the work he is describing here. He has also described how it got to the stage where it became a headline. I am sure everyone around this Senate estimates committee table today is anxious that we actually find a pain-free solution to mulesing as quickly as we can.

**Senator HEFFERNAN**—That is for sure.

**Mr van Rooyen**—I cannot understand why Dr Abell has been questioned about this when he has explained how it has been blown out of proportion and furthermore when the South Australian Animal Ethics Committee has in fact issued a letter, which is now public, on the subject.

**Senator HEFFERNAN**—But it goes to the question: why did you not get the letter first?

**Mr van Rooyen**—At the time—

**Senator HEFFERNAN**—I do not know—

**CHAIR**—Why don't we get the answer to that question first.

**Senator HEFFERNAN**—Why did you not get any approval before you started?

**Dr Abell**—I did not kill sheep specifically for that function. I used carcasses that were there. Therefore—

**Senator HEFFERNAN**—I am not asking you that. But my understanding is that to do live sheep experimentation—

**Dr Abell**—Therefore, because there were no live sheep involved, I was not aware that any permission was required. Are you saying that to use a carcass I need permission? I do not believe that is so.

**Senator HEFFERNAN**—No. According to the advice I have, to do experiments on live animals you need the process to be approved.

**Dr Abell**—I am just describing to you how I used carcasses of lambs that were euthanized, and they were euthanized—

**Senator HEFFERNAN**—Did you do any live experimentation before that?

**Dr Abell**—I did not undertake any live experimentation before that.

**Senator HEFFERNAN**—Have you undertaken any live experimentation since?

**Mr van Rooyen**—For the benefit of the committee, the South Australian Animal Ethics Committee was advised that the veterinary practitioner had conducted some preliminary studies on live sheep. This was discussed back in August with that committee, which has now subsequently signed off and issued a letter, which you have probably seen—and if you have not, I have a copy for the committee, which I am happy to table. In fact, the experimentation has now moved on to significant numbers of lambs, in the area of a couple

of hundred. This process is going on. This is a beat-up for agri-political purposes. It is going to do the industry no good whatsoever overseas, where our retailers and brands are anxiously waiting for us to come up with alternatives to this problem.

**Senator HEFFERNAN**—Given your expertise and your relationship with Dr Abell on this matter, do you think it is a silver bullet as it has been described in the media?

**Dr Bell**—I cannot comment on how it is described in the media. Going back to when chemicals are being reviewed as to their effectiveness and suitability in replacing open surgical mulesing, any chemical that shows promise and ticks off all the boxes, as we say, should be investigated. When one or in this case two come up that are significantly better and seem at first sight to have addressed a lot of the issues that the initial ones as you describe we had to discontinue, it does give the industry scope to be optimistic. I would hope that today and tomorrow and next week there may be other compounds coming up.

**Senator HEFFERNAN**—What sort of a process is it to fund this? What is the process to fund it?

**Mr van Rooyen**—I can handle that. This was a project, I think, in its initial stages of in the order of \$70,000. That is well within management's delegation. In fact, it is way below the CEO's delegation authority. It was properly approved. The project was—

**Senator HEFFERNAN**—What is the CEO's delegation authority?

**Mr van Rooyen**—It is \$500,000 and the deputy CEO's is \$100,000. This project is well within management's delegation, well within management's authority, and this project has been undertaken and, quite frankly all of us, including you Senator Heffernan, should be very pleased that we have an alternative—in fact two alternatives—that are showing promise that may in fact address some of the concerns we have heard around the table here today.

**Senator HEFFERNAN**—Why not tell the board?

**CHAIR**—I think we have spent enough time on that this morning—

**Senator HEFFERNAN**—This is a different issue—

**CHAIR**—We went down this path for the first half hour.

**Senator HEFFERNAN**—Not on this issue.

**CHAIR**—About not telling boards. Is it really of that much importance?

**Senator Sherry**—It was indicated that we would be finishing this area in a couple of minutes. For the purposes of both the witnesses here and the many, many witnesses who are waiting, can we get some indicative time for when we are going to conclude this area?

**CHAIR**—We intend to finish in about three minutes.

**Mr van Rooyen**—You have had tabled in front of you copies of board minutes and correspondence that absolutely clearly highlights and details the reasons why we have not detailed to the whole board the situation regarding this. The conflicts are clear—

**Senator HEFFERNAN**—Thank you very much.

**Mr van Rooyen**—No. Excuse me, I am going to finish. The conflicts are absolutely clear, and will see that from the extracts of the minutes of the board meetings that you have been given, or will be given. This is a major issue for us. At the end of the day all I am concerned about, and all most of the board are concerned about, is ensuring that we have alternatives to surgical mulesing available for the benefit of Australian woolgrowers so that we can get out and do the job that we want to do, which is increase demand and improve the financial position of the Australian woolgrower. I am sure that, if you asked every woolgrower what they wanted, they would agree with that 100 per cent.

**Senator HEFFERNAN**—Thank you very much.

**CHAIR**—We have about one and a half minutes.

**Senator HEFFERNAN**—Mr Welsh, I understand your package is \$750,000 a year. Do you in your delegation of up to half a million dollars process the cheques that the board does not see? In the delegation of your authority is the money spent before the board knows about it up to half a million dollars?

**Mr Welsh**—No, and I do not process any of the cheques.

**Senator HEFFERNAN**—No, but approve?

**Mr van Rooyen**—Projects are approved under CEO's delegation. The CEO's delegations are tabled at the very next board meeting. The board is aware of projects approved by the CEO under his delegation.

**Mr Olsson**—Please forgive me; I am not as eloquent as our chairman, nor do I have the marketing team behind me to put forward a lucid case on behalf of the independent directors on this board. They have been accused of various things today that I do not fully understand. Certainly from my point of view, if there has been any conflict I have always made it very aware to the board and have absented myself on many occasions. In fact, I have been invited in and sent out and invited in and sent out on this mulesing issue. Also, as to other independent directors, I do not know what conflict they are talking about. It really amazes me that they are using this as some sort of political weapon. This is my statement.

Firstly, I do think there is some dysfunction on this board. I do believe there is evidence there is a board within a board here where decisions are made deliberately without all the board knowing about it. As to the election of the three new directors earlier on, I believe it was unconstitutional. We had two directors that asked for more information on the candidates' standing. That was refused to be given to us at that time. A vote was taken five months later, and they had the numbers to push on three new directors. Most of all, as an individual director I really have little idea as to the day-to-day running of that company. A lot of the decisions are made by management. A lot of the time directors find out at the last moment. Requests for information have been tortuously slow in coming. I waited eight months for certain information that was just not given to me. As a statement as a wool grower and as a duly elected director here, I believe AWI, in its function as an R&D marketing company, in its propagation of antimulesing propaganda is now doing more harm than good to the Australian wool growing community. People believe, as Senator Colbeck has said, they have to stop mulesing. I cannot tell you how much confidence this is draining out of the wool industry; how people are leaving in their hundreds every month because they think they cannot mules. This is from a wool grower who has had a lot of constituents and friends. This company is propagating this information and it is not true. I just want to say for the record that people should always do what is best for the sheep, and in this case this company is doing more harm than good. Thank you.

**Senator ADAMS**—My last question, on notice, is in reference to this ad. Was it correct that there was \$120 million in funding for this?

**Mr van Rooyen**—The marketing program that has just been released is planned to be funded to the tune of \$120 million over the next three years.

**Senator ADAMS**—On notice, as to the statement 'natural, biodegradable, sustainable, ethical, soft, luxurious and fashionable', would you be able to give outline the process or the system behind that that is going to guarantee that people who buy that wool are getting a quality product?

**Senator HEFFERNAN**—On that, if I can, to the board—

**CHAIR**—You can ask one last question on notice. Don't preach, just ask a quick question.

**Senator HEFFERNAN**—I will put these on notice. I have a couple of questions that I want to ask about cheques—

**CHAIR**—No, one question. That is what we agreed to.

**Senator HEFFERNAN**—that were processed to Ian McLachlan and a couple of others in the amount of \$50,000. Also, what is the process for tabling minutes of meetings? Are they public documents?

**CHAIR**—You can take that on notice. At great expense to the rest of the witnesses out the back, to the whole board of AWI, thank you for making the effort to come in today. On behalf of the growers and producers of Australia, I hope the board gets its act together for them, not for the individuals that surround it. I wish you all the very best. Thank you very much.

[2.35 pm]

#### **Australian Quarantine and Inspection Service**

**CHAIR**—Thank you very much for bearing with us. We are miles behind schedule through no fault of your own.

**Dr O'Connell**—Mr Pahl has the answers to some of the questions that were asked earlier which we said we would come back with.

**CHAIR**—Do you want to table them or do you want to speak to them?

**Mr Pahl**—I will be very quick. One question was the per square metre rental rate for our old building, which was \$356 per square metre. Our new building in Civic is \$369 per square meter. But do bear in mind that the old building was the unrefurbished rate. It would have been a higher rate had we refurbished the building. The second one was in regard to the Commonwealth contribution for R&D. I have here—and I am quite happy to table it if that would help—a breakdown for 2006-07, 2007-08 and the estimates for 2008-09 by each act under which we make those payments.

**CHAIR**—I commend your staff for getting that out to you so quickly.

**Senator MILNE**—I would like to start by asking for an update on the ganglioneuritis virus in abalone. Can you tell me where that is up to, particularly in relation to the Tasmanian experience? We received a briefing note recently, but there was only a passing reference to the fact that it had been found in the wild fishery in Tasmania, not just in the processing plant. If you could give me some information about that to start with I would appreciate it.

**Dr Carroll**—The situation is that no further evidence of AVG has been found in Tasmania. The one piece of evidence found in the field was actually just a DNA positive on one of the abalone sampled in the field. There was no sign of disease or evidence of disease just in the typing looking for DNA or genetic evidence. They did turn one up, but only one. My understanding is that the Tasmanian government has now disbanded the emergency response and it is now being managed as normal business because they have had no further evidence of any disease.

**Senator MILNE**—Is there anything further to report about the spread of the disease in Victoria?

**Dr Carroll**—Nothing further at this stage that I am aware of. As to the Victorian situation, it is still in that long area along the west coast of Victoria. It had been moving slowly eastwards. My understanding is that its progress had slowed, but there are no particular developments in that area at this stage.

**Senator MILNE**—Is the Commonwealth involved in managing the response in Victoria or has that been devolved to the Victorian authorities?

**Dr Carroll**—The Victorian authorities are the ones who are managing the response on the ground. They have previously invoked the national arrangements under the Aquatic Consultative Committee on emergency animal diseases. We are also involved in providing advice and some money for research and other things to do with AVG as well. The actual management of disease within Victoria is a function of Victorian government.

**Senator MILNE**—What about protocols in terms of recreational divers, as well as the professional industry?

**Dr Carroll**—We have been in discussion with various industry sectors, but again that comes under the Victorian state government. There is a group looking at that and, the last I saw of it, all the parties were freely discussing and consulting on those issues.

**Senator MILNE**—This has been going on for some time. Should we have a protocol in place now in relation to recreational divers in particular?

**Dr Carroll**—One of the difficulties is that it is a very poorly understood disease. It is a relatively new disease. The knowledge that we gain from Victoria was certainly used by Tasmania in their response. The extent to which diving may or may not transmit the disease, and the effect of the disease being transmitted that way, is still not well understood. During our discussions with the dive industry there was a lot of discussion about having voluntary restrictions. One of the difficulties with abalone is that there is a black market in abalone and poaching, and any degree of regulatory control will find it very difficult to stop that spreading disease as well. One of the other chief means of suspected spread was the lobster industry. When I was last involved they were cooperating very closely with the abalone divers because they did not want to be the cause for the spread of that as well. It was working through cooperative arrangements as the knowledge of the disease also evolved.

**Senator MILNE**—Who is spending money on research into the disease?

**Dr Carroll**—I believe the Victorian government. We are also spending some money on research into the disease as well.

**Senator MILNE**—How much is the Commonwealth spending and where is the effort being concentrated?

**Dr Carroll**—DAFF has provided \$100,000 for priority research, a National Abalone Health Workplan; \$35,000 to support a working group to develop models for an abalone disease response arrangement—the



current arrangements are in draft; and \$35,000 to complete an AQUAVETPLAN disease strategy manual, which is currently in draft form. Specifically on research, we are spending \$100,000 and that is done under a cooperative arrangement with the industry and also the Victorians of course.

**Senator MILNE**—Did that \$100,000 include the last couple with education and the manual?

**Dr Carroll**—No, they are separate.

**Senator MILNE**—Is that in addition to that?

**Dr Carroll**—Yes.

**Senator MILNE**—The other issue I wanted to raise with you was in relation to reports about contamination of vegetables grown in China and imported into Australia. I realise that FSANZ does most of the work in terms of food standards. Has there been any discussion between FSANZ and Quarantine and Biosecurity about sampling any of the imports, et cetera, for the melamine contamination?

**Mr Aldred**—We will need to get the expert person to the table.

**Mr Read**—Were you talking about melamine horticultural products?

**Senator MILNE**—Melamine contamination.

**Mr Read**—There has been a lot of ongoing discussion which has been facilitated through FSANZ in accordance with a response protocol for this particular issue. That has subsequently led to the state regulators reviewing a range of products that potentially pose a risk. Where there has been product identified of concern, then there has been communication with AQIS where it is a risk to take appropriate response.

**Senator MILNE**—Has there been any work done in relation to the reports about mushrooms, tomatoes, potatoes, lettuce and watercress, which is the latest in this range of suggested contamination?

**Ms Clegg**—At the moment FSANZ has not given us advice that we need to be sampling imported horticulture products for melamine contamination. We are in constant contact with them—we are talking to them every day—about the new reports that are coming in and advice from the other food safety agencies around the world to keep in touch with this sort of thing but, so far, no.

**Senator MILNE**—That is interesting because in the media reports Food Standards Australia are saying that Australian investigators were taking the matter seriously, were talking to overseas agencies and doing a risk assessment.

**Ms Clegg**—Yes.

**Senator MILNE**—Are they not discussing that with you in regards to the risk assessment?

**Ms Clegg**—Their risk assessment has not involved us testing samples at the border, and that is our contribution to their assessment. We provide them with information, for example on consignments that are coming in. If they ask us to test it at the border we then arrange for products to be profiled and sampled and we give them those results. We are not doing that at this stage. They are using their contacts overseas to conduct their own risk assessment.

**Senator MILNE**—The risk assessment does not extend, at this stage, to actual testing of the imported product?

**Ms Clegg**—No. They have not asked AQIS to sample the imported product yet.

**Senator MILNE**—It may be a slight exaggeration in terms of the extent of the risk assessment, so I would like to think that we would do some sampling of product coming in and not just be talking to overseas agencies. I note that you have not been asked to do it yet.

**Senator COLBECK**—I would like to ask some questions about this, too.

**Senator MILNE**—Senator Colbeck wants to pursue this matter as well.

**CHAIR**—Senator Colbeck.

**Senator COLBECK**—I understand there are about 189 products that have been identified internationally that may contain melamine. Have we identified which of those that FSANZ are aware of and which ones are actually coming in to the country? Have you done that work to identify which of those products might be coming in to Australia?

**Ms Clegg**—No. The way we have managed it is like this. Product comes into Australia and is sampled at the border for a range of tests for things that we know would be in them. Melamine, at the moment, is not in

the Food Standards Code as something that we need to test against. We are not routinely testing anything for melamine at the border. Because it is a deliberate contamination, it is not something that should be in food, that is one of the reasons why it is not in the Food Standards Code. It should not be there in the first place. The code is about allowable limits of things that might occur. An example would be antibiotic residues.

Based on the advice from overseas countries that they have found a higher level of melamine in a product, FSANZ will have a look at that information and they can advise AQIS that that product might present a risk to food safety for Australians. On that basis AQIS can profile and select out those imports when they arrive at the border and have them tested. That is how we are managing the infant formula. Even though, under quarantine rules infant formula does not come in from China, we have a profile so that if someone was importing it we could pick it up and have it tested. It would also be canned for quarantine, but we would be able to manage it that way.

The Kirin Milk Tea is a product that has been identified. We are able to manage that by selectively going for the manufacturer of that product. All consignments that come in with that brand name from that manufacturer are directed to AQIS through the customs system for testing to see whether it has melamine contamination that would be a food safety risk.

For other things, the White Rabbit creamy candies would be a good example, FSANZ have advised that they are a low risk, therefore AQIS is not having that product referred to us at this stage.

**Senator SIEWERT**—So is it still coming in?

**Ms Clegg**—It can, but the problem for an importer is that they cannot legally sell that product now because the states and territories also regulate food in Australia. It is what is called 'unsuitable'. If you are importing it, what are you going to do with it? The big area of concern is for people that take the majority of their food source from milk-based products such as babies and infants. So in the first instance, FSANZ is paying very close attention to that and then it is looking at the products that have less than 10 per cent dairy ingredient in them, such as all sorts of powders for adults.

**Senator COLBECK**—I understand that the products are split into two categories: one with a higher than 10 per cent and one with less than 10 per cent.

**Ms Clegg**—Yes.

**Senator COLBECK**—And there are considerably more in the second category.

**Senator MILNE**—With reference to the question I asked earlier, I am looking at another media report that came out where FSANZ released a statement saying:

No products in Australia have been found to be affected but further tests were carried out.

It goes on to state:

Australia imports some vegetables from China. We are taking it seriously. At this stage we can find no evidence that fruit and vegetable imports are unsafe but it is certainly something we are looking at.

That implies that they have actually tested some. From what you are saying you have not been asked to test any. Would FSANZ use anyone else other than AQIS or Worldwide Security?

**Ms Clegg**—Yes. They would. There is a network. The way the food system is regulated in Australia, the states and territories have the power to have food recalled. AQIS does not have that power in the Imported Food Control Act. The states and territories can take samples and have products tested, and they have been doing that. So, when there are those reports of 180 products or the fruit and vegetables, each of the states and territories can independently make their own decision, or if they are having a discussion with FSANZ about a survey—and certainly, we have been supportive of them having a survey and we are going to pay for some of the testing—they make their decision about whether we will go and sample and then report that back to whether they are finding anything. So, that is the way we are managing that at the moment. People are going out, seeing what is on the shelves, sending it off to a lab for testing and reporting that back. That is pretty much the way most other countries in the world are doing it and we are sharing that information.

**Senator MILNE**—Which states and territories have actually done some testing of actual imports?

**Ms Clegg**—I do not know about the fruit and vegetable testing. A number of the states and territories have done testing for the White Rabbit candy. I cannot remember, but they have and they have provided that information to FSANZ. Victoria recently provided information about the milk product, the tiramisu cake and

the Daylin yoghurt drink. I do not know who did the Kirin Milk Tea, but that was one of the states and territories reporting that back in.

**Senator MILNE**—Given that a lot of Chinese vegetables are frozen, imported in bulk and then repackaged in Australia and sold as ‘Made in Australia’, it would seem to me that there is some urgency in actually testing some of these products. But you are saying that you have to wait for FSANZ to tell you to do it.

**Ms Clegg**—The product that we would see would be the vegetables coming in from China before they are repackaged.

**Senator MILNE**—That is right.

**Ms Clegg**—And they are sampled at the moment at the rate of five per cent, so FSANZ has to establish in its own mind that there is a risk to human health and safety.

**Senator BOSWELL**—I would have thought that four babies being killed indicates a pretty significant risk.

**Ms Clegg**—It is if you are eating infant formula as your only food. Adults are not; and fruit and vegetables are not being fed to babies causing that. It is the infant formula and the contamination in that milk powder that has been the issue.

**Senator COLBECK**—Does it actually lift the protein levels in milk?

**CHAIR**—Senators, before we go offline, let us stick to questions and be mindful of the time and that we have created this drama for the department, not them. So, on that, Senator Colbeck, has your question been answered?

**Senator MILNE**—Dr O’Connor was going to say something.

**CHAIR**—Dr O’Connor?

**Dr O’Connell**—I am happy not to.

**CHAIR**—Thank you. We will go back to Senator Colbeck.

**Senator COLBECK**—Senator Boswell, on this subject—

**Senator BOSWELL**—After listening to your explanation, Dr O’Connor, it seems pretty loose that we are relying on states to identify melamine in particular products. One state may say that that is not good enough for that particular state but other states may not make any objections. It seems with the health of Australia involved in fruit and vegetables and biscuits, it seems to be a very loose situation where we are relying on certain states to identify whether there is melamine in a product or not. Would you like to comment on that?

**Mr Read**—It is more intricate than that. This issue obviously emanated with the infant formula issue in China. That was detected and it certainly disclosed some of those concerning practices around that product. Globally, there is a range of monitoring activities that are occurring now identifying products. FSANZ is the agency in Australia that is central to regulating food in this country and coordinates that activity with the state regulators. The state regulators are meeting regularly and it has been every second or third day that they have been holding teleconferences. They have been reviewing a range of the risk products, and they have been networking around the world to understand what those products are. There has been testing occurring across a range of those products and, where product has been found of concern, they have either found the product unsuitable or that product has been withdrawn commercially from retail sales or, in the instance of Kirin Milk Tea, AQIS has put procedures in place to respond to that. Essentially it is that framework that FSANZ coordinates with state regulators that is identifying those products at risk.

**Senator BOSWELL**—What role has AQIS got? I always acted under the assumption that AQIS were responsible for quarantine of imports of food in Australia.

**Mr Read**—AQIS has two separate roles. It has a primary responsibility for quarantine and that would relate, for example with milk product, with things like FMD contamination; that is a quarantine issue. We also have an act that gives us authority at the border to deal with food safety testing, but we cannot do it unilaterally. We are in a sense just a vehicle of FSANZ. We are informed of what the risk products are and then accordingly we develop tests collaboratively with FSANZ, agree those tests and then they are applied at the border against that food product. Essentially, we are just the instrument applying the test at the border.

**Senator BOSWELL**—I think this is unsatisfactory. The fact that this situation has developed—and now we have to rely on states to protect the food imports of Australia—is inadequate. I observe here that on 1 July 2008 America ruled out imports of about a dozen products that were coming into America. We do not seem to

have done anything as yet. It is now 20 October and we do not seem to have made any stoppages of products coming over the border.

**Dr O'Connell**—I think much of the issues that are being raised here really do revolve around the coordinating the central role of FSANZ in managing this issue, which is in the health portfolio. I would be happy to take on notice a more precise explanation about the role of FSANZ in this.

**Senator BOSWELL**—Are you satisfied this is adequately protecting the health of Australians?

**Dr O'Connell**—I think FSANZ is the body which is tasked with—

**Senator BOSWELL**—No, I did not ask you that. I asked you, are you—

**Dr O'Connell**—I do not think I am qualified to make that opinion as to whether or not the health of Australia is guarded by this. This is a broad Commonwealth-state structure which is designed to ensure that we get a federal balance in managing the issue. But, as I say, I would be quite happy to come to the committee with a more fulsome description of this.

**Senator BOSWELL**—What products are AQIS and FSANZ each testing at the moment?

**Mr Read**—FSANZ is surveying through—

**Senator BOSWELL**—No. I asked what products they are testing.

**Mr Read**—I cannot say precisely what FSANZ is doing. I can say what AQIS as advised by FSANZ is doing. Essentially, in relation to Kirin Milk Tea, we have been advised to test and hold that product, which we will do. We will test that product for melamine content. We have also commenced putting in place arrangements to seek to profile products that put infants at risk. Essentially I am saying that we will seek to use the information that we obtain from Customs to profile food products that contain small percentages of components from China and to identify those that would be consumed by infants. Given that relationship, we would then test that product.

**Senator BOSWELL**—That is commendable, but people other than infants may have a problem with melamine. What are you doing with fruit and vegetables?

**Mr Read**—Again, FSANZ has not advised AQIS. FSANZ will be looking at the profile of all products, and we are waiting to be informed by FSANZ what particular measures AQIS will need to take on the back of its risk assessments.

**Senator BOSWELL**—Are there are other countries that use melamine in their food additives?

**Ms Clegg**—Not to our knowledge, no.

**Senator BOSWELL**—At the moment you are testing only one item and you are relying on FSANZ to ask you to do the rest.

**Ms Clegg**—At the moment we are testing Kirin Milk Tea and we are putting in place profiles to test infant products.

**Senator BOSWELL**—What about biscuits and such things?

**Ms Clegg**—For infants, but not yet for adults. As information comes to hand about certain products, the states and territories can use a range of methods, depending on the seriousness of the risk as seen by FSANZ. An example would be White Rabbit candies, which I think had a melamine level of 183 milligrams. FSANZ asked the consumers to take them from the shop floor. In of the case of Kirin Milk Tea, it was higher, so they felt that the risk was greater there. They said that there had to be a consumer-led withdrawal and that people needed to take the product back to the shop.

**Senator BOSWELL**—It seems to me that we are closing the stable door after the horse has bolted.

**Ms Clegg**—That is the way the system works at the moment. We do not have the power to prohibit food arriving on our shores.

**Mr Read**—Just to recap what we have said, FSANZ are the risk assessors and managers. They inform AQIS of the precise sorts of products and types of testing. At this stage they have informed us regarding Kirin Milk Tea and products that pose a risk to infants. They are looking at the broad array of other foods that are entering this country and, when they feel it is appropriate, providing us with advice on controlling those products.

**Senator BOSWELL**—Do you have IRAs underway on any other Chinese products that are coming in?

**Mr Read**—In terms of food, no. In terms of food, that sits with FSANZ. It is another issue if the question is about quarantine.

**Senator BOSWELL**—What about fish? Are you saying that all applications for testing would have to be made through FSANZ?

**Dr O'Connell**—No. We need to clarify that there are two different sorts of assessments that potentially we could be talking about here. I would not want to get us confused. Under the Quarantine Act, Biosecurity Australia can carry out import risk assessments and can give you an account of where we are with any Chinese product. Mr Read is talking about FSANZ and—

**Senator BOSWELL**—I am sorry, but I cannot tell the difference between them.

**Dr O'Connell**—That is why I am explaining it. One is to do with animal and plant disease status; and the other is to do with human health status. FSANZ manages the policy prescriptions around human health, in that sense.

**Senator BOSWELL**—So you would have more chance of picking up a disease in a plant than in a product that is used for human consumption, as it comes across the border.

**Dr O'Connell**—I think it would be better to put some of the questions you are raising to the health portfolio.

**Senator BOSWELL**—Have a go.

**Senator Sherry**—We should not operate like that.

**CHAIR**—Normally we would, but we seem to have used up a lot of our time. Maybe we should not just 'have a go'. I think Dr O'Connell is saying that you might be better off asking this under the health portfolio.

**Senator Sherry**—These witnesses are not the right ones; this is not even the right committee.

**Senator BOSWELL**—That is not correct, Senator Sherry. These people do know, but they are not going to stray on to anyone else's turf.

**CHAIR**—Do you have any other questions, Senator Boswell?

**Senator BOSWELL**—Yes, I have other questions. Can you provide us with the names of any other agricultural food products that currently are being imported from China? That would be your bailiwick, wouldn't it?

**Ms Clegg**—Yes. We could get you a list of those products; I do not have one with me. It would be a wide range of processed foods.

**Senator BOSWELL**—Yes, I would like a list of those processed foods. I would also like to ask the other group whether they are testing the food that is coming in. It is commendable that you are looking after infants, but there are other issues in Australia as well as those that relate to infants. I think these people are not taking sufficient care in testing products that are coming in.

**Mr Read**—Perhaps I can clarify that any food that comes into this country will be classified as either high risk or low risk—and this is in terms of food safety, not quarantine. In terms of food safety, we have low risk and high risk. With low-risk food, we take a sample of the product at the border to test for a range of chemicals; with certain foods, we do microbial type tests. At the border there would be 100 per cent testing of other ready-to-eat products—cooked prawns would be one example—again across a range of various chemicals; there would probably be microbial testing as well.

**Ms Clegg**—Yes.

**Mr Read**—With all food, it is not just free entry. Assessments are made by FSANZ against the risk profiling of that food. AQIS responds to that risk profile with the appropriate types of tests for the type of food that enters.

**Senator HEFFERNAN**—If it comes in through New Zealand—and in our trade arrangements with New Zealand there is approval—do we retest it? The answer is no, I think.

**Ms Clegg**—I think it depends on what the food is.

**Mr Read**—It would depend on the food.

**Senator HEFFERNAN**—You might give us the details of that, on notice.

**Ms Clegg**—Yes.

**Dr Samson**—I am hearing particularly Senator Boswell. If it will help, we can get a list of all imports from China. We will talk to our colleagues in FSANZ and, against that list of imports, try to map the testing regimes that do or do not exist. A summary of that may be what you are seeking.

**Senator BOSWELL**—It is what I am seeking. But I am saying that there is an urgency here. It seems that a product in which there is melamine—biscuits—is coming in and no-one, except for the states, is particularly worried about it. I would have thought that, once that alarm had been triggered, someone, presumably AQIS, would spring to attention and intercept all food products that are coming in from China in order to test them for melamine and not just flick them over to FSANZ to take certain action amongst the states.

**Senator HEFFERNAN**—We are relying on you to eat them.

**Senator BOSWELL**—Surely you are the gatekeepers for Australian health; yet you do not seem to be on the ball with this one.

**Dr Samson**—With respect, the agency that has responsibility for the importation of food, as has been explained by Dr Clegg and Mr Read, is FSANZ. On advice from FSANZ, AQIS then has a role to test at the border 100 per cent of all foodstuffs that FSANZ identifies as being high risk. It is not passing the buck at all; FSANZ is the agency with the responsibility for doing that.

**Senator BOSWELL**—The Vietnamese Prime Minister, when he was in Australia the other day, stated:

This will be further facilitated as the two countries have concluded the negotiation, the bilateral negotiations, on the ASEAN Australia-New Zealand Free Trade Agreement and Australia has agreed in principle to recognise Vietnam's market economy and to reconsider its quarantine measures on Vietnamese seafood.

He continued:

For instance, if the agreements by both sides today on the reconsideration of the quotes and measures on seafood import from Vietnam is well observed then we can see a much bigger trade volume between us.

Have you advised the Prime Minister's department or any other government department that the quarantine restrictions on Vietnamese seafood with regard to white spot should be altered?

**Dr O'Connell**—Biosecurity Australia.

**Dr Samson**—To the best of my knowledge, the answer to that question is no.

**Senator BOSWELL**—So, with the tests now applying to them, no prawns will be allowed to come in from Vietnam or there will be no reduction in the—

**Dr O'Connell**—Just to be very clear, we might get a read-out from Biosecurity Australia on the precise status of the prawn IRA process. As far as I am aware, at present there is no change with white spot.

**Dr Martin**—According to the requirements for prawn imports, uncooked prawn meat from all countries has to be tested for the white spot syndrome and the yellowhead virus; that has not changed. In September we removed the requirement for testing for the disease IHHNV, and that was based on Australia's disease status having changed.

**Senator COLBECK**—Do we accept that IHHNV is now endemic to Australia? Is that what we are saying?

**Dr Carroll**—Yes, we are. The strains of the virus that are similar or almost identical to the strains that occur in the East Asian region are now considered endemic to Australia.

**Senator COLBECK**—How does that impact on our export industry?

**Dr Carroll**—Overseas it is a very widespread virus, but I am not aware of it impacting on exports. Also, it is no threat to human health.

**Senator COLBECK**—Are there any countries that do not have it that now would not take our fish?

**Dr Carroll**—Not that I am aware of.

**Senator COLBECK**—Can you please take it on notice to check that for me?

**Senator BOSWELL**—Dr Samson, did we take that disease off the list because it was in Australia?

**Dr Samson**—Yes.

**Senator HEFFERNAN**—If it has no impact on human health, what does it impact on?

**Dr Carroll**—The disease can impact on some strains of prawns when they are farmed. The predominantly farmed variety here, which is the black tiger prawn, is not a species of prawn that the disease tends to have an impact on. It is more on the Vannamei and the crossbred hybrid prawns that they use for—

**CHAIR**—But what does it do? Does it send a prawn blind? It kills them?

**Dr Carroll**—Yes. It can kill them and produce—

**CHAIR**—Thank you. We got to it.

**Senator BOSWELL**—I think you have nodded in answer to this question, but I want it on the record: is that disease in Australia now?

**Dr Carroll**—Yes.

**Senator BOSWELL**—Is that the reason for taking it off the list?

**Dr Carroll**—Yes.

**Senator HEFFERNAN**—Is that a threat to Australia's farmed prawn industry?

**Dr Carroll**—All the evidence is no. As I have said, it is a disease that tends to affect different prawn species from those we predominantly farm in Australia.

**Senator HEFFERNAN**—How do you know that?

**Dr Carroll**—From overseas work where it has produced signs. It has not produced signs in the monodon, which is—

**Senator HEFFERNAN**—You have not done the work here?

**Dr Carroll**—We have not done the work here, no.

**Senator BOSWELL**—Minister, did the Prime Minister give any commitment to the Prime Minister of Vietnam that there would be a lifting of restrictions on seafood imports from South-east Asia and Vietnam?

**Senator Sherry**—My understanding is that no commitment was given. The matter was discussed and we have a process in place. Biosecurity and AQIS carry out and will continue to carry out the work, as they are required to do and have done in the past.

**Senator BOSWELL**—So no commitment was given and there has been no change to the testing programs.

**Senator Sherry**—That is my understanding; correct.

**Senator HEFFERNAN**—If that is correct—and I do not doubt for a minute that it is—did the press misinterpret what was said?

**Dr Carroll**—No.

**CHAIR**—Well, we did not see your lips move then.

**Senator Sherry**—I struggled with Latin when I gave an answer in the—

**Senator HEFFERNAN**—Yes, you did.

**Senator Sherry**—As for the interpretation of the Vietnamese Prime Minister's comments, to start with, I am always cautious about views printed in the media. The Vietnamese Prime Minister made some comments. How they are interpreted by the media is a matter for the media.

**Senator COLBECK**—Have you had any consultations with industry about what their understanding of the impact might be? They expressed to me some real concern about the potential impact, particularly on their exports.

**Dr Carroll**—As I have said, at this stage I am not aware of any impact on exports. Most countries around the world have IHNV, so it is a particularly widespread virus. Also, there are indications that it may have been in Australia for some time; I will verify that. However, I not aware of any impact on exports. It is not a human health issue. For most countries, the conditions for export of prawn meat are based on human health considerations rather than on animal quarantine considerations.

**Senator COLBECK**—Fire blight is not a human health issue either and we are having an argument about that too. In that context, I think the fishing industry has a legitimate concern, particularly if it changes the potential for export of their industry and no consultation or discussion is had with government. But I will leave it at that.

**Senator SIEWERT**—I am sorry, but I want to go back to melamine. I want to clarify, hopefully, one particular point. Is melamine routinely tested for in each test that is done on five per cent of a consignment?

**Mr Read**—No, it has not been; however, it will be tested for specifically with those products that FSANZ advises AQIS to test for.

**Senator SIEWERT**—We only find out about those products if we are told about them from overseas. Is that right?

**Mr Read**—No; that has been answered already. The work that FSANZ are doing nationally with the other state regulators and the survey work they are progressing plus their international network, as we have said, allow them to target those foods they consider to be high risk.

**Senator SIEWERT**—If states undertake to do their own testing and find out that it is an issue, will you do testing then?

**Mr Read**—No. If states identify an issue, they will advise FSANZ. FSANZ will assess the risk and will then advise AQIS on what we need to respond with at the border.

**Senator SIEWERT**—But it is still then relying on other countries and the states rather than on the Commonwealth, through FSANZ taking a lead.

**Dr O'Connell**—FSANZ involves the Commonwealth but is in the health portfolio.

**Senator SIEWERT**—I understand that.

**Dr O'Connell**—I think we need to distinguish between the health portfolio and AQIS's role effectively as an agent of FSANZ for this purpose.

**Senator SIEWERT**—Yes, I understand that, and I have prepared a list of questions for FSANZ. But the point is that you are not doing testing for melamine on the five per cent. So, even where you are testing, that is not being routinely tested for—even in the standard five per cent.

**Dr O'Connell**—That is correct.

**Senator WILLIAMS**—You would understand and be aware of what the horse industry feels about the recent EI outbreak. In fact, the people in country areas that I have been talking to place the blame for the EI outbreak wholly and solely at the door of Eastern Creek. What oversight is in place now to review improvements in procedures and infrastructure that in the future will reduce the risk of spreading disease from Eastern Creek's quarantine facility?

**Dr O'Connell**—I will ask Dr Ann McDonald to provide an answer.

**Dr McDonald**—A number of initiatives have been put in place as a result of the government's response to the Callinan inquiry. We now have 24-hour security guards at quarantine stations; revised interim quarantine measures and import conditions; updated work instructions for quarantine officers and for industry personnel who are involved in imports; and an expert group chaired by the Australian Chief Veterinary Officer that will be giving advice on infrastructure, processes, facilities and so on. BA is conducting an IRA, and that was announced on 30 September. Professor Peter Shergold will provide independent advice to the minister on the implementation of the government's response to the EI inquiry. Also, the Interim Inspector-General of Horse Importation, Dr Kevin Dunn, was appointed recently to provide advice. I suppose that is it, in a nutshell. A range of processes have been happening right across the quarantine continuum, including pre-export. We have had people from Biosecurity Australia, AQIS and the councils, on our behalf, looking at those facilities over there.

**Senator WILLIAMS**—The thoroughbred racing industry does not recognise artificial insemination from overseas sites as a legitimate reproduction technique, probably in a move to put upwards pressure on stallion service fees. As a means of reducing the risk of another EI outbreak, has AQIS developed a strategy to encourage the thoroughbred racing industry to use artificial insemination involving semen from overseas sites instead of importing and using live horses?

**Dr McDonald**—That is really a matter for the thoroughbred industry to take up. It is not really AQIS's position to manage those sorts of discussions among that industry.

**Senator WILLIAMS**—The proposed EI levy is anticipated to be imposed on all animals, including those for eventing, recreation and farming, in the event of another outbreak. Has a study been undertaken to determine, in dollar terms, what would be the effect of exempting from the levy horse owners other than those in the professional racing industry? If there is to be another outbreak, it is unlikely that it will result from the actions of those in these non-professional areas, so why should they pay for the bad management of others? We know where the problem comes from and where the high risk exists.

**CHAIR**—Senator Williams, a Senate inquiry is being held into that at present and those issues are probably best left to the workings of that committee.



**Senator WILLIAMS**—Right. That is all I have for the moment, Chair.

**Senator ADAMS**—I would like to ask about honeybees. In June this year, the House of Representatives tabled a committee report entitled *More than honey: the future of the Australian honey bee and pollination industries*. Do you know whether those recommendations been looked at yet?

**Mr Aldred**—They are under consideration. The report has been received. Because a number of the issues relate to biosecurity, the minister has also referred that report to the panel that was conducting the quarantine and biosecurity review and has asked it to examine the recommendations as well. We are in the process of going through each of the recommendations and hopefully we are getting close to a draft response that will then be considered by the minister.

**Senator ADAMS**—When is it likely that will happen? Will it be before Christmas?

**Mr Aldred**—I cannot give a specific time, but the work is certainly well advanced.

**Senator ADAMS**—I am asking about the speed of that process because of the Varroa destructor incursion in Papua New Guinea and the worry with that being so close to Australia.

**Mr Aldred**—While looking at the recommendations, we have also kicked off a process with a range of industry players, researchers—Animal Health Australia and Plant Health Australia—and research funders to put together a suite of projects that, from what comes out of the report, might need to be undertaken. We held the first small workshop on 29 August and we are developing up a series of projects that might be taken forward. One of those relates to the specific implications of the PNG finding and whether, in fact, the new strain of Varroa can basically hop between different bee species.

**Senator ADAMS**—Perhaps you can answer a question on pesticides and their labelling. A number of agricultural chemicals impact quite dangerously on bees. It worries people that these chemicals are being sprayed and used around farming properties. Of course, with the bees, the nature strips and the hives being spread around, that could cause problems. I see that Ms Bennett-Jenkins is here. Would you be able to answer that question for me?

**Dr Bennett-Jenkins**—Yes. We do have a labelling code that sets out the labelling requirements for agricultural products. That code includes requirements for statements that relate to bees. So we do seek advice from experts in the area to assess the potential danger to bees, and then those instructions are included on the label. We do that on a case-by-case basis. For the more toxic products, there will be quite extensive instructions as to their potential dangers to bees and how long beekeepers might need to keep their beehives out of treated crops.

**Senator ADAMS**—I have a question for AQIS. At the last Senate estimates, I asked a number of questions about the space for sheep being exported, especially to the Middle East during the months of May and October. I have seen a headline in a paper that implied you had made a decision about this. Would you be able to give me a brief overview of that decision and the reason for making it?

**Mr Read**—There were essentially two decisions. The first decision was that around May there would be two tiers for open-deck ships carrying sheep to the Middle East: there would be an initial space requirement of 15 per cent into the Gulf region and an initial space requirement of 10 per cent into the Red Sea region. Notwithstanding the fact that essentially, based on the application, we had to review every ship on its merits, we reviewed that decision in early October and considered that, at that particular point, the heat risks were reduced from what they had been back in May. So that decision was changed to require an additional space of five per cent into the Red Sea and 10 per cent into the gulf, with some other performance parameters needing to be met by exporters.

**Senator ADAMS**—Since you made your decision, have you had any problems with that issue?

**Mr Read**—'Issue' in the sense of?

**Senator ADAMS**—In the sense of animal welfare outcomes.

**Mr Read**—I think the first vessel under that arrangement is still in transit, so we do not have all the data back yet. But the indications are that it performed below the one per cent mortality for those two tiers, concerning decks.

**Senator McGAURAN**—The horticultural industry of Australia, before a hearing on the Australia-Chile Free Trade Agreement, were gravely concerned about the pending agreement, given the competitive advantage of the horticultural industry in Chile. You may think this is an international question, but it is not. In particular,

their concern was that, given the new status that Chile will have with Australia, AQIS will lift to a higher priority Chilean requests for quarantine reviews—for example, on table grapes. Every particular product was representative; table grapes are the biggest one and blueberries is another. Could I have a comment in that regard? In the end, I guess my question is: understanding that AQIS is a busy organisation, will it give special consideration to countries that have a special free trade agreement with Australia and will it do so with Chile?

**Mr Burns**—The very simple answer is no. We do have free trade agreements in place with several countries and for none of those countries do we have what you might call a fast-track process for import applications. There would be nothing different for Chile. Chile is free to apply for access for its products in the same way that any other country can apply and they will be treated in the same way as any other country is treated. So there is no special process in place for Chile.

**Senator McGAURAN**—Then how do you prioritise?

**Mr Burns**—Across the board, for all countries, whether or not we have a free trade agreement with them, the department internally has what we call an IMAAG, which is a committee that looks at requests and we prioritise those requests according to a range of criteria. In fact, I think Chile at the moment does not have an range of requests in with us. Table grapes are one of the few horticultural products that they do have access for and they have not been sending any to us.

**Senator McGAURAN**—Is that because the protocol bar is set too high and is not competitive?

**Mr Burns**—Whether they want to send to us or not is their decision. But we have a range of measures in place, and they have decided not to export to us.

**Senator COLBECK**—I understand that the Beale report was received by the minister on 30 September. Where is that at and what will be the process with it from now on?

**Dr O'Connell**—That was delivered on time by the Beale panel and now is with the minister. I think he has indicated that he wants to read it and get across it before deciding precisely how it will be handled.

**Senator COLBECK**—So you do not know for how long it will be in the minister's purview before it starts to come back to us? Obviously, the department is having its own look.

**Dr O'Connell**—I would not want to speculate about the minister's processes.

**Senator COLBECK**—But would the department be reviewing the report as well?

**Dr O'Connell**—The department certainly provided the minister with a handling brief when the report was delivered, yes.

**Senator COLBECK**—How much did it cost?

**Dr O'Connell**—I am not sure.

**Mr Quinlivan**—We have not finished running up bills for the review yet. The report has not been printed and invoices are still coming in, so we do not have a final cost yet.

**Senator COLBECK**—I hope that you are no longer running up bills but just waiting for them to arrive.

**Mr Quinlivan**—The report has not been printed yet, so it will be—

**Senator COLBECK**—So you are still running up bills.

**Mr Quinlivan**—Yes. The process has not been completed yet. I imagine that next time we meet we will be in a position to give you the final costing.

**Senator COLBECK**—So the report has not been printed but the minister has it?

**Mr Quinlivan**—That is correct.

**Dr O'Connell**—The report has been printed in a form suitable to be handed over to the minister but, if you like, in terms of copies for release, it has not been printed yet.

**Senator COLBECK**—Do we know the extent of the consultation process that was undertaken by the committee?

**Mr Quinlivan**—The committee took submissions and travelled widely, including internationally. I do not have the numbers off the top of my head, but it was an extensive process. We can certainly provide that for you.

**Dr O'Connell**—They met with about 170 different stakeholders and they took 220-odd submissions, so it was a very extensive process.

**Senator COLBECK**—How does that fit in with the election commitment for the Quarantine Research and Preparedness Plan?

**Mr Aldred**—The conduct of the program for that plan may well be influenced by the outcomes of the review. They are not specifically linked, but a range of the same sorts of issues would certainly have been considered by the panel.

**Senator COLBECK**—So what stage is the Quarantine Research and Preparedness Plan process up to?

**Mr Aldred**—It is being implemented. The funding for the activities under that program spans four years; they started last financial year and are continuing this year and will continue in the next two. Some activities were undertaken last year and a range of activities are getting to the point where we will finalise project plans and set up contracts for the current year.

**Senator COLBECK**—But, if the Quarantine Research and Preparedness Plan is going to be influenced by the Beale report and one is already underway, how do you reconcile those two things? Obviously, I understand that you have an election commitment, but how do you integrate the Beale report recommendations into the plans?

**Mr Aldred**—The plan is for \$5.4 million over four years and has under it a range of what I would call ‘no regrets’ measures. It includes things like trying to improve the diagnostic capacity of the country so that, if we get a pest incursion, we are able to diagnose it quickly and accurately. Certainly they are some of the sorts of issues that were raised with the panel in a range of consultations. I would not expect that anything we have done to date will be lost and we may well get some pointers for where we go over the next 2½ years.

**Senator COLBECK**—But certainly the fact that you have started this election commitment process would mean that, the sooner you get access to the Beale report, the more quickly you can ensure that the recommendations and the approaches recommended in that report can be implemented into this particular program.

**Mr Aldred**—That is correct. As soon as we see a government response, we will certainly take that into consideration with the way that the program rolls out.

**Senator COLBECK**—As you have said, a number of different elements figure within the research and preparedness plan. Can you detail how the costings are broken down within each of those different elements? You have the national fruit fly strategy, the project to diagnose plant and pest disease and the on-farm biosecurity. Can you give us some information on how the costs are broken down for that?

**Mr Aldred**—Yes. Ms Ransom will take you through those figures.

**Ms Ransom**—The QRPP program is broken down over three and a bit years. The first year we allocated \$0.5 million.

**Senator COLBECK**—Is that last financial year?

**Ms Ransom**—Yes, that is last financial year. Of that, \$200,000 went into some preliminary fruit fly work, specifically for developing analysis methods for systems approaches so that we can move away from end-point treatments for fruit fly and look at the whole system. We commissioned a number of contingency plans for exotic fruit fly so that we would have those available in the, hopefully, negligible risk situation where exotic fruit flies were coming in. We allocated \$300,000 for the first phase of on-farm biosecurity work. We commissioned the Bureau of Rural Sciences to do that work for us. That culminated in September with a biosecurity forum. The main focus of that was to define the outcomes that we want from on-farm biosecurity so that we can then use that to establish the second phase of the program.

In the current financial year we propose spending \$1 million on fruit fly related activities. The bulk of those activities is focused on capturing and packaging a lot of fruit fly science and information that we know is dispersed around the country. We would be looking at using that to develop a fruit fly management tool kit so that our fruit growers have access to the best possible ways of controlling fruit fly. In addition, we are looking at making the information that we capture from around the country more accessible so that it can be used also to underpin market access applications.

The diagnostics program is a collection of small projects. Some of them will be used as scholarships to develop the skills of individual scientists. It is very focused on building capability and capacity in diagnostics, particularly, as Mr Aldred said, for early detection and early diagnosis of exotic plant pests. One of the other elements that have been completed is a short course to transfer high-level expertise in aphid diagnostics from a fairly elderly expert, formerly of CSIRO, to the younger generation.

The next phase of the on-farm biosecurity network is to develop a number of pilot programs. The areas of the country that will have those pilots has not been finalised yet, but we are looking at having the pilots over a range of industries and in covering off a range of areas. So we are really looking at developing tools and technologies to help with on-farm biosecurity extension and engagement.

In the out years we have similar distributions of money. In the 2009-10 financial year, again there is \$1 million associated with the implementation of the national fruit fly strategy, further development of capacity building and diagnostics and taking the pilots from on-farm biosecurity planning into a more sustainable process that we can then use more broadly. A lot of people are working in that space and the work that we are doing to develop that program will assist them. In the final year, 2010-11, the amount of investment in fruit fly will reduce. By that time the strategy should be well and truly mapped for implementation and we expect that there will be some rephrasing of the contributions to that.

**Senator COLBECK**—In the longer term, you are talking about reducing over time the funding on fruit fly, but wouldn't that be something that would have some sort of continued life?

**Ms Ransom**—The fruit fly strategy has quite a number of recommendations. The initial focus of our work is to really build the foundation for the implementation of the strategy. We would expect that over time some of the work that we have not had the resources to do will be completed and then, as the needs that are more pressing are filled, the priorities will change.

**Senator COLBECK**—So you would be looking at some sort of future allocations towards dealing with issues that are identified but not dealt with as you go through the strategy process.

**Ms Ransom**—Yes.

**Mr Aldred**—I will just jump in here. There is a connection between the plan that we are talking about and the national fruit fly strategy. At this point no cost sharing arrangements have been agreed on the proposed national fruit fly strategy. It is expected that this element would decline but investment would increase under the proposed fruit fly strategy. That would need to be discussed with industries and with state and territory governments.

**Senator COLBECK**—But you see there being some potential for that to grow over time. Is that correct?

**Mr Aldred**—Correct.

**Senator COLBECK**—You mentioned the national biosecurity forum that was conducted in September. Who attended that program? I understand that Ernie Dingo was an attendee at that event. What was the purpose of having Ernie Dingo there?

**Ms Ransom**—Mr Dingo has a strong interest in biosecurity and biodiversity. He was invited as a keynote speaker to help introduce the issue of biosecurity to the audience and to set the scene about the importance of biosecurity to Australia.

**Senator HEFFERNAN**—Did you pay him to do that?

**Ms Ransom**—No, not that I am aware of. In fact, he is extremely committed to biosecurity. We had about 100 participants—state government, the horticulture industry, other industries, Animal Health Australia, Plant Health Australia and a number of community biosecurity groups. The meeting was held in conjunction with a pre-evening meeting that looked at the concept of community detectives. So a number of community groups, particularly Weed Spotter Network groups, were represented at the biosecurity forum.

**Senator COLBECK**—Would it be possible for you to get us an attendance list for that?

**Ms Ransom**—Yes.

**Senator COLBECK**—Mr Dingo was someone with a specific interest—

**Ms Ransom**—That is right.

**Senator COLBECK**—but also, effectively, a warm-up act to encourage those who were attending to continue their fervour in respect of biosecurity.

**Ms Ransom**—That is right.

**Senator HEFFERNAN**—I have a question for Product Integrity of the Animal and Plant Health Division. I have an inquiring mind. I do not know whether anyone has noticed that McDonald's has changed their coffee beans. I do not think they are as good as they were. They say that their coffee beans now come from Rainforest Alliance Certified farms. I asked McDonald's what that meant, and I received a very polite letter from them.

Does Product Integrity of the Animal and Plant Health Division of the Australian Department of Agriculture, Fisheries and Forestry have any oversight of this stuff? I am not too sure what a Rain Forest Alliance Certified farm is, but in McDonald's letter to me—I have no argument with it; it was a very polite response that I received from them—they say that, on behalf of McDonald's Australia, Cerebos sources raw coffee beans from Rainforest Alliance certified farms in Colombia—can you imagine—Costa Rica and Brazil. Does the government take any interest in seeing whether that is all fair dinkum?

**Mr Aldred**—We certainly do not certify farms or undertake that activity. What you describe sounds like a private arrangement.

**Dr O'Connell**—I think, as it relates to end-product descriptions, it is probably ACCC territory rather than here.

**Senator HEFFERNAN**—I was just curious as to what the certification over in Colombia might be. That was all I was interested in. It is allegedly where they sleep in beds and do not have slave labour and that sort of thing, and I just wondered how fair dinkum it was. But it is obviously not a matter for you.

**Mr Aldred**—No.

**Senator HEFFERNAN**—That is a bit of bad luck. Do we still import bottled water from China, by the way?

**CHAIR**—That relates to last estimates, in case anyone missed it, where Senator Heffernan brought his stage props in.

**Senator COLBECK**—On your website, you say that a draft discussion paper on the national fruit fly strategy will be posted on that website for a six-week consultation period in October. How far away are we from seeing the start of that consultation period?

**Mr Aldred**—We expect it to be considered now at the primary industries ministerial council, which will be in the first week of November.

**Senator COLBECK**—So, post that council, the consultation period may start?

**Mr Aldred**—I would expect it to be released and to start then.

**Senator COLBECK**—You guys are not dealing with locusts, are you?

**Mr Aldred**—I can have a crack at it.

**Senator COLBECK**—Can you really? That is excellent. Effectively, where are we at with reports of locusts and mitigation factors, particularly in New South Wales?

**Mr Aldred**—A fair bit of egg laying occurred in March and April of this year and hatching occurred in September. Certainly, and possibly because of reasonable rains, in some areas significant bands of nymphs have been detected. Those areas are mainly in southern central New South Wales and northern Victoria and not so much in terms of northern New South Wales or Queensland.

The Australian Plague Locust Commission has undertaken surveys over the last few weeks and had planes up doing aerial surveys over the last couple of weeks to map where the bands are. We expect that, in the next day or two, weather permitting, we will do some aerial control activities. Then probably in early November and mid-November it may well be that, as some areas go from nymph to flight stage, there will be some follow-up activities to knock down areas of adult locusts.

**Senator COLBECK**—So, effectively, northern Victoria and southern New South Wales are the areas you are most concerned about at the moment?

**Mr Aldred**—Yes, absolutely.

**Senator WILLIAMS**—I would just add that the last locust plague was in 2003, five years ago. Would that be right?

**Mr Aldred**—From memory, it was in 2003-04.

**Senator WILLIAMS**—Do you see this year's threat as being as serious as the one back then? Can you compare them at all?

**Mr Aldred**—I think it probably is. I was not around in locusts at that stage, but there was certainly a fair awareness in March-April, as the laying was occurring, that this season was going to be a significant one, much worse than we have seen over the last few years. That is why the state jurisdictions and the APLC started a fair bit of awareness activity, getting around talking to people and trying to generate interest by landholders

to detect hatchings or major bands at the nymph stage. That sort of activity has been going for the last couple of months and has resulted in the sort of media interest and reports that we are seeing. So I guess, while it may well be quite a difficult year, a lot of preparation has gone into it.

**Senator WILLIAMS**—Have we learnt from mistakes that were made previously? I can remember, back in 2003, they came and sprayed paddocks and the locusts moved on a couple of days later in the central west around Tullamore and so on; it was just one big mess.

**Mr Aldred**—With the coordination of ground and aerial work undertaken to hit them at the nymph stage and then the preparedness for follow-up activity in a few weeks time, once they take flight, I think we are in reasonable shape.

**Senator McGAURAN**—I would like quite status reports on three issues: firstly, the banning or halting of tomato seeds into this country; secondly, the follow-up of serious complaints regarding the importation of flowers into this country—that they are not following the correct procedures of dipping the flowers; and, thirdly, the AVG, Abalone Viral Ganglioneuritis, outbreak in Tasmania.

**Senator Sherry**—An answer was given to Senator Milne about that earlier.

**Senator ADAMS**—That is the abalone virus.

**Senator McGAURAN**—The abalone virus; that is a good way of putting it. What about the other two?

**Mr Chapman**—As you would know, tomato seeds require an import permit before they can come into the country. That is because of the risk of PSTVd, Potato Spindle Tuber Viroid, which is a disease that affects tomatoes, capsicums and potatoes. We have been working with the seed importing industry to assist them in meeting the conditions. Since the requirement for a permit was put in place, about 600 kilograms of tomato seeds so far have been imported into Australia and 65 import permits have been issued.

**Senator McGAURAN**—Since what date?

**Mr Chapman**—I believe that the date was 24 June, so these figures are accurate for the period from 24 June to about a week ago. Of the 44 consignments that have come into the country so far, three consignments were exported due to incomplete certification and a further three consignments are on hold pending presentation of a valid permit or phytosanitary certification. I think the bottom line is that we have been working closely with industry to assist them to meet the conditions. Some of the concerns that people expressed when the need for a permit was first raised have not come to fruition.

**CHAIR**—There were two parts to that question from Senator McGauran.

**Senator McGAURAN**—Flowers.

**Mr Chapman**—In relation to cut flowers, a number of allegations were made that the sterilisation procedures were not effective and people were propagating cut flowers afterwards. We investigated those allegations and were unable to find any substantiation of them.

**Senator WILLIAMS**—Can the minister confirm that, despite the findings of the Callinan inquiry into horse flu, the government is in the process of selling Australia's only government-owned offshore quarantine station on Cocos Island in the Indian Ocean to developers?

**Senator Sherry**—I am not aware of the issue that you raise, but one of the officers may be able to help us.

**Dr Samson**—While one of my colleagues comes to the table, perhaps I can tell you that we are in the process of transferring the responsibility for the previous quarantine station on Cocos Island to the Attorney-General's Department. The quarantine facility has not been operated for a number of years now and is in a serious state of disrepair, so it is being transferred to the Attorney-General's Department. AQIS's ongoing responsibility for that ex-quarantine facility will be simply one of containment of weeds on the premises.

**Senator McGAURAN**—Then what emergency facility would you have offshore? Do you require one?

**Dr Samson**—For what purpose, Senator?

**Senator McGAURAN**—You tell me. The fact that Cocos was a facility that was used—

**Senator Sherry**—I remember your trip to Cocos.

**Senator McGAURAN**—I have seen the facility and you are right; it is in disrepair.

**Senator Sherry**—We can take that question on notice.

**CHAIR**—Senator McGauran’s question can be taken on notice. Mr Carroll, do you wish to answer that question within four seconds?

**Dr Carroll**—Yes. We have checked up and can say that the IHHNV declaration has not affected our export certification.

**CHAIR**—If there are no further questions for Quarantine and Biosecurity, AQIS—

**Senator McGAURAN**—So what was the answer about the quarantine facility?

**Senator HEFFERNAN**—What was the answer?

**CHAIR**—He said that there is no difference; they do not need it.

**Senator HEFFERNAN**—But what about foot-and-mouth?

**Senator Sherry**—Perhaps I could indicate very briefly, to satisfy Senator McGauran, that the previous Prime Minister, Mr Howard, in 2004 agreed—

**Senator McGAURAN**—Shouldn’t we go to the break?

**CHAIR**—Take all the time you want, Minister.

**Senator Sherry**—Should I say any more?

**Senator HEFFERNAN**—What is the answer? Are we selling the bloody thing or not?

**Senator Sherry**—It is going to AGs.

**CHAIR**—Order! It is after four o’clock. I did tell senators that, if they wanted to quiz the department any further, we could do it after the break. You all said you had only one more question, and that is it. After our break, we will resume with Agricultural Productivity.

#### **Proceedings suspended from 4.03 pm to 4.18 pm**

#### **Agricultural Productivity**

**CHAIR**—I welcome officials from Agricultural Productivity and Minister Ludwig. Senator Williams?

**Senator WILLIAMS**—What effect will the government’s recent changes to wheat exporting arrangements, for example, the dismantling of the single desk and issuing of multiple licences, have on the price of our current wheat crop in light of the downturn in global economic conditions?

**Mr Phillips**—Wheat prices in Australia are driven by world factors and everyone knows that the price of wheat has been falling along with all other commodities around the world. It is not so much the marketing arrangements that are driving prices. It is the market forces at work that are driving the prices. What you are seeing is a fall in most commodities, and wheat is moving the same way as most of the others.

**Senator WILLIAMS**—Doesn’t competition usually lead to lower prices? That is how free enterprise works.

**Mr Phillips**—Prices are normally set by the balance of supply and demand in the marketplace and it depends on what that balance is. If you have more supply than you have demand, prices will fall, irrespective of what the level of competition may be.

**Senator WILLIAMS**—When times get tough, as they obviously are over the last few weeks with the meltdown of things around the world, they will have to compete for exports. The price will determine a lot of that competition?

**Mr Phillips**—It will be the world price that sets the overall price. If you look at the recent report put out by the US Department of Agriculture, it is predicting a world-record wheat crop this year of around 680 million tonnes. The supply-demand balance is moving back from a shortage to what is now expected to be a surplus this particular season. That is what is driving the prices.

**Senator WILLIAMS**—What is the projected wheat yield this year? Do you have the latest figures on that, considering the conditions that have hit South Australia, Victoria and many parts of New South Wales due to the lack of rain from, say, early September onwards?

**Mr Phillips**—That might be a question better directed to ABARE, because it will be reworking its estimates of the crop.

**CHAIR**—I think Senator Adams will have a question on agricultural productivity; there is no rush.

**Senator WILLIAMS**—In talking about productivity, another issue is the cost of fertiliser. We know what happens if soil is not healthy and does not have the suitable nutrients. Does anyone have an explanation for the huge increase in the price of fertiliser over the last 12 months? We have seen DAP, for example, go from \$700 a tonne to something like \$1,700 a tonne.

**Mr Hunter**—The ACCC, Australian Competition and Consumer Commission, carried out a study of prices of fertiliser.

**CHAIR**—I am sorry, I was talking to a colleague. Did you ask a question on fertiliser?

**Senator WILLIAMS**—Yes.

**CHAIR**—There is currently a Senate inquiry going on about that.

**Senator WILLIAMS**—Does that mean that we cannot ask questions about it?

**CHAIR**—Yes. The committee is inquiring into that at the moment.

**Senator WILLIAMS**—I am very new to the committee. I have only been on it for a couple of weeks.

**CHAIR**—It is a select committee, with Senator Heffernan chairing it. Senator Macdonald, do you have any questions?

**Senator IAN MACDONALD**—I have plenty of questions from this item on, but not up to here.

**CHAIR**—Senator Siewert, do you have any questions of Agricultural Productivity?

**Senator SIEWERT**—No.

**CHAIR**—Senator Colbeck, do you have any questions for Agricultural Productivity?

**Senator COLBECK**—Yes. I would like to ask some questions about the policy from the election for \$35 million over four years for regional food producers. Where is the implementation of that policy at?

**Mr Ottesen**—At this stage the guidelines are being finalised, and when the minister signs off on those we hope to have them launched by the end of this year.

**Senator COLBECK**—How long has the minister had the guidelines?

**Mr Ottesen**—The minister does not have the guidelines at the moment.

**Senator COLBECK**—Sorry?

**Mr Ottesen**—They are in draft form at the moment.

**Senator COLBECK**—He does not have the guidelines?

**Mr Ottesen**—They have been prepared and finalised, but we are still waiting on a decision on their sign-off and then to launch.

**Senator COLBECK**—I presume that all the other policy commitments in primary industries, particularly those that close programs, have all been implemented?

**Dr O'Connell**—It depends which particular ones you are talking about.

**Senator COLBECK**—FarmBis, Advancing Australia, AAA, Australia Industries, National Food Industry Strategy, innovation grants—have all of those programs been terminated?

**Mr Hunter**—Some of those programs are in wind-up phases. Others would be completed. They would be at different stages of closure depending on the program. We would need to take it on notice to give you an answer program by program.

**Dr O'Connell**—We could give you a breakdown of each of them.

**Senator COLBECK**—I would be interested to know where each of those individual programs is at. My point is that those programs are either closed or being wound down, but here we are nearly 12 months later with a \$35 million program, which I presume is looking to replace the National Food Industry Strategy. Is that a reasonable assumption?

**Senator Ludwig**—Is there a question there?

**Senator COLBECK**—There is. I am making a point.

**Senator Ludwig**—I am interested in a question and not a point.

**Senator COLBECK**—That is fine; you can maintain your interest. You have closed down those programs and yet we still do not have the guidelines finalised nearly 12 months in for a replacement program. Can you



tell me whether this \$35 million program includes \$10 million for seafood industry projects? Is that in this process of development of guidelines?

**Mr Ottesen**—Yes. That is encompassed within the \$35 million program.

**Senator COLBECK**—Is that effectively for post-harvest research?

**Mr Ottesen**—The program has three broad areas that it will support. They include the development and implementation of new technologies, the adoption of existing technologies, which have not yet been embraced—

**Senator COLBECK**—Is this across the entire \$35 million?

**Mr Ottesen**—Yes. The third point is to focus on improving processes.

**Senator COLBECK**—Would the \$10 million for the seafood industry come out of that third part?

**Mr Ottesen**—No. Those three objectives encompass both the agricultural and the seafood sectors.

**Senator COLBECK**—Is that encompassed in the \$10 million?

**Mr Ottesen**—Yes.

**Senator COLBECK**—There is \$35 million all up over four years and \$10 million is for that. How much of the funding has been expended so far?

**Mr Ottesen**—Nothing has been expended so far.

**Senator COLBECK**—Has the \$1.2 million that was budgeted for in the initial policy document for 2007-08 been rolled forward?

**Mr Ottesen**—That is right. In this financial year \$6 million is set aside for expenditure.

**Senator COLBECK**—What page of the PBS will I find that on?

**Mr Ottesen**—That is on page 25.

**Senator COLBECK**—Has the \$1.2 million from last financial year been pushed out to 2009-10?

**Mr Ottesen**—Yes, that is right.

**Senator COLBECK**—Will that become \$8.2 million and then \$8 million in 2010-11?

**Mr Ottesen**—That is correct.

**Senator COLBECK**—When are you seeking to have it rolled out? When are we likely to see funds starting to flow to industry under the program?

**Mr Ottesen**—Once it is launched we have to go through a process of inviting applications, assessing those, and then making decisions. We would expect early 2009.

**Senator COLBECK**—The guidelines are still in draft form and then they have to go to the minister.

**Mr Ottesen**—They are in advanced form. We are optimistic that we will get them launched this year. This is a multiphased approach. We will be calling on applications. We have several rounds planned throughout the life of the project.

**Senator COLBECK**—What consultation with industry has occurred in the development of the guidelines?

**Mr Ottesen**—We have had extensive consultation with industry organisations. I can list some of the organisations if you wish.

**Senator COLBECK**—That would be good.

**Mr Ottesen**—The National Aquaculture Council, Seafood Experience Australia, Australian Pork Ltd, Growcom, Horticulture Australia Council and the Australian Food and Grocery Council.

**Senator COLBECK**—Are they the key—

**Mr Ottesen**—Yes.

**Senator COLBECK**—Do you have a full list of the consultations that you could table for me? I do not necessarily need to have it right now. You can take it on notice.

**Dr O'Connell**—We will take it on notice.

**Senator COLBECK**—I would appreciate that. Is the Commonwealth Fisheries Association on that list?

**Mr Ottesen**—No, it is not.

**Senator COLBECK**—No wonder they are upset. They are wondering where it has gone. They obviously have a distinct interest in it. They are a fairly significant organisation and I would have thought they would have been consulted, particularly given their input into R&D and the product of fisheries research. I would appreciate receiving the full list. Can you tell me where the Promoting Australian Produce program is up to?

**Mr Ottesen**—It is in the same situation. It is advanced and we would hope to launch it by the end of this year as well.

**Senator COLBECK**—'Advanced' means what?

**Mr Ottesen**—It means that it is at a similar stage as the other program. We are developing it in parallel and we hope to launch them together.

**Senator COLBECK**—Is it going to integrate with any other production-type programs that exist? For example, Tasmania has a significant program in place to promote its agricultural produce. There are consultations with the states and what is going on within the states and industry sectors.

**Mr Ottesen**—This has been aimed very much at developing capacity within industry to promote rather than to support promotion programs themselves. In other words, it is not to support campaigns, it is to assist the development of capacity within industry so that they can promote and market themselves.

**Senator COLBECK**—Who would your key clients be?

**Mr Ottesen**—Industry associations and businesses.

**Senator COLBECK**—How would this fit alongside the marketing, for example, that the research and development corporations undertake? They spend significant amounts of money every year, a lot of it from growers' levies, on marketing. We have heard quite a bit this morning from AWI on the marketing that they are doing. How does this integrate into that?

**Mr Ottesen**—As I said, it is very much aimed at capacity building. They are not actually doing the marketing themselves.

**Senator COLBECK**—I understand it is about that, but industry is already spending a lot of money. We did not get the final amounts for how much the wool industry, for example, is spending, but they are spending in the millions of dollars. Surely there is some capacity that exists there. I know that Meat and Livestock Australia has an international marketing program. It would obviously have some expertise. There are 16 R&D corporations and most of them spend some of their money on marketing. I know that their boards have people on them who have expertise in marketing so that they can make sure they get the best spend. There is already a significant marketing capacity within the agricultural sector. How does this fit in with it?

**Mr Ottesen**—As I said, it was identified as a need for capacity building within food producers themselves. This program is aimed to try to develop that capacity.

**Senator COLBECK**—Is that food producers?

**Mr Ottesen**—And associations interested in food production.

**Senator COLBECK**—Who have we been consulting with in the development of the guidelines for this?

**Mr Ottesen**—There has been consultation within government.

**Senator COLBECK**—Within government?

**Mr Ottesen**—Yes.

**Senator COLBECK**—How do you build productivity or capacity within industry if you are only consulting with yourself?

**Mr Ottesen**—We had a concern that, if we consulted with some of the organisations out there, which we were talking about, they would be recipients of it, so there would be a conflict of interest there.

**Senator COLBECK**—How do you understand what capacity is there already? If there has been an identified demand, how did you identify that demand?

**Mr Ottesen**—We would hope that the applications put forward by these organisations would provide a business case on what the current capacity is, what the need is, and how a matching grant would assist them to deliver their outcomes.

**Senator COLBECK**—You told me a minute ago there was an identified need. How was the need identified?

**Mr Ottesen**—The government has identified a need. We are developing the program to meet that need.

**Senator COLBECK**—How do you know that it is not going to cross over other expenditure and programs that are already there if you are not talking to anybody else outside of government with respect to the development of the program? As I said, there is a significant expenditure on marketing through a lot of the industry bodies and obviously there is a significant level of expertise that goes with them. How do you know that your program is not going to cross over and duplicate that?

**Mr Ottesen**—As I said, that is for us to determine through the evaluation of the proposals put forward. We would hope to see that the proponents would identify what the industry's strategic needs are, where the gaps are and how a matching grant is going to assist them to fill that grant and ultimately lead to improved capacity within those industries.

**Senator COLBECK**—It would be almost like going fishing without bait. You do not know what is out there. You have not spoken to anyone else. You have tossed a hook in and you hope something comes your way, but there is no bait on the line to draw it in.

**Mr Hunter**—As Mr Ottesen explained, we felt constrained about who we could consult with due to industry groups being potential recipients of the program. Having said that, we do have an understanding of the broad environment into which this program would be going. We have indications that there are industry groups interested in developing their capacity to promote Australian produce. The guidelines, which are in an advanced stage of development, will be capable of testing the merits of propositions that come to us. Through all of those processes we are giving effect to a pre-election commitment of the incoming government.

**Senator COLBECK**—Has there been an audit of what capacity is known out there at the moment? How have you determined what is there and what is not there? What is the process that you have undertaken to determine where you should target this? Can you tell me how you have been talking to yourself? Can you explain the internal process of developing this?

**Mr Ottesen**—As I said, the aim of this program was to improve the capacity of businesses, that is, producers and associations, to promote and market their produce to domestic and export markets. We have known that there is increased competition in a number of areas and therefore there was a need within industry. Government has decided that it wants a program to deliver this. We have developed a program that we believe will meet that objective, and it is very much aimed at capacity building. We believe that the criteria that we have developed will encourage applicants to clearly identify what the strategic needs of that industry are, where the gaps are and be very clear about how support through government through a merit based grant will assist them to meet that need. It will be up to us to make that judgement.

**Senator COLBECK**—This really sounds like, 'It was a good idea at the time' type of project.

**Senator Sherry**—It was an election commitment. The people have voted on it and the department has prepared some draft guidelines that are yet to be finalised. There is a degree of speculation at the present time.

**Senator COLBECK**—I am not making any speculation. I am just trying to find out what the basis for the program might be. You are right; it is an election commitment and I am not arguing with that. I am just saying—

**Senator Sherry**—That is right, and appropriately the department has developed some draft guidelines and provisions and they will be finalised in due course.

**Senator COLBECK**—How much of the \$10 million budgeted for the first year do you expect to spend this year?

**Mr Ottesen**—Depending on the quality of the applications, we would hope to fully expend the appropriation for this year.

**Senator COLBECK**—Has there been an audit or an assessment done of what capacity for promotion there is in industry?

**Mr Ottesen**—No, there has not.

**Senator COLBECK**—How do you develop the guidelines then? How do you determine where to target it if you do not know where the most need is?

**Mr Ottesen**—As I said, the guidelines will make clear the intention of the program, which is to develop capacity building within food producer businesses and associations, and this will help them to better promote and market their products within Australia and to export markets. We develop our guidelines to encourage

those applicants to actually do the assessment themselves, to look at their own markets, their own market opportunities, to identify gaps, and also make clear how a government grant will assist them to meet that objective.

**Senator COLBECK**—Have you excluded any industries?

**Mr Ottesen**—No.

**Senator COLBECK**—You would be quite happy to give a chunk of this to the beef industry, for example, which would spend millions of dollars on marketing through Meat and Livestock Australia?

**Mr Ottesen**—Yes.

**Senator COLBECK**—A large chunk taken from growers through compulsory levies?

**Mr Ottesen**—As I said, it is a merit based system and it is very much developed at capacity building, not promotional programs—

**Senator COLBECK**—I understand what you are aiming it at. It says, ‘... be invested in a Promoting Australian Produce program which was aimed at helping Australian producers develop and implement initiatives to raise awareness of the premium quality of Australian produce, including home-grown fruit and vegetables, pork and seafood products.’

**Mr Hunter**—If an application as a result of the program came to us from an organisation or an industry which already had a highly developed capacity in this field and another application which in all other senses was identical in merit but represented an industry with less capacity, the industry with less capacity would be more meritorious in the assessment under the guidelines, subject of course to those being finalised. We would be looking to assist those industries that need to develop their capacity and we would make comparative assessments.

**Senator COLBECK**—What process are you going to use to promote the program?

**Mr Ottesen**—We will do advertising. We will be advertising on the web and through other processes.

**Senator COLBECK**—What are those other processes?

**Mr Ottesen**—I do not have the details in front of me, but they are being planned right at this moment.

**Senator COLBECK**—They are currently being planned? There is no plan to target your marketing?

**Mr Ottesen**—We will certainly be making sure that we maximise the exposure of the program to the target groups. I just do not have the details here in front of me.

**Senator COLBECK**—Will the home-grown fruit and vegetables, pork and seafood industries be targeted?

**Mr Ottesen**—Yes.

**Senator COLBECK**—Will they be targeted over and above any others, say, Meat and Livestock Australia or AWI?

**Mr Ottesen**—No, we would make sure that we would get the widest exposure possible.

**Senator COLBECK**—When are you hoping to start this program?

**Mr Ottesen**—When we get endorsement of the guidelines we will seek to launch it as soon as possible.

**Senator COLBECK**—How long do you believe it will be before you will have the guidelines finalised?

**Mr Ottesen**—As I said, by the end of the year we should have them.

**Senator COLBECK**—You should have them finalised and then the minister—

**Mr Ottesen**—We would like to launch them by the end of the year.

**CHAIR**—There being no other questions, we will re-call the Australian Pesticides and Veterinary Medicines Authority, who have had the decency to pop back to answer a few brief questions from Senator Colbeck and one from Senator Adams.

[4.45 pm]

#### **Australian Pesticides and Veterinary Medicines Authority**

**CHAIR**—Thank you very much for coming back. With all the frivolity, there were still some questions to be asked and we will have that opportunity now.

**Senator ADAMS**—Coming back to the bees and the problems associated with the New Guinea issue, is there any way, if there is a chemical that can combat that particular virus, that you can fast-track it? If something comes up that can deal with that particular virus—I do not have the name to hand—are you able to fast-track that chemical so that it can be used straightaway?

**Dr Bennett-Jenkins**—Yes. We have provisions whereby we can issue emergency permits to use chemicals and we have already done so on a number of occasions with bee diseases, and they can be issued in a number of days.

**Senator COLBECK**—We have had some questions with respect to melamine in fruit and vegetables. I know that it is an ingredient in some agricultural chemicals. Can you explain to me its active properties? My understanding is that it works with a group of other substances to have an effect. I also understand that there are not any registered uses within the country but there are some off-label uses within Australia. I am just interested to know how it works and how it might come to be in fruit and veg.

**Dr Bennett-Jenkins**—Melamine is actually a metabolite of a particular pesticide called cyromazine. Cyromazine is not registered for use in horticulture in Australia. It is registered for use as a sheep blowfly treatment, in sheds to get rid of nuisance flies and also around the home garden. It is not used in horticulture in Australia—

**Senator COLBECK**—That is the off-label use in Australia?

**Dr Bennett-Jenkins**—No. That is on-label use. That is a registered use in sheep production and in sheds and barns for nuisance flies. We do not have a horticultural registration of cyromazine in Australia, so it is not used for that here. I understand that melamine, in order to form the renal toxicity, has to react with cyanuric acid. You need to have those two compounds to cause the adverse effect.

**Senator COLBECK**—My information is that there are some permitted uses for products containing melamine in Victoria. Can you confirm whether that is the case?

**Dr Bennett-Jenkins**—Not that I am aware of. As I said, cyromazine, which is the main chemical that is of concern with regard to having melamine as a breakdown product, is not registered for horticultural uses. But perhaps I could take that question on notice to get back to you on whether there are other pesticides that may be permitted under permit that have a similar predisposition to break down into melamine.

**Senator COLBECK**—Again, perhaps this is something that can be taken on notice rather than spending a lot of time on it here. Apart from the one that you have mentioned, what sorts of chemicals and their general uses would bring melamine into fruit and veg—obviously not here in Australia because it is not permitted, but in other countries? How would it end up in the food chain?

**Dr Bennett-Jenkins**—I think there may be a number of sources. Pesticides have been implicated as one but I understand that fertilisers may also be a source of melamine.

**Senator COLBECK**—Through what process—do you know?

**Dr Bennett-Jenkins**—No, I do not know about that process. We are not responsible for fertilisers. It is just information that we have available to us that melamine may also—

**Senator COLBECK**—Who would control fertiliser use that might have that effect?

**Mr Souness**—May I try to help. I would not claim to be an expert in the chemistry of fertilisers, but I understand melamine is basically described as a non-protein nitrogen source and it could be used in fertilisers to boost the nitrogen component depending on the purpose of the fertiliser. But as I said, I would not claim to be a technical expert in the chemistry of fertilisers. It can be used to boost the nitrogen component for soil conditioning.

**Senator COLBECK**—And then potentially taken up via plant products? How would we know what the components of fertilisers might be and whether they contain the product—of course, bearing in mind that there have to be a number of conditions present for it to form kidney stones?

**Mr Souness**—That is something I would not like to try to answer at this stage. I do not have the technical knowledge, but it is something we could chase up. As Dr Bennett-Jenkins said, you need the presence of another compound, cyanuric acid, to create the kidney stones. They both need to be present for the formation of those stones.

**Senator COLBECK**—Where does that come from? What are the sources of the cyanuric acid—or is that a ‘how long is a piece of string’ question?

**Mr Souness**—It is. In our consultations during this exercise I have been told, for example, that it is present in swimming pools. It is a fairly common chemical in the environment, but again for a detailed response we would have to come back to you.

**Senator COLBECK**—There are certain conditions and certain other elements that need to be present for the effects of the melamine to produce the health issues that they do?

**Mr Souness**—Yes.

**Mr Aldred**—There would also be a distinction here about the contaminants being overseas sourced. While we can certainly undertake to provide the committee with a description of the potential chemistry behind sources of melamine, what we cannot do is specifically identify the source material from, for example, China.

**Senator COLBECK**—I think we pretty much understand what occurred there and the motivations behind it so that is not so much the issue. I suppose what has happened is that that particular circumstance has brought up questions that go a little broader, and getting a reasonable understanding of what lies behind that has been prompted by the initial circumstance from the deliberate tampering with milk to increase protein levels, which is what has caused the food issues from China.

**CHAIR**—Thank you very much.

### **Wheat Exports Australia**

**Senator ADAMS**—Since we last met of course your name has changed again. I have the growers report so I will just have to be careful that I give you the correct title. As far as the accreditation goes, would you like to give me a brief summary of, firstly, how many companies have been accredited to date and also how many have failed to meet the accreditation?

**Mr Woodley**—I did have an opening statement.

**CHAIR**—We will do the opening statement, but do not make it too long, because we have managed to get ourselves way behind time. Please go ahead.

**Mr Woodley**—As you are no doubt aware, Wheat Exports Australia came into being on 1 July this year with the enactment of the Wheat Export Marketing Act. We consist of a chair and five members and we are supported by a secretariat. Our primary role is to administer the Wheat Export Accreditation Scheme by considering applications from Australian companies and cooperatives to export wheat in bulk from Australia and then monitoring their compliance. To become accredited applicants are required to demonstrate that they are fit and proper through satisfying specific eligibility criteria. In terms of the finances for our organisation, budgeted expenditure for this year is \$5.1 million and we receive revenue from three sources, from application fees for wheat export accreditation, from the wheat export charge and, if both of those two sources are insufficient, then top-up revenue from the government. I would just like to place on record the fact that a substantial amount of work was done by our predecessor, the Export Wheat Commission, in formulating the scheme, which we have effectively inherited and will have ready for implementation on 1 July. As you are aware, the new legislation introduced competition into the bulk wheat export industry. So far, 16 companies have been accredited to export bulk wheat. Further applications are being received and processed. Once accredited, of course, exporters are then monitored by Wheat Exports Australia to assist them with audits.

I would also like to mention in my opening statement that to assist growers in improving their understanding of the new export wheat marketing arrangements we participated in seminars organised by DAFF, which covered 52 meetings across the wheat belt of Australia and were attended by over 1,200 growers. That effectively concludes my introductory statement.

**Senator ADAMS**—I had those first two questions, which you have practically answered. Obviously with that number of growers the meetings were popular and people were very keen to find out how the new regime was going to work. Are there any comments that you have as just a summary from the meetings as to the questions/queries? I know there has been some concern about the companies that were accredited as to whether their finances were really in order. How have you coped with that?

**Mr Woods**—The meetings were well attended right across-the-board. The WEA and DAFF shared the positions instead of sending people from each organisation. At half the meetings DAFF made our presentation, and we made theirs at the other half. The questions and answers are being compiled at the moment and will be put up on the DAFF website. They were extensive. They ranged right across the gamut. They included the questions you have already asked. How would we know who was accredited? Are they reliable—all those sorts of things? They were addressed at all the meetings and will be put up on the website eventually.

**CHAIR**—How far off are we before that information will be available on the website?

**Mr Woods**—I think DAFF is doing that.

**CHAIR**—Take it on notice, because it is of interest to this committee for obvious reasons.

**Mr Phillips**—It is likely to be another month away, because each of the state farmer organisations is compiling those questions. Then we have to put them together into a consolidated list. I am happy to provide it to the committee out of session once it is ready.

**Senator ADAMS**—That was a query, especially from Western Australia's point of view, in terms of Western Australian Farmers Federation running the seminars and the fact they were involved in a partnership with Emerald. Has Emerald been accredited as yet?

**Mr Woods**—No. At this particular stage Emerald is not an accredited exporter. All 16 accredited exporters at the moment are up on our website. We are processing other applications and we have five or six before us at the moment.

**Mr Woodley**—I should probably add that obviously all the applications did not come in on 1 July.

**Senator ADAMS**—I am fully aware of that.

**Mr Woodley**—We had a couple within a couple of days but they have come progressively. I think we received an application last Friday and we are still aware of other potential applicants that have not yet submitted their application. Just the fact that an organisation has not been accredited does not in any way imply anything with respect to their hopefulness.

**Senator WILLIAMS**—Are you confident that the 16 companies are financially sound considering the economic turmoil around the globe over the last couple of months?

**Mr Woodley**—Each of the companies is different and unique in many respects. We have been through the process with all of them and we have determined that they are fit and proper to hold an accreditation licence, and that covers a whole lot of issues, not only the financial issues but also governance issues et cetera, such as risk management systems within the organisation. I think it may be of some comfort to the committee that one of the key features of the accreditation scheme is what we call the notifiable matters. If any of the information that they provided to us at the time changes or if there are any sort of issues with respect to changes in circumstances of the organisation they are obliged to inform us. That may not necessarily result in anything. We have already got notification from some companies that they have had a change in personnel, that their credit rating has changed or whatever. We have a system in place whereby if there is any material change we will be notified. I think it is also relevant to note that, as this financial situation developed a couple of weeks ago, we wrote to all of those companies that are accredited reminding them of the existence of the notifiable matters and that they need to inform us if there any changes in their circumstances. We have put that information on the website as well.

**Senator WILLIAMS**—You can see where I am coming from in asking the question. We have had drought since early 2002. The last thing any wheat grower wants is a bad debt. You have informed them to notify you. Do you have any process in place to actually monitor their financial behaviour? Can you do anything like that? Can you even look at what the government has done with the banks and get an underwritten guarantee on it?

**Mr Woodley**—Being accredited is not the end of the road in terms of organisations. We have an ongoing auditing scheme and monitoring scheme for the companies as well as their being required to notify us of any changes in circumstances. We are largely relying, though, on those companies to inform us as part of the process. If down the track we find that a company had not notified us of their change in circumstance, that would be quite a serious situation. Of course we can take certain actions with respect to that company.

**Senator HEFFERNAN**—AWB lost \$290 million, or whatever it was. All of those things traditionally would be put into the pool and the pool would pay. These companies will not have the capacity to offset a bad position if they have taken a forward position in the market. How will you know what their forward positions are?

**Mr Woodley**—As far as the accreditation process, we require the companies to give us their export proposal. Incumbent on that is their forecast for cash flow and their peak requirements.

**Senator HEFFERNAN**—Are they obliged to tell you their forward positions in the market?

**Senator WILLIAMS**—Chair, I have a point of order.

**CHAIR**—Senator Williams was halfway through his questioning and I know he waits for other senators. Senator Williams.

**Senator WILLIAMS**—Thank you. In terms of the infrastructure the 16 companies put in place overseas to establish a bond with their marketing to their potential customers et cetera, they would put in a program to you outlining their plan to actually market the wheat overseas?

**Mr Woodley**—The main area that we are concerned about is that they have sufficient financial support for their proposed export proposal and that they have sufficient funding arrangements in place to meet their peak export requirement.

**Senator WILLIAMS**—Because of the global credit squeeze, if the line of credit is hard to establish do you see that putting downward pressure on wheat prices?

**Mr Woods**—I do not think that is a question we can answer. Earlier on I heard DAFF answer a question along those lines. The downward pressure on prices currently is a worldwide supply and demand issue.

**Senator WILLIAMS**—As to the transport of the grain, what is the current situation with grain transport facilities, in particular in New South Wales, where there was concern about rail rolling stock being sold off and the main rail transport pulling out of the grain transport business earlier this year? In relation to transporting our grain, has this issue been resolved?

**Mr Woods**—The Export Wheat Commission in its 2007 addendum to the growers report released in June covered off some ground on rail infrastructure in New South Wales and Victoria. In that we identified that in Victoria the *Switchpoint* report had rated rail around the country as gold, platinum, silver or whatever and we indicated that something needed to be done in New South Wales. We are aware of press releases at the moment about rail, and that is for the New South Wales government and the Commonwealth government to sort out. It is not a role for the organisation as such.

**Senator WILLIAMS**—What is the current projection of the balance between demand and supply of wheat over the next six months around the world? Are we looking at a world shortage, a world oversupply or about balance? Do you have any details on that?

**Mr Woods**—At this particular stage ending stocks are starting to rise. Six months ago ending stocks were at the world's lowest supply and demand estimates, which is why we had some very high prices back then. That situation is now changing with some countries forecasting some of their biggest crops ever. But, as we know, that can turn around very quickly as it has in Australia with changes in weather conditions.

**Senator WILLIAMS**—That worries me, especially now that we are going to have at least 16 companies competing. If we get an oversupply of grain around the world, we, in Australia, are going to see 16 companies competing for a share of the market. Would you agree that that would lead to downward pressure on price?

**Mr Woods**—That is not something for us to discuss. That is not a role for the organisation.

**CHAIR**—Senator Adams?

**Senator ADAMS**—I would like to follow up on something from this time last year. At that stage you were the Export Wheat Commission. The three names are starting to get to me.

**Mr Woods**—We understand that issue.

**Senator ADAMS**—This is on chartering. You were doing an inquiry and you published in your growers' report 2007 an issue that caused quite a lot of concern. As far as that investigation is concerned and the 40 vessels that were randomly selected from 733, and the costs incurred to growers through that—mainly Western Australian growers—have you been able to continue with that investigation as this body or has that just floated into the ether?

**Mr Woods**—No. The EWC was asked to conduct an investigation by the previous minister under section 5DC of the Wheat Marketing Act 1989. The EWC completed that investigation and provided a final report to the minister on 30 June. That was an investigation to continue on with chartering and to further investigate the issues that were identified in that report. That report was provided to the minister before the EWC finalised on 30 June. As part of that reporting, the EWC under section 5DC(8) of the act provided the report to four other agencies prescribed under the act, as we were allowed to do.

**Senator ADAMS**—Has that report been published and made public?

**Mr Woods**—No.



**Senator ADAMS**—That is why I was asking. I thought you had finished but I had not seen any results. Will it be a public document?

**Mr Woods**—No, at this stage it will not. The four agencies we referred it to are undergoing initial investigations to see whether they will continue with larger investigations regarding chartering. Two of those organisations have already indicated that they will not be proceeding.

**Senator ADAMS**—Mr Woodley, as you are the chair, I note that Mr Woods is still acting. I would like to know how long he has been acting and whether you will be advertising that position. How does the appointment proceed?

**Mr Woodley**—A selection process was initiated a month or so ago and we expect to make a decision very soon.

**Senator ADAMS**—I was not aware of that. I just realised that the acting position has been going on for quite some time.

**CHAIR**—Does anyone else have any questions?

**Senator SIEWERT**—I do.

**CHAIR**—Senator Siewert?

**Senator SIEWERT**—I would like to discuss the information sessions you have been having with farmers. You said 1,200 people had attended. What were the main issues raised? Was it an interactive process?

**Mr Woods**—We gave a presentation to growers about the role of Wheat Exports Australia and how we would go about accrediting exporters. The application form was out then. The questions revolved largely around whether there was a limit on the number of exporters we could accredit, what were the probity hurdles and how would we go about checking those sorts of things. They are the same sorts of questions that we had put in our application form.

**Senator SIEWERT**—This might be a question for the department.

**Senator Sherry**—I have to go to an ERC meeting. Senator Stephens is on her way to take over.

**CHAIR**—We are breaking for tea at 6.30 and there will be a lot of questions for the Climate Change Division. If we have the opportunity to get our questions directly to the remaining witnesses, and then GRDC and MLA before tea, that would put us in good stead for quite a good session this evening.

**Senator IAN MACDONALD**—I have a number of questions about sustainable resource management and for fisheries, forestry and land and APRA.

**CHAIR**—Tonight?

**Senator IAN MACDONALD**—Are you saying that you want to finish them by six o'clock?

**CHAIR**—No. What I am suggesting is that we get through GRDC and MLA before the tea break. Normally we have a lot of questions for AFMA and we always run out of time. I am very keen to spend a bit time on that. Senator Siewert, was your question answered?

**Senator SIEWERT**—No. It was in part, but I wanted to ask in a bit more detail.

**CHAIR**—By all means.

**Senator SIEWERT**—Were you only part of the DAFF presentations?

**Mr Woods**—Yes.

**Senator SIEWERT**—Is it appropriate to ask here or somewhere else about how the rest of the package went down with growers and whether you propose to do any further workshops next year?

**Mr Phillips**—The feedback we have got so far has been positive. Just to put this in context, it was not just about the changing policy and how WEA operates. It was about managing in the new environment.

**Senator SIEWERT**—That is what I wanted to get to.

**Mr Phillips**—It was about understanding risk, managing risk in the new environment, what the options available under the new arrangements may be and the basic terminology of dealing with futures markets, if that is what you wish to do. It was about helping growers to understand how to market their wheat under the new arrangements. They were run by various professional trainers in those fields in the different states.

**Senator SIEWERT**—Are you going to continue them next season?

**Mr Phillips**—That is something we are evaluating once we get the feedback from each of the state parliament organisations. There is some scope there to run additional workshops next year.

**Senator SIEWERT**—Do you have funding to run it for next year?

**Mr Phillips**—Yes. There is a small amount left. The government has set aside \$1.15 million for these information sessions. We have not spent all of it at this point. We are waiting to see what the evaluation says as to what is the best way to get information out. It may be that we will put all the materials up on websites and have an interactive session through web based products rather than go out and hold meetings face to face again.

**Senator SIEWERT**—Were they held in each wheat-growing state?

**Mr Phillips**—Yes.

**Senator SIEWERT**—Was that 1,200 across Australia?

**Mr Phillips**—There were 1,200 growers and 52 meetings.

**CHAIR**—Are there any other questions?

**Senator HEFFERNAN**—The price of wheat is obviously on the way down. Is that attributed to a lot of the financial instrument people disappearing out of the market? Is there less money for the punters?

**Mr Woods**—No. It is largely revolving around some predicted forecasts of harvests overseas in certain countries.

**Dr O'Connell**—Mr Woods might be able to help you later with the broader forecasts of wheat.

**CHAIR**—We thank Wheat Exports Australia.

**Dr O'Connell**—I would like to confirm a point raised earlier. Senator Colbeck asked about a memo from the minister or the minister's office about minimising items for the minister's signature, and I said I did not think there was such a thing. I can confirm that we have now checked our records and we see no item that meets that.

**Senator COLBECK**—There has been no memo/instruction with respect to quantity of work coming up at all?

**Dr O'Connell**—No, not that we can see. I checked through our complete system.

[5.18pm]

### Grains Research and Development Corporation

**CHAIR**—I welcome the Grains Research and Development Corporation. We will go straight to questions. Senator Milne?

**Senator MILNE**—I am very interested in your view on the issue of sequestering carbon in soils. I note that in a recent publication that you sent out you included an article which actively discouraged farmers from thinking that they could sequester carbon in soil. I am interested in the basis for that. It goes so widely through the farming community and is contrary to the experience of a number of farmers who are doing it.

**Mr Perrett**—We believe there is potential for sequestration of carbon in soils. Certainly carbon in soils is very important in the cropping cycle. I did chase very hard when it was raised with us that GRDC was campaigning against carbon through articles, and that can be attributed to a fellow who was doing some consultancy work, which was tied to the GRDC, and that was probably taken out of context in the way in which he spoke. He spoke with his personal opinions at the time. I am referring to Alan Umbers, if that is the article you are referring to. It is certainly not the view of GRDC that carbon sequestration is not an option. We realise there is great value in carbon in the soil. Building organic matter in the soil makes it healthier and makes it much more viable and better for crops.

**Senator MILNE**—That is good to hear, because that is not the impression that was given. What I was referring to was issue 76 of GRDC's *Ground Cover* magazine, the September-October 2008 edition. It was the article on the hidden costs of carbon sequestration, which was signed by four people from the plant industries branch of CSIRO. I am interested to hear you say that building soil carbon is a good idea, but the concern that I have is that it has now gone to 36,000 grain growers and various government departments. It went out in the same edition as a bumper sticker for high-analysis fertilisers. What are people supposed to think when they get that?

**Mr Reading**—To further follow up on the carbon story, the main issue was saying that it is very important from a soil structure and soil biology point of view—disease, et cetera—to build soil carbon, which is very important. The issue was what value that could be in terms of a carbon trading/emissions trading scheme. The key focus was for the growers to concentrate on building soil carbon for the agronomic biology reasons, which would be the main driver for them to do it. *Ground Cover* does have a limited amount of advertisements, but not related to that.

Carbon is part of our whole strategy in terms of climate change and sustainability, but the issue is where to build up carbon levels. It comes from a number of ways, including crop residues, ploughing in, good soil practice, et cetera. The main drivers should be healthy, productive soils, rather than being able to build up something that there may be significant credits being planned for later on. That was the primary focus of it.

**Senator MILNE**—However, in the article it states that it will cost grain growers an estimated \$200 per tonne of humus sequestered. The suggestion there is that they will have to add nitrogen, phosphorus and sulphur and have to get that in large quantities and pay considerable amounts for it, which seems to suggest absolutely no understanding of the microbial bridge that is provided that can unlock that from the humus for the use in plants and has been doing so for generations before synthetic fertilisers came along. I would like to know what GRDC is going to do about correcting what now is an impression across rural and regional Australia that improving soil carbon is going to cost them money in terms of increasing the cost of a whole lot of fertilisers?

**Mr Reading**—We will go back and look at that article. Again, in the discussions that we have had with the people involved in writing it, the general thrust of it was in terms of building soil carbon for the reasons of building organic matter and other things such as that. That is long term. It is not a quick thing. It takes time to build organic matter percentages in the soil, and we have got to keep concentrating on it. That is a combination of good farming practices, including fertilisers, crop rotations and minimum tillage. We strongly support the whole impact in terms of soil carbon, building it up for the organic matter and things for the biological systems.

**Senator MILNE**—I will be very interested to see how that perception is corrected, because at the moment there appears to be a complete disincentive for farmers to proceed along these lines. It is suggesting that it is going to cost them if they go down a route that will provide them with better yields and more resilience in the longer term, as you have now agreed. That is quite unfortunate. This committee has seen what can happen with productivity and better margins; people can reduce their input costs. That is quite contrary to what this article has suggested and as has been promoted by GRDC. I would like you—and I will certainly be asking you at the next estimates—in whatever disclaimer or materials you put out in the next edition to correct what is now widely distributed throughout rural and regional Australia.

**CHAIR**—I have to confess that I bumped into Mr Reading and Mr Perrett in the lounge yesterday in Sydney and was talking about the good work that Senator Milne, I and Senator O'Brien witnessed as a committee. We were escorted around a property called Jedburgh. What is happening there is quite exciting. Senator Siewert?

**Senator SIEWERT**—I would like to follow up a question that I asked at last estimates about research on genetically engineered crops. In answer to one of my questions you said that you had not been doing research on the impacts of GE grain crops compared with non-GE grain crops on herbicide resistance as they are not commercially grown. Then you said that following the lifting of the moratorium in Victoria and New South Wales you were developing a research project to monitor the impacts. I am wondering where that is at.

**Mr Reading**—We are looking at it in a number of ways. Firstly, we had done some work previously in terms of potential GM canola pollen transfer, but we had done that with an Imidazolinone gene, and that showed that the risk was quite low. We are now repeating that using the Roundup Ready gene as well to look at pollen transfer. Secondly, we are also doing work in terms of evaluating GM canola in terms of any possible impact that may have with glyphosate resistance. There are some studies in place there. Thirdly, at the end of this season—and with the moratorium being listed in New South Wales and Victoria there were about 10,000 hectares of canola planted by about 100 growers—we are doing a follow-up survey with the growers in terms of how it performed biologically, technically, et cetera. It is a combined program that we are looking at in terms of monitoring it.

**Senator SIEWERT**—Those farmers that you are talking to are the farmers that are growing the GE crops. In that survey are you also talking to their neighbours who are not growing it to see whether there are any issues there and, if so, what the issues are?

**Mr Reading**—I will check the detail of that. At this stage, though, it is primarily just concentrating on the growers that grew it. I will take that on notice.

**Senator SIEWERT**—That would be appreciated. As you know, a lot of the concern is from non-GE growers and any impact it is having on them. I would have thought it would have been good to get that feedback as well.

**Mr Reading**—Certainly.

**Senator SIEWERT**—Can you provide details of those three projects—how much they are and how long they are for—and in particular the herbicide resistance one because that is a longer term project? You can take this on notice so I do not take up the committee's time.

**Mr Reading**—Certainly.

**Senator SIEWERT**—That would be appreciated.

**CHAIR**—Senator Adams?

**Senator ADAMS**—Firstly, what is the GRDC's forecast for wheat for the 2008-09 season?

**Mr Perrett**—Do you mean production across Australia?

**Senator ADAMS**—Yes.

**Mr Perrett**—We are still looking at the forecasts around. Australian Crop Forecasters say it will be around 21.5 million tonnes. We are reviewing that downwards. We now have an internal belief that about 19 million tonnes is probably the upper limit of the crop in Australia, and that is because over the last three weeks we have seen significant hardship in many of the southern grain-growing areas. I can work around the country very quickly. Western Australia, we would say, is predominantly good. We know there are a few patches for hardship. There has been a frost in some areas. We do not know the full results yet and probably will not know for a while. We are monitoring that. In South Australia the conditions have been absolutely disastrous, unfortunately. We have seen that crop revised backwards every week. They have had some 35-degree days with hot northerly winds. Victoria has suffered a similar fate. Southern New South Wales is also in dire straits, apart from the eastern part of the grain-growing area close to the range. As we move north from Dubbo, though, the story improves. Northern New South Wales is very good and Queensland has quite a good crop this year. But because of the damage in predominantly those southern and western areas of New South Wales, at this stage 19 million tonnes is the upper limit, and some forecasters are now down to 17 million tonnes.

**Senator ADAMS**—What did you budget for that?

**Mr Perrett**—We budgeted to run with a slight surplus. We budgeted to spend about \$121 million as our overall expenditure this year. In line with the latest forecast and also the price declining we are probably moving into a deficit budget this year, which we will fund out of the reserves without any problem.

**Senator ADAMS**—What have you budgeted as far as the levies go?

**Mr Perrett**—The levies will remain. The levies were set earlier this year. We will review that early next year. At this stage, running budget deficits, I would suggest the levies will probably stay the same. It will not be a significant impact where we would have to say that GRDC's spend this year or next year is under threat. However, it is something that we monitor very closely on a monthly basis. We watch the crop and price forecasts, so we have a good idea that we are able to maintain our reserves within 40 per cent to 70 per cent of the following year's expenditure.

**Senator ADAMS**—Where are you at with GM cotton?

**Mr Perrett**—We do not deal with GM cotton. In fact, there is a Cotton Research and Development Corporation and that is predominantly their area. We have looked at it from the edges, but not specifically at GRDC. We are aware of the benefits that have flowed to the cotton industry from that technology.

**Senator ADAMS**—Senator Stephens, can you help me as to where GM cotton might arise?

**Senator Stephens**—I cannot, but we can endeavour to take that on notice and get back to you.

**Senator ADAMS**—While I was talking about the genetically modified wheat I thought I should ask about the cotton. Getting back to wheat, what have you heard from the new government about the trials for Western Australia?

**Mr Perrett**—I do not believe we have any trials in Western Australia.

**Mr Reading**—We are having some discussions with the Western Australian government at the moment. As you know, the lupins crop in Western Australia is under a lot of threat at the moment and one of the major threats is effective weed control. We have a possible way forward with GM lupin, but before embarking on any of that proof of concept work we want to hold discussions with the Western Australian government in terms of their attitude towards it. We had some discussions with Tim Chance from the previous government and he was very supportive of going ahead, but we want to have those discussions with the new government before we embark on a program there.

**Mr Perrett**—If we get the go-ahead we will be very keen to progress that. It is certainly a major issue, especially in that north-eastern wheat belt of Western Australia. Lupins fit into their rotations very well and are of such benefit to their soils.

**Senator Stephens**—In relation to your question, the officers have left who will be dealing with that, so we will take that question on notice and get back to you.

**Senator ADAMS**—Thank you.

**CHAIR**—Senator Colbeck, Senator McGauran and Senator Williams, do you have any questions before we call MLA? Senator Hurley, do you have any questions?

**Senator HURLEY**—No.

**CHAIR**—Thank you very much, Mr Perrett and Mr Reading. Have a safe trip home. We will now call Meat and Livestock Australia.

[5.35 pm]

#### **Meat and Livestock Australia**

**CHAIR**—We will go straight to questions. I am sure you will have some good news to tell us. I am hoping so. Senator McGauran?

**Senator McGAURAN**—An organisation called Master Ching Hai Association has launched a \$400,000 Australian TV ad campaign. Do you know what the background is to this organisation?

**Mr Johnsson**—I am aware from their website that they are a group that promote a vegan or vegetarian theme. They are anti-livestock/anti-meat. I am not sure whether they have any particular religious background to them. They have said that they have a sizeable budget. I thought it was more than the figure you mentioned for television advertising.

**Senator McGAURAN**—Do you know where they get their money from?

**Mr Johnsson**—No, I do not.

**Senator McGAURAN**—Can you tell me if this is right or wrong? They have said that their main concern is red meat methane emissions. \$400,000 is the figure that has been published. What figure were you thinking?

**Mr Johnsson**—I thought it was several million. I know they have started funding some advertisements on television.

**Senator McGAURAN**—We have this crazy named group called the Master Ching Hai Association with millions of dollars and their main concern is the methane emissions from cattle, which they say in the next 20 years will have a worse effect on greenhouse emissions than coal-fired power stations. This is the idiocy the whole greenhouse debate has reached, that a group can spend millions of dollars in worrying about cattle emissions—

**CHAIR**—I would not degrade the argument on greenhouse gases over one organisation. Have you questions for the MLA?

**Senator McGAURAN**—Yes, I have. There was a question at the beginning. The New South Wales Department of Agriculture, in one of its publications, is now worried about the methane emissions from cattle. Bill, join me in this, please.

**Senator HEFFERNAN**—What has happened?

**Senator McGAURAN**—The absurdity, the idiocy, that the debate has reached when a group—Bill, you might not know them—called the Master Ching Hai Association—

**CHAIR**—Let us channel the questions to the MLA. The officers from MLA have made the effort and have been sitting here waiting patiently all day. They are dying for you to ask some questions.

**Senator HEFFERNAN**—I actually have some questions.

**Senator McGAURAN**—It would be funny if it were not so serious. Millions of dollars are being targeted against your industry. The New South Wales department itself is very concerned about cattle emissions, so much so that they give advice to farmers that they can reduce those emissions with greater productivity through, say, not hanging on to unproductive female cattle.

**CHAIR**—Is there a question coming?

**Senator McGAURAN**—These are basic ideas that farmers do not have to be told. I want you to comment. You are the people on the front line against this sort of idiocy or lunacy, but with force. A group with millions of dollars has some power to affect your industry and farm gate prices. How are you tackling this and what do you think of their idea on cattle emissions?

**Mr Johnsson**—The national inventory suggests that agricultural emissions are about 60 per cent to 70 per cent of the total for greenhouse gas emissions for Australia.

**Senator McGAURAN**—We are talking about cattle.

**Mr Johnsson**—Two-thirds is thought to be due primarily to livestock emissions. Those are the numbers coming out of the Department of Climate Change. DAFF, in their future funding of climate change research, has identified reducing livestock emissions as one of the priorities for greenhouse gas reduction in agriculture.

**Senator McGAURAN**—This is one of their priorities.

**Senator HEFFERNAN**—That is correct. Note that.

**Senator McGAURAN**—What an absurd priority to have, if that is your priority in relation to the greenhouse question. Do you have a strategy in respect of this organisation, the Master Ching Hai Association, which has millions of dollars lined up against you?

**Mr Johnsson**—As I said before, they are basically an anti-meat group. Like all anti-meat groups that have previously been concerned about other issues, they have now tended to jump on the climate change bandwagon, particularly greenhouse gas emissions. It is not particular to that group. Most of the anti-meat groups are beating the same drum at the moment.

**CHAIR**—We are all pro-meat so let us have some good questions about the—

**Senator McGAURAN**—You do not think this is a good and serious question, about the emissions of cattle, where the industry and the farmers are being targeted? Just to show you the tipping end of all of this that the farmers are on, Professor Garnaut comes up with the idea ‘kangaroos not cows’.

**CHAIR**—Let us not waste the time of the MLA.

**Senator McGAURAN**—This is not wasting time at all. These people make their living—

**CHAIR**—You don’t have to put the theatrics on for me, Senator McGauran. I have spent enough time across the chamber from you and I try not to laugh half the time, but there are many questions to be asked and I am sure you will have some questions for MLA.

**Senator McGAURAN**—I am being serious.

**CHAIR**—Are you finished?

**Senator McGAURAN**—He has not even answered my question.

**Senator Sherry**—Chair, if I could?

**CHAIR**—The minister.

**Senator Sherry**—Can the officials indicate how long this issue has been on their radar? Has it just been the last year?

**Mr Palmer**—There are a number of agencies around the world and in Australia that attack, if you like, our industry in one form or another. It can be in the area of dietary matters, live exports, raising of animals—a whole range of pursuits. We have a dedicated department within the company that has an adequate budget to maintain a very proactive position in monitoring this. I would have to say this agency is not familiar to me, but it is familiar to them, and along with a whole range of other agencies we have as best we can, as fast as we can, proactive comments coming out in defence of the industry. Fortunately the industry has made a significant investment over many years to build itself a good story for the community, and we will continue to prosecute

it, whether it be in the area of climate change, emissions, et cetera, or on the whole dietary matter of red meat being a critical part of diet.

**Senator McGAURAN**—Mr Chairman, I do not take kindly to your comments about my questions. My point is to highlight the absurdity all of this reaches, and no less than Professor Garnaut himself has produced several papers on this. I want to bring the committee's and MLA's attention to Professor Garnaut's 'kangaroos and not cows'. And, yes, I am mocking it.

**CHAIR**—Quite frankly, the MLA are here to answer questions directly involving them and I would urge senators to use the time that is available to us to put questions to the MLA that can satisfy some of the answers that we are seeking.

**Senator McGAURAN**—It is the farmers that wear these costs.

**CHAIR**—You might like to go to the environment committee and have that conversation.

**Senator McGAURAN**—It is farmers who wear the costs of these stupid organisations that have millions of dollars at their hands, and New South Wales agricultural departments trying to tell farmers how to suck eggs, and also from Mr Garnaut, who has ponced himself around in government job since the Whitlam years and who tells farmers 'kangaroos not cows',

**CHAIR**—Senator McGauran, I would be very careful in my choice of language. The officers from MLA are probably getting bored with the same line. I will give another senator the opportunity to ask some questions to MLA.

**Mr Palmer**—On the matter of Professor Garnaut, MLA does not singularly respond to these comments that come from various places, and on this occasion the Cattle Council of Australia and the National Farmers Federation—both of whom we happily work alongside as and when required—responded adequately to Professor Garnaut's remarks about kangaroos. Within the company we found that a curious proposition, that we were now going to replace our herd with 175 million kangaroos to take the role of the Australian flock and herd. I felt personally that it was treated appropriately at the time and we have moved to the next moment.

**CHAIR**—Senator Milne?

**Senator MILNE**—At the last estimates I did ask Meat and Livestock Australia about how much carbon was in a leg of lamb that landed in London. It was a serious question about the supermarkets there. The New Zealanders have done an enormous amount of work on full lifecycle analysis of carbon inputs into their exports as they were aware that their export industry was extremely vulnerable to a campaign on food miles. Lincoln University, through Professor Saunders' work, has managed to do quite a bit to look at lifecycle as opposed to just whether something is flown to there. At the time MLA said that they were starting to do some work on this, so I would like to know what you are now doing to look at measuring the embedded carbon in meat production in Australia as landed into export markets so that we can have the same sort of comparative analysis that the New Zealanders have successfully done?

**Mr Palmer**—Before I ask Mr Johnsson to respond, I wanted to clarify that we did provide a response back on the matter of carbon embedded in legs of lamb.

**Senator HEFFERNAN**—And you got it wrong.

**Mr Palmer**—We also went on to mention about carbon embedded in—

**Senator HEFFERNAN**—Can I just go to that answer? That was a bullshit answer in my book, because in your assumption—

**Senator Sherry**—Senator Milne was asking questions.

**Senator HEFFERNAN**—Yes, but it—

**Senator Sherry**—There should be some respect shown for the senator who is actually asking the question. When she is finished, Senator Heffernan can try to butt in again.

**CHAIR**—I always make a habit of asking the senator that is being interrupted if it is all right to carry on with that line of questioning, and that is entirely up to the senator who asked the question.

**Senator HEFFERNAN**—That is fair enough.

**CHAIR**—Senator Milne?

**Senator MILNE**—I would like to hear the answer as to where we are up to now in terms of the investment that is being made in this work in Australia.

**Mr Johnsson**—At the time of the last meeting we did indicate that we were in the middle of some work for life cycle analysis. We are still trying to finalise that work for three supply chains in Australia. The difficulty we have found now is there is no standard methodology for life cycle analysis. We have been working with the Rural Industries Research and Development Corporation and a number of the other rural R&D corporations to see whether we can develop a way of standardising the approach so that, for instance, we can then use estimates of the embedded carbon in, say, grain which might be fed to cattle with some confidence.

We are aware of the study you referred to by Lincoln University. My memory of the figures for New Zealand lamb was something like less than a kilo of greenhouse equivalent, CO<sub>2</sub> equivalent per kilo of lamb, against about maybe 12 or 16 for the UK. That is an interesting analysis but it did not actually include methane emissions from the animals. If you include methane emissions from the animals you obviously get different numbers. The problem with life cycle analyses is that they are very specific to specific production systems. Depending on who does the analysis, the assumptions they use and where they put the boundaries around inputs and outputs, you can get quite different numbers. It is very difficult for us to then say that our footprint is different to another industry or even another supply chain if they have used a calculation method which is different. The important thing going forward I think is that we try to standardise the approach across agriculture and then we can start making some comparisons.

**Senator MILNE**—I understand that as a result of Caroline Saunders's work Tesco then approached Oxford University to do some of this methodological work. Are you in contact with the people at Oxford who are actually doing this to make sure that we have our say about how that might happen?

**Mr Johnsson**—I did not know that it was going on. The project we have with RIRDC has looked across the world at how these analyses are done. We have just received a final report on that. I do not know whether they have referred to the Oxford group or not.

**Senator MILNE**—It is almost Carbon Analysis 101 because that Tesco study is where all this really got going in terms of trying to work that out. If they have not included that, they need to, because that will be what some of the large British chains take as gospel. Where is our main meat export market now in terms of livestock?

**Mr Palmer**—For lamb, apart from domestic, the Middle East and the United States.

**Senator MILNE**—And what about beef?

**Mr Palmer**—Japan, Korea, the US and domestic. Red meat sales are to 106 markets around the world. But the majors for beef are US, Japan, Korea and South Asia. Russia is new. Very small amounts go into Europe, because we are restricted by a very stringent quota for both lamb and beef. More recently, Indonesia has become a significant beef destination along with live exports.

**Senator MILNE**—Given that they are the United States, Japan, Korea and China, which is going to be importing large amounts of protein into the future—all of the projections suggest that is going to be a major growth market—ought we not to be talking particularly with those countries about what methodology they would accept as being a methodology to accurately calculate the carbon life cycle?

**Mr Johnsson**—As Mr Palmer said, we do not have any sizable market into the UK—

**Senator MILNE**—No, I said the US.

**Mr Johnsson**—That is right. But we have to work out for Australian agriculture what our methodology is first. There is some interest in food models in Japan at the moment. The Japanese government is looking at a voluntary system. Our office in Japan is monitoring that. I do not know of any developments at all in the US.

**Senator MILNE**—Whilst I accept what you are saying, that we have to get a methodology that is consistent here, the point is that if we develop a standard that is not accepted in our export markets then it has been a waste of time. That is why I am interested in whether we are talking to the US and the Japanese about what their thinking is about what they are going to accept. We almost need a real global push on this to make sure that we get one standard. Otherwise we are going to end up getting into the same mess that forestry got into with half-a-dozen different standards.

**Mr Johnsson**—That is certainly true. I believe the international ISO group are looking at this problem as well.

**Senator MILNE**—How much funding are you putting into this particular area of research?



**Mr Johnsson**—In relation to life cycle analysis, as I have said at the moment we are in the middle of finalising a study. We do not believe it is worth expanding that until we sort out what this standard methodology might look like. That is something we are working on with some of the other major rural R&D corporations. Then it is a matter of doing enough supply chains to get a good picture of what our range is. There is no one number for carbon in any product. It will depend on the inputs and outputs of particular systems. But then we need to understand what our markets require as well. If they require a particular methodology then that is something we would obviously have to respond to. We may have to calculate it in different ways for different markets.

**Senator MILNE**—Have you approached New Zealand to look at a common standard for Australia and New Zealand?

**Mr Johnsson**—No, we have not.

**Senator MILNE**—Might that not be a good place to start?

**Mr Johnsson**—I think we have to work with our customers rather than our competitors. It is really what our customers end up wanting. The Carbon Trust in the UK is leading the charge, and we are aware of that group and their food models logo that they are promoting.

**Senator MILNE**—How much investment are you putting into things like alternative feed regimes and so on to look at this issue of enteric fermentation?

**Mr Johnsson**—We are planning to spend \$2 million this year in the area of methane reduction in ruminants and in adaptation to climate change. We are also under the CCRSPI umbrella, which I think senators are aware of. We have indicated interest in five areas of investment. We led the development of three expressions of interest, one in livestock methane reduction, one in northern beef adaptation to climate change, one in southern livestock adaptation. That one is connected with Dairy Australia and AWI. We have also expressed interest in investing in two others, one in life cycle analysis and another in soil carbon.

**Senator McGAURAN**—How much money are you putting into methane reduction?

**Mr Johnsson**—We will probably spend about half of our \$2 million investment in that area?

**Senator McGAURAN**—One million dollars? Who is undertaking that?

**Mr Johnsson**—I am sorry—

**Senator Sherry**—You are imposing on another senator and the officer had not completed the answer to the question.

**Senator McGAURAN**—That is the chairman's job, not the minister's job.

**Senator Sherry**—An answer to a question which has not been given is my area of remit.

**CHAIR**—Senator Milne, if you do not have a problem with the senator—as we always ask on this committee—adding to your question on the same topic, that is okay. If not, it is your call.

**Senator MILNE**—I just want to finish my line of questioning on this, then I am happy for Senator McGauran to pursue that.

**CHAIR**—Senator Heffernan has been waiting. Senator McGauran had the call to start with. It is whoever was answering the question. I am sorry; I was talking to Senator Hutchins at the time about another issue about agriculture.

**Senator MILNE**—We were basically establishing that it is \$2 million that you are spending around the area of methane reduction. Can you just tell me what has been the most promising aspect of the work that you have done to date?

**Mr Johnsson**—It is \$2 million on the climate change responses, about half of which is in that area.

**Senator MILNE**—Okay.

**Mr Johnsson**—Nothing looks particularly promising at this stage. The Pastoral Greenhouse Gas Consortium in New Zealand has been on this track for about four years and is spending quite a lot of money in the area. We co-funded a review back in October-November last year which was an international review of their work and other people's work. Quite a lot of Australian scientists went over to that. It was called Greenhouse Gas in Animal Agriculture, GGAA. I would have to say there is nothing particularly promising coming out of any of the work that we heard that could substantially reduce greenhouse gas in the specific area that we are interested in, which is in extensive livestock production. The most promise currently is in feeding

manipulation, in diet manipulation, which would have relevance to the dairy industry and perhaps our feedlot sector, but for extensive grazing management nothing looks particularly promising. Our emphasis is really to go back and look at how we might be able to manipulate the rumen and understand how the rumen works; why the methane is produced; are there alternative pathways; can we somehow change that over the longer term? It is certainly not short-term work. The meat industry and the wool industry invested quite heavily into this area in the 1990s with CSIRO. You might remember a prototype vaccine was produced which only had a very limited effect. We were looking at it in those days from the point of view of reducing energy loss from a production system, so about 15 per cent of energy consumed is lost as methane. If the animal could capture that and convert it into production then there would be an efficiency gain, but at the moment we cannot see anything that looks particularly promising.

**CHAIR**—I am very keen to get agreement amongst the committee. If there is a host of questions for MLA and we have to bring them back after the tea break, we will, but it would be good if we could get through our questions now without lengthy lectures and not bring MLA back, because there is going to be a lot of time required, I am sure, on climate change and the likes this evening.

**Senator HEFFERNAN**—What is the annual budget of MLA?

**Mr Palmer**—The annual budget is about \$150 million.

**Senator HEFFERNAN**—How much do they pay you?

**Mr Palmer**—I might refer you to the annual report.

**Senator HEFFERNAN**—How much do they pay you?

**Mr Palmer**—I am coming to the answer. The annual report this year shows that the remuneration to all directors is about \$940,000-odd. You may be aware that the current directors have a fee cap of \$500,000, which is about to potentially be breached and therefore you can deduct one from the other and the balance is the CEO.

**Senator HEFFERNAN**—What is that?

**Mr Palmer**—Nine hundred and forty thousand minus 500,000, which is 440,000.

**Senator HEFFERNAN**—I guess the AWI puts you to shame. He is on \$750,000. In relation to the energy dense product modelling in a lamb and the calculation of 10 kilograms CO<sub>2</sub> equivalent per kilo of a lamb, and you say in that calculation 90 per cent is the energy dense product, could you explain to me why that is so?

**Mr Johnsson**—The 90 per cent is due to the inputs on farm—

**Senator HEFFERNAN**—I am aware of that—

**Mr Johnsson**—in the methane emissions—

**Senator HEFFERNAN**—Would you like to document that for us?

**Mr Johnsson**—The extra 10 per cent is coming from the greenhouse gas associated with energy use in the transport and processing sector.

**Senator HEFFERNAN**—But can you tabulate the 90 per cent of energy dense products for me? I think this is all seriously flawed. You say here ‘including grain production’. Can you tell me what percentage of lambs eat grain?

**Mr Johnsson**—As I said earlier, the numbers you get are for specific supply chains, so the particular supply chain that we studied had a lamb finishing component in it. The Western Australian supply chain which uses grain to produce the lamb—

**Senator HEFFERNAN**—But this is not typical of the industry. I declare an interest. My lambs are dropped in May and I turn the first ones off in September at 23 kilos, and they have never been near grain. They come straight off their mothers. Their energy dense production costs would be bugger all. They are export weight. It is all right for you to give these figures so New Zealand can run around the world and play hell with them, but that is a silly guess.

**Mr Johnsson**—It is using the current life cycle analysis methodology which varies between practitioners—

**Senator HEFFERNAN**—It is very bureaucratic.

**Mr Johnsson**—It was the University of New South Wales that—

**Senator HEFFERNAN**—What percentage of lambs that are exported go through a grain process?

**CHAIR**—That is one question. Do you have an answer for that? If you do not, do you wish to take it on notice and then we will progress?

**Mr Johnsson**—I am sorry; which question?

**Senator HEFFERNAN**—You have written to Senator Milne, or Mr Palmer has, and you say categorically—which the New Zealanders are using—10 kilograms CO<sub>2</sub> equivalence per kilogram of carcass weight.

**Mr Johnsson**—The issue is that the New Zealanders did not include in their calculation the methane emissions from the animals. Most of those methane emissions come from pasture.

**Senator HEFFERNAN**—But this makes it sound like it is some sort of average across Australia, but it is not.

**Mr Johnsson**—No, it is not. It is about a specific supply chain. It is the specific supply chain that was studied.

**Senator HEFFERNAN**—Could you provide to this committee an average across the board, because there would not be—would there—50 per cent of lambs that are grain finished?

**Mr Johnsson**—No, not at all. Life cycle analysis is for specific supply chains. It is for industrial processes.

**Senator HEFFERNAN**—Does that not mislead the market?

**Mr Johnsson**—You cannot really do an average calculation. You have to look at specific supply chains and do inference analysis.

**Senator HEFFERNAN**—That is my whole point. The greenhouse emissions sum on a lamb that takes five months to get to export weight would be seriously different to one that takes 14 months because it missed the season and then it got put onto grain and just as it is cutting its teeth is popped into the abattoir?

**Mr Johnsson**—That is correct.

**Senator HEFFERNAN**—This is completely misleading to the market for people who do not understand it. I do not know whether people here understand it either.

**Mr Johnsson**—That is why life cycle analysis is very problematic in terms of conveying these sorts of issues to consumers.

**Senator HEFFERNAN**—Which is what I am trying to convey to one or two people on this committee—that this is not an indicator of the greenhouse emission cost of a lamb per kilo. It is very specific and it is very, very unlikely to be anywhere near the reality. That is why I ask the question: what is the make-up of the 90 per cent energy dense product?

**Mr Johnsson**—Most of it is coming from the methane emissions from the animals. The calculations were based on the inventory calculations that the—

**Senator HEFFERNAN**—How much grain were you putting into this model?

**Mr Johnsson**—I am sorry?

**Senator HEFFERNAN**—How much grain was going into this model?

**Mr Johnsson**—A small amount. I think from memory the finishing period was 30 or 40 days. The grain component is irrelevant. What really drives that number is the estimated methane emissions from those animals.

**Senator HEFFERNAN**—Yes, I understand that, but it is sort of written in a way that you could take this letter to New Zealand and say: ‘There is ours. What is yours?’ But that is not the case at all, is it?

**Mr Johnsson**—No. And that is why you cannot compare life cycle analysis outputs—

**Senator HEFFERNAN**—You have made that very clear—

**Mr Johnsson**—from different sources.

**Senator HEFFERNAN**—Our dear old friends at the ABA have put a few resolutions to the AGM which have been rejected. Who wants to deal with that?

**CHAIR**—For the benefit of the rest of the committee, what is the ABA?

**Senator HEFFERNAN**—The Australian Beef Association. Do you want to deal with that?

**Mr Palmer**—I will deal with it, yes, but can I get the question?

**Senator HEFFERNAN**—They were rejected on the basis that they were defamatory. I think that one of them called for you to get the sack, as I recall; is that right?

**Mr Palmer**—Yes.

**Senator HEFFERNAN**—They were rejected on the basis—

**CHAIR**—That is a very good, straightforward answer, thank you.

**Senator HEFFERNAN**—that they were defamatory. If they were not defamatory, would you have accepted them?

**Mr Palmer**—Absolutely. There is a long history of resolutions, and we had the identical resolutions in 2003, and they were rejected at the time for exactly the same reasons that they were rejected the other day when they came in 36 hours, or thereabouts, before the cut-off time. Back in 2003, the company secretary worked alongside ABA to try to scrub them up and get them into shape, and they unfortunately have continued to come back with the same sort of language and we have found—

**Senator HEFFERNAN**—Does the ABA still oppose NLIS?

**Mr Palmer**—You should address that to them.

**Senator HEFFERNAN**—But in the proposition that I put to you—

**Mr Palmer**—Some of the argument that has come forward would suggest that their opposition still remains. Incidentally, the company has just done a survey of some 750 registered levy payers, and in actual fact NLIS came out as the highest ranking program that is providing a benefit—

**Senator HEFFERNAN**—You will not have an argument with me on that.

**Mr Palmer**—But I think it is worth pointing out. There are other people with different views—

**Senator HEFFERNAN**—It is a great program. We are trying to cross it over into the horse levy. I am concerned about the 20,000 feral cattle up in the cape that do not participate in it and the cattle out there from Wadeye in the Northern Territory that are not tagged. The local black fellas up there are saying, ‘No, we do not want to tag them because we do not want to—

**CHAIR**—Let’s get to the question.

**Senator HEFFERNAN**—Was legal advice sought on that?

**Mr Palmer**—Absolutely.

**Senator HEFFERNAN**—Could you provide the legal advice?

**Mr Palmer**—I guess I do not see any reason why not. We have a firm in Sydney, Banki, Haddock and Flora, that provide us advice on numerous things. They have over many years and they have done on this occasion.

**Senator HEFFERNAN**—Did you provide the advice to the ABA as well to tell them why—

**Mr Palmer**—Yes, it is. It is provided once the board resolved it; it is a letter of process. It is to a collection of levy payers or members of a company. They have not come to us under the banner of ABA; they have come to us as concerned levy payers and we have responded accordingly.

**Senator HEFFERNAN**—What is the main mechanism for a complaint? I think I described one of these blokes once when he turned up here as a ‘serial pest’. But, other than the AGM, are there processes to legitimately deal, legally, with complaints about MLA?

**Mr Palmer**—We hold and host forums, seminars, meat profit days—

**Senator HEFFERNAN**—Where you would—

**CHAIR**—Let us hear the answer.

**Mr Palmer**—all around the country in a never-ending fashion. There is plenty of opportunity either in a public or private sense to air their grievances in many ways, shapes and forms. I cannot add to that. There are plenty of forums, plenty of mechanisms, all of which are available and all of which are used constructively and collaboratively by the bulk of the industry.

**Senator HEFFERNAN**—But for many years the ABA have been at loggerheads, haven’t they?

**Mr Palmer**—Yes, they have.

**Senator HEFFERNAN**—Why is that? What is the problem?

**Mr Palmer**—In my view they have a couple of stated ambitions which our company and the board and, importantly, the industry who we also respond to, which are the peak councils and government agencies, are not inclined to go down. Their stated objective is to do away with a skills based board and replace it with a properly elected board. We continue to reject that proposition. They also seek to do away with all the peak councils and let the board of elected people and the 150 million get about whatever they choose to get about. Again our board, the company and the industry do not accept that proposition. We look to the peak councils, like the Cattle Council of Australia, the Sheepmeats Council, Australian Lotfeeders, the Meat Industry Council and other groups. There is a raft of agencies out there. We looked at them for all the policy, advice and inputs, including matters of climate change. Our programs and projects are geared and governed by the input from industry. We look to those industries to provide us with the policy and the guidance and direction.

**Senator HEFFERNAN**—In gathering the information, for instance, on dentition for a lamb standard, where do you fit into the line of advice and the eventual decision on that?

**Mr Palmer**—On this occasion there are a couple of elements. The company is funding some research work which is still coming to this committee. I understand you produce an interim report on lamb dentition, lamb marketing. There is further analysis being done on which we are providing some levy funds to assist the Sheepmeats Council and AMIC, the Meat Industry Council to complete. I understand that work might be completed around November or December and it will be furnished to the committee. Also, our job is twofold. Firstly, it is to provide the resources for the industry to do its investigation. Secondly, and perhaps more importantly, it is to continue to market lamb in a proactive and aggressive form both here and on the export market as the high-value, high-quality good that it is, and as best we can ensure that nothing impugns that reputation and nothing brings it into ill repute in the consumer's—

**CHAIR**—I will have to ask that this is your last question, Senator Heffernan.

**Senator HEFFERNAN**—Is that a decision of the board or do you have executive power?

**Mr Palmer**—The board are appraised of all the decisions. In this case, because of the size of the programs, the executive decisions were made at staff level, at management, and the board is appraised of developments ongoing.

**Senator HEFFERNAN**—What level is your—

**Senator McGAURAN**—Just on that very issue—

**Senator HEFFERNAN**—How much can you spend without—

**CHAIR**—Your colleague has the call.

**Senator McGAURAN**—I thought that was his last question.

**Mr Palmer**—There are various tiers of expenditure, but any programs over \$1 million must be determined and approved by the board. Up to that level I have various—

**CHAIR**—I will have to go to Senator Williams, who is waiting.

**Senator WILLIAMS**—I am new to this game. It is the first time I have been to estimates. You said the MLA has an annual budget of around \$150 million; is that correct?

**Mr Palmer**—That is correct.

**Senator WILLIAMS**—We know what you are paid. It is good money—

**CHAIR**—I am sure there is a question there.

**Senator WILLIAMS**—Yes, there is a question. According to ABARE figures, the average income from beef producers last year was \$39,000 and yet, with the \$600 million that has been in the hands of the MLA over the past four years, the cattle price has dropped an average of 20 per cent. You would not class that as a very successful performance, would you, if my information is correct, that is, and I assume it is?

**Mr Palmer**—I think it is unreasonable if you are saying that Meat and Livestock Australia is solely responsible for a 20 per cent collapse in beef markets. That completely ignores international reality, matters of currency exchange and a whole range of other input costs in producing a kilo of beef.

**Senator WILLIAMS**—Of these motions that came to you that were rejected in confidence, obviously motions two and three were the call for the removal of the chairman and they were ruled out because they were illegal or whatever. There was a motion of no-confidence in the board put forward, was there, to go on the agenda at the AGM?

**Mr Palmer**—Correct.

**Senator WILLIAMS**—And that could not be accepted either?

**Mr Palmer**—Again, if the motions were narrowly confined to the removal of the chairman or narrowly confined to the removal of the managing director and any other named directors without all the argument and trappings, then the resolutions would have gone forward. This has been made patently clear year after year, but if all the argument and the invectives are to come with them then we are going to rule them as defamatory as per the independent legal advice that the company has received year after year on the same subject and advised accordingly to those who submit the resolutions.

**Senator WILLIAMS**—Was the chairman of the MLA, Don Heatley, called on to stop criticising the supermarkets' mark-up in relation to the price of retail beef?

**Mr Palmer**—I have not seen that, but I very much doubt it. It does not sound like Don Heatley at all, no.

**Senator WILLIAMS**—Are you familiar with an organisation known as the Australian Meat Processors Corporation?

**Mr Palmer**—I am.

**Senator WILLIAMS**—Do you know much about them?

**Mr Palmer**—Well, we—

**Senator WILLIAMS**—Just between you and me, it is a learning experience. I thought you might be able to enlighten me on the—

**CHAIR**—If you have asked your question, we will wait for the answer.

**Mr Palmer**—I know where the question is going, Chairman. The AMPC is a processor corporation. They raise funds through a tax on their meat processing—

**Senator WILLIAMS**—Is it compulsory?

**Mr Palmer**—It has recently become compulsory, comparatively recently—yes, in the last perhaps 12 months. For about nine years prior to that it was voluntary. It was not fulfilling a sufficient percentage so it went compulsory. We enter contracts through AMPC and they provide us funds of about \$12 million a year to undertake projects on their behalf around processing efficiency, environmental management, occupational health and safety and those sorts of matters. But if I can pre-empt the next question, we are not in any way related to them as an entity. We are totally separate running companies. Our system is quite separate and unrelated from their systems.

**Senator HEFFERNAN**—You or the people from PETA?

**Senator WILLIAMS**—I was alarmed to read the *Land* on 5 October with allegations—and I underline 'allegations'—of up to \$4.2 million disappearing, we could call it; would that be the word?

**Mr Palmer**—Disappearing from, sorry?

**Senator WILLIAMS**—There are allegations in the *Land* newspaper that a Sydney accountant has been accused of stealing up to \$4.2 million from the Australian Meat Industry in a decade-long scam. Are you familiar with those allegations?

**Mr Palmer**—Yes. I am.

**Senator WILLIAMS**—Fraud squad detectives have established Strike Force Fenn to investigate a bloke by the name of Mr Gregory James O'Connor. Are you familiar with him?

**Dr O'Connell**—I do not know him. I have not met him. I understand no charges have been laid, but we are aware of the investigation and we are certainly aware of the allegations.

**Senator Sherry**—I have a problem with this. If there is an investigation ongoing, and I assume it is by the police, then I do not think we should be discussing it here.

**Dr O'Connell**—Yes. It is a matter in front of the police.

**Senator WILLIAMS**—Yes. That is why I am very carefully wording it, Minister. I will return to another issue. The 2002 Senate inquiry recommended that the MLA board consult with its membership on democratic reform or the minister would consult levy payers on reform options for a more democratic board selection process. That same Senate inquiry into the red meat industry recommended RMAC, which is the Red Meat

Advisory Council, be disbanded. What steps has the MLA taken to ensure a more democratic process to restore confidence?

**Mr Palmer**—At the time of the Senate inquiry I was out of the country for three years. However, I do recall that the inquiry highlighted a couple of things. Firstly, there were certain classes within the industry that were not entitled to be a member of the company—non-producers, such as traders and brokers, people who owned the animals for less than 30 days. They had been previously excluded. They were brought in. So, in a sense, every person who was obliged to pay a levy was now covered by the company and could exercise their rights, their voting entitlements. So that was a change. There could be others. I apologise, but I can happily supply them.

In terms of the selection committee, it remains today as a nine-person selection committee. Every year three existing board members are eligible for re-nomination and public advertisements are lodged, which generally draw up to about 170 applicants. The nine-person selection committee will sort through that and interview a shortlist. The number of candidates for the number of positions is then submitted to the annual general meeting for ratification. For instance, this year we have three directors going up and there are three names going to the annual meeting in November to fill those spots.

**Senator WILLIAMS**—With the world population growing by 80 million head a year, there would be reason to be optimistic about the future about the meat and livestock industry in Australia, would there not?

**Mr Palmer**—The cattle and sheep industries are extremely optimistic. Red meat protein is filling an enormous place in the human diet, particularly in the rising economic regions. At the moment beef prices have not been as good as I would have hoped, given the fundamentals that are out there.

**Senator WILLIAMS**—You will get no argument on that.

**Mr Palmer**—The cost of production has skyrocketed, particularly in the southern agriculture. The southern beef industry and the southern sheep industry have a cost burden that seems to be out of proportion to the north. Overall, our optimism is great in these growing markets, with the new affluence in Russia, with some interesting dynamics in China, with Indonesia right on our doorstep suddenly emerging as a very interesting market for both live and boxed meat, along with the south Asian area, and with some of our traditional regions, for example, the United States, which has always been a strong stalwart, particularly in the ground beef market because it works so well with their surplus fat. Then, of course, there are Japan and Korea. So we have got great optimism about the future for the red meat industry. Productivity is going to be important and trying to pull our cost management in more tightly is something that is also terribly important.

**CHAIR**—We have five minutes to go.

**Senator WILLIAMS**—Would you say there is some room for trimming some of the fat of all these levies and costs that are placed on the sheep and beef producers?

**Mr Palmer**—Absolutely. I think it is an ongoing assessment. We have a good, close relationship and scrutiny from the Sheepmeat Council, Cattle Council, ALFA and others. We have got some internal disciplines about the percentage of corporate overheads as a percentage of total income, and we hold to that number. Our books, programs, directions, strategic plans and annual operating plans are all freely available on our website and we happily look for scrutiny and areas of improvement from both our peak councils and the industry at large.

**Senator WILLIAMS**—Last week the federal government passed legislation to underwrite the banks. During that process Senator Barnaby Joyce called for restraint on executive wages and the escalation of some of those wages. Will your organisation show the same restraint during these tough financial times, considering the market is where it is, the costs and the global economic situation we are facing?

**Mr Palmer**—Yes. The board has a remuneration committee. Additionally, they seek advice from external agencies. We also benchmark almost every tier of our management structure with two independent agencies and we work somewhere between the second median and the third quartile. I am confident that our rates of pay, if that is the central part of this, are in tune with both public rates and other agencies. When staff leave the company we interview each person at an exit interview and our rate of pay is there somewhere but it is not uppermost. All our analysis shows that we are pretty much in line with market rates in comparable companies.

**CHAIR**—We have about three minutes left. Senator Williams, are your questions finished?

**Senator WILLIAMS**—I am finished. Thank you.

**Senator McGAURAN**—Can we bring them back after the break because I am sure—

**CHAIR**—I am just consulting with colleagues. If we are only going to bring them back for three or four questions, they would have to be burning questions. It is only because, Senator McGauran, we are approximately two hours behind in the timetable and there is a host of questions that do want to be asked. On that, I want to finish at 6.30 if we can.

**Senator McGAURAN**—I only have a couple of quick questions.

**CHAIR**—A couple of quick questions and I will pull it up at 6.30 on the dot, gentlemen.

**Senator McGAURAN**—I was encouraged to hear that you seek to be scrutinised, so I want to come back to the million dollars that you have outlaid in regard to the methane reduction research program. Who is undertaking that?

**Mr Johnsson**—The agencies in that program will be CSIRO, a number of universities and a number of departments of primary industry.

**Senator McGAURAN**—Over how many years is that million dollars spread?

**Mr Johnsson**—That is one million per year.

**Senator McGAURAN**—Per year for how many years?

**Mr Johnsson**—The initial program that we are setting up will have a four or five-year life and will depend on the individual projects within the program.

**Senator McGAURAN**—So, that is \$4 million to \$5 million and they are all undertaking the same research? It is not all different projects?

**Mr Johnsson**—No. The different agencies have different expertise and we will coordinate a program that brings that expertise together. So we will have different disciplines working on the same problem—that is, methane emissions in livestock.

**Senator McGAURAN**—How is it different from the other failed research projects that you have undertaken?

**Mr Johnsson**—We are mindful of the work that has been done in the past and we are also mindful of the work that I mentioned in New Zealand which is looking at similar areas. We are looking to see what we can do in terms of different approaches so we will not be duplicating previous work.

**Senator McGAURAN**—So you have not set the criteria for the project; you have just outlaid the money?

**Mr Johnsson**—No. We have budgeted the money and we are putting the programs together now.

**Senator McGAURAN**—So it may not come in at \$4 million to \$5 million at all. Until you know what the project is, you cannot price it, can you?

**Mr Johnsson**—We have put forward an expression of interest to DAFF in their climate change research funding round. If we are successful in attracting some money from DAFF, we can put together an expanded program. We have identified a program larger than what we can afford with the same partners and some others. So, if we are successful in being granted that money and leading that program, we will have a larger program.

**CHAIR**—Last question, Senator McGauran.

**Senator McGAURAN**—How much of MLA's money—

**CHAIR**—Sorry, Senator McGauran.

**Mr Palmer**—I need one point of clarification before you close down.

**CHAIR**—Yes.

**Mr Palmer**—It is not to do with this line of questioning. It was an earlier question about the Senate review into the conduct of MLA et cetera, and also the resolutions on legal advice to ABA. Firstly, in the Senate review one of the recommendations was to increase the number of independent people on the selection committee. That was put to an AGM for a vote and it was defeated; it requires a 75 per cent majority to change the constitution. Secondly, we did not provide the actual legal advice to ABA in respect of the board's resolutions; we provided the reasons the board rejected them.

**Senator HEFFERNAN**—And you can table that information, Mr Palmer.

**Mr Palmer**—I would need to check with the lawyers, if I may, as to their advice, but I will happily table the letter.



**Senator McGAURAN**—But this election—

**CHAIR**—Sorry, Senator McGauran. Sorry, Senator Heffernan. Time is up. Senator McGauran, if you are happy for your colleague to come over with one more I will allow it, otherwise you can have the last one and then we close down.

**Senator McGAURAN**—My last question is: how much of the research money is MLA money then? You say you are going to ask the department to—

**Mr Johnsson**—Yes. And we are also asking for contributions from Dairy Australia and Australian Wool Innovation, so it is a national collaborative program across the livestock industries. Our budget is \$1 million per year in that area.

**Senator HEFFERNAN**—My question—

**CHAIR**—Thank you, Mr Johnsson. We have gone past 6.30, senators. The committee will adjourn and I am just saying—

**Senator McGAURAN**—Just one.

**CHAIR**—We have gone through this. Every time it is one minute.

**Senator McGAURAN**—Can we bring them back again?

**CHAIR**—What I am saying is that we are two hours behind in the timetable. We will adjourn until 7.30. And we will give you a change—climate change. Thank you.

**Senator McGAURAN**—I have just found a monumental waste of money.

#### **Proceedings suspended from 6.31 pm to 7.30 pm**

#### **Climate Change**

**CHAIR**—I welcome officers from the Climate Change Division. We will go straight to questions. Senator Milne.

**Senator MILNE**—I wanted to ask some questions in relation to the general climate change programs that are up and running. My first question is in relation to the Climate Change Adjustment Program, where there is meant to be training and so on. How many people have accessed the training program that was outlined for the Climate Change Adjustment Program and can you give me any further information on it?

**Ms Cupit**—The Climate Change Adjustment Program commenced on 1 July 2008. The year-to-date figures to 30 September are that 264 applications have been received for the advice from training grants, 95 have been granted, with 27 of those vouchers having been redeemed at Centrelink to the cost of \$30,000. At this stage no re-establishment grants have been provided under the Climate Change Adjustment Program.

**Senator MILNE**—What do you hope to achieve through this program?

**Mr Mortimer**—The essential intent of the program is to fund farmers through the grants so that they can develop plans to deal with climate change and help them adjust towards climate change as it may affect them.

**Senator MILNE**—Who is delivering this training?

**Mr Mortimer**—The program is being delivered by Centrelink.

**Ms Cupit**—The training is provided by approved registered training organisations.

**Senator MILNE**—It seems to me that we do not even have the science down to regional and local level, so what are they training them in?

**Ms Cupit**—The training can cover many aspects, not just straight climate change as in the science applicable down to a farm level; it can also include training relating to how they are going to make adjustments with their property and the way that they interact as a family unit as climate changes over time. It can be things like succession planning and planning for the future with the concept that the change in climate is going to mean that they have to readjust what they are going to do on their property in the future.

**Senator MILNE**—What are they being trained in, because they do not know what they are going to have to adjust to or how? I have a real difficulty in knowing what these training providers are telling people.

**Mr Mortimer**—Climate change is a process and no-one quite knows where it is going to be and what the outcome is going to be. In broad terms it seems to be accepted that the climate is going to get warmer in some places and less so in other places; dry in some places and less so in other places. There is no fixed outcome at this point in time. It is a process. What we do know is that farmers are going to need to adjust to climate

change and what that means for their farm. We would accept that there is no absolute and verifiable knowledge where we can say what it is going to be like for them here and now. Essentially, what the program is predicated upon is the fact that farmers do need to start thinking about changing and do need to start changing. This is a beginning point for that so that farmers can use the program to start dealing with the circumstances that affect them in their particular region.

**Senator MILNE**—That obviously is the case, but it seems to me that there are no significant adaptation plans in place down to regional and local levels, so you have to adjust to changing markets and everything else, but on the basis of everything else at least there is some notional view as to what the local change is going to be or what the industry sector change is going to be. I will be very interested in what these training providers are actually telling people. That is a concern to me, because I am sure they are not expert in this field. Who is providing them with the information about climate change that they are then passing on to other people?

**Ms Cupit**—It is not just the science of climate change that they are trying to teach the people. At this stage, because the Climate Change Adjustment Program is targeting the farmers with very low income and very low assets, it is at that end of the farming sector that they are focusing on. This particular program is focusing on planning and decision-making processes so that they can make adjustments in the future. It is not the science that they are concentrating on at this stage for this particular program.

**Senator MILNE**—It is not the changes that they need to make, it is just teaching them how to make changes?

**Ms Cupit**—Yes.

**Senator MILNE**—That is what I thought. It is not really an adaptation to climate change, it is about how you deal with what needs to be changed on the land and getting out of the sector or whatever else you might need to do on your property.

**Ms Cupit**—Yes.

**Senator COLBECK**—Are they doing change management training?

**Senator MILNE**—Yes, that is really what it is.

**Mr Mortimer**—That is the driving concept behind the program. It is about changing. Just to pick up a comment from what Senator Milne said, there seems to be an inference that adaptation is something that will be organised or there will be a plan from some level or another. It is important to register that adaptation will happen across the farming landscape at the farm level and farmers will have to make their own decisions about how to adapt. That is going to depend on a whole pile of issues around them. Certainly, the climate considerations will be a key factor, but then there will be related issues which will need to be taken into account in terms of what climate change means to what they produce, the suite of products and what the markets are for those and so on.

That locally based individually driven adaptation is going to be a key element of climate change. This program is not suggesting that there is a big plan that someone is trying to implement; rather it is empowering farmers with the tools to be able to make those adjustments to climate change as it happens.

**Senator COLBECK**—You have 264 applications, with 95 granted and 20 redeemed. How is that against expectations?

**Mr Mortimer**—That is a difficult question in some regards. Essentially we had to do our best in terms of settling an estimate for take-up for the program, but on the other hand it is a demand driven program. There is always a bit of a coming together on demand driven programs on just how far they are taken up, as opposed to the estimate. We used estimates of farmers who we calculated to be within that group and made our best estimate of it.

**Senator COLBECK**—It mentions that it is for primary producers and NRM groups. Can you give me a break-up between farmers and NRM groups that have applied and were successful?

**Mr Mortimer**—Can I just ask where the reference to NRM groups is made?

**Senator COLBECK**—It just comes out of:

The Australian Government has allocated \$26.5 million over four years to boost training opportunities for primary producers, and to enable industry, farming groups and natural resource management groups develop strategies to adapt and respond to the impacts of climate change.

**Mr Mortimer**—I think you are talking about the FarmReady program.

**Senator COLBECK**—I will go back to the one we are on. You mentioned approved training providers. What do you mean by that? Is that a registered training provider?

**Ms Cupit**—Yes, it is registered training organisations.

**Senator COLBECK**—How is the program assessed? Is that assessed as part of the application process?

**Ms Cupit**—Through Centrelink, yes. Centrelink provide vouchers to clients. They then approach a registered training organisation and they can then undertake that training, and then that must be provided back to Centrelink for the redemption of the dollars.

**Senator COLBECK**—Against budget, are you above or below expectations? Mr Mortimer said that you have had to make a best guess as to what you think it might be. Where are you in respect of your projected budget spend?

**Mr Mortimer**—I would rather not venture a comment on that. I do not want to be unhelpful, but we are essentially three months into the financial year. You could take a linear average if you like, but I am not sure how helpful that would be. I am not sure that it would say a lot until further into the year when we have a better sense of what the take-up will be. I may run the risk of being unhelpful and misleading to try to put any number on the table here and now.

**Senator MILNE**—I would like to come back to the FarmReady program and the industry grants of up to \$80,000. What are they for and how many have been allocated?

**Mr Mortimer**—At this stage none of those grants have been allocated. Essentially, the progress that has been made with the FarmReady program is that there has been a request for tender to appoint an administrator for the program, and the guidelines for the other elements of the program are with the minister to be finalised.

**Senator MILNE**—We have not gone any further. We are just talking about that at this point. What about the Climate Change Research Program designed to reduce greenhouse gases, have better soil management, adapt to climate change, reduce methane and develop large-scale collaborative projects? Can you give me an example of the large-scale collaborative projects?

**Mr Mortimer**—Mr Gibbs will be able to comment on that.

**Mr Gibbs**—We are currently at the stage where we have received applications under that program. It is a \$46.2 million program. We have outlined the priorities already. We have received over 200 applications through that process. At the moment there is about \$295 million all up in the sum total of proposals that have come in. I do not want to go through the detail of the nature of projects that have come in, but I can say that there is a good distribution across those priority areas and we are going through the assessment process as we speak.

**Senator MILNE**—On this big picture issue of climate change research programs, what is the relationship between you and the Department of Climate Change and Prime Minister and Cabinet? I understand they are supposed to be doing the whole-of-government approach to climate change and then that is devolved through the various departments. What are the priorities they have given you in terms of this whole-of-government approach to climate change?

**Mr Mortimer**—We are managing the agriculture sector response to climate change and our priorities relate to research, adaptation and mitigation. The research program is clearly very much focused on dealing with the issues for the agricultural sector, as Mr Gibbs mentioned, and similarly on adaptation and adjustment. Through the Climate Change Adjustment Program we are also working through the grants that we have just discussed with Ms Cupit to help farmers deal with climate change on the ground.

**Senator MILNE**—Does that mean that the Prime Minister's Department of Climate Change just says that you would deal with agriculture, and to Martin Ferguson, 'You deal with energy'? Is there a policy priority setting that is handed to the department saying, 'This is how the whole-of-government approach is going to work'?

**Mr Mortimer**—It is not just given out willy-nilly. Clearly the government determined in its approach to climate change that it was going to follow the pathway of introducing a climate pollution reduction scheme and with the associated research and adaptation. In terms of this portfolio we are implementing the programs designed to get that research done and to facilitate the adaptation.

**Senator MILNE**—With respect to adaptation, mitigation and the whole issue of adjustment, where does your department stand currently on the issue of drought relief, and is there a shift to recognising that the 100 years rule is no longer appropriate and that we might take a different view of financial assistance, recognising the climate change and therefore looking at different ways of assisting people to change?

**Mr Mortimer**—Minister Burke has made those points and has commenced a drought policy review process. We spoke earlier in the day about the Bureau of Meteorology and CSIRO report, which was released in July. There is also a panel headed by Peter Kenny that has been looking at the social impacts of drought and they have recently provided him with a report. The Productivity Commission is looking at the economic framework in which drought programs and the drought experience occurs. The government, together with the states, will be in a position to draw on all that material in developing a new, improved drought policy over the next few months. It is very much with the view to the operating context to the rural industries that you have mentioned.

**Senator MILNE**—That is my point. Everybody talks about a whole-of-government, integrated approach, and what I cannot see is how you are feeding into this process. You have just told me that is happening over here. You are already doing adaptation work in the absence of a direction about whether we are shifting from the perennial drought relief paradigm to a different one, and if we are, what is your engagement or involvement in delivering these programs with that? You are already on the way to delivering these programs in the absence of that decision.

**Mr Quinlivan**—No, that is not correct. They are compartmentalised to some extent. The climate change programs that we have talked about here, and in particular the research program that we have just been speaking about, is very much done on a whole-of-government basis, and in fact the Department of Climate Change was involved in setting the priorities. They were involved in the assessment process. We are looking to integrate the work there with work that is being done in the states and through COAG, also with New Zealand through an Australia and New Zealand climate change activity. On the research side what we are doing is very much designed to fit into the whole-of-government process. The drought work that I mentioned is a policy development process primarily happening in this portfolio, but there are other departments involved, including the Department of Climate Change and the Department of Environment and Water and it will be subject to the normal cabinet process, which is very much a whole-of-government process. I do not think it is at all correct to say these things are uncoordinated, but they are being done by different agencies in their particular area of specialty.

**Senator MILNE**—They certainly are in different areas and different specialty, but there does not seem to be any integration. For example, who in your department working on adaptation to climate change is looking at finding ways to facilitate farmers into renewable energy?

**Mr Quinlivan**—We are not really mandating the behaviour of farmers. The government is introducing a Carbon Pollution Reduction Scheme, which will introduce price signals with renewable targets as part of that. We will see that will change behaviour in the rural sector as it will in others. If farmers come to us as part of the research program that we have advertised with projects in this area, they will be looked at on their merits along with other projects that are submitted.

**Senator MILNE**—My point is that, if someone wants to do a training program on adaptation, is anyone going to say to them, ‘You cannot have cattle there anymore because of the drought conditions. There is no water and so on, but you are in a perfect area for renewable energy’? Therefore, in agriculture, we should be pushing for money to take the transmission lines out there to farmers who live in that area, because it is an ideal adaptation strategy and it is ecologically sound because it is reducing the pressure on the land. Where is that kind of integration going on?

**Mr Quinlivan**—The government has made it clear that it is not mandating land-use decisions. What it is doing or aiming to do through these programs and others is to provide as much information as possible to producers and price signals through the Carbon Pollution Reduction Scheme so that they can make their own decisions. That is the policy framework that the government is relying on.

**Senator MILNE**—No-one is suggesting that anybody be forced to do this, but when people are making choices about what they can or cannot do or have the opportunities to do on their land, they are only getting bits of the picture at the moment. I just want to pursue that a bit more in terms of soil carbon. That is one of the areas of priority down here in terms of research programs. Can you tell me what your view is about that and what sort of research programs you are doing?

**Mr Gibbs**—We are not doing research programs at the moment. We are currently going through the assessment process. There are a number of different projects that have come in ranging from singular one-institution projects to large collaborative projects. Our view at the moment is to look at the opportunities to soil carbon. We do not have a disposition to say whether it is going to have significant benefits or significant negative impacts. The other issue with soil carbon is that the nature of the research that we undertake will be dependent on scheme design under the Carbon Pollution Reduction Scheme and international negotiations which are ongoing at the moment.

**Senator MILNE**—You have got CSIRO and the Bureau of Rural Sciences saying one thing and other people saying another. Who is going to make a judgement about whether soil carbon gets a guernsey on research? Will you consult CSIRO or BRS? Who is going to be the adjudicator here in relation to that?

**Mr Gibbs**—At the moment we have an expert panel that will be going through those applications under the research program. Members on that panel range from a person from the CSIRO. There is also an expert in Queensland University with soil science, who was also in the IPCC committee hearings. There is also a member from DCC as well. There is a breadth, if you like, to looking at the soil issues.

**Senator MILNE**—It will be a very interesting one because there are some diverse opinions coming out of those various organisations that do not necessarily agree with one another.

I would like to move on to the forestry issue. Mr Talbot, I have seen a lot of advertising around the place telling me that forestry is the great success story on climate change and that it is carbon positive. Can you tell me if the emissions can be calculated or are being calculated separately from the take-up?

**Mr Talbot**—The advertising campaign is being done separately by the Forest and Wood Products Association, which is a private company. I am hoping Mr Gibbs can help me with the second part of your question.

**Mr Gibbs**—Can you please repeat the question?

**Senator MILNE**—Yes. I said there was a lot of publicity about how great forestry is and how it is fabulously carbon positive. Is that calculated on a separate calculation of the emissions versus the take-up, or is it just a net figure? Can you also tell us what sort of accountancy system is being used to make that calculation?

**Mr Gibbs**—My understanding is that it is a net based calculation. I am basing that comment on what has been done under the emissions accounting, which is run by the Department of Climate Change.

**Senator MILNE**—What accounting system is being used for that emissions trading scheme assessment?

**Mr Gibbs**—For the purposes of the Kyoto protocol and the 108 per cent target, the net calculation is based on the growth in the base of 1990 and also takes away deductions from deep forestation and those sorts of activities. It is the net growth in the stock of trees, if you like, over that period from 2008 to 2012.

**Senator MILNE**—Can you confirm for me that where a native forest is cleared by clear felling and then replaced by regeneration or a plantation, because there is no change in land use it is deemed to be carbon neutral? Is that a fact?

**Mr Gibbs**—I would have to take that on notice. That would be something that DCC could answer.

**Senator MILNE**—Let us assume for argument's sake that is correct, because that is the understanding that where there is no change in land use it is deemed to be carbon neutral. Therefore, any claim that forestry is carbon positive where you do not separate out the emissions from the take-up, and where the emissions are not calculated because they are deemed to be carbon neutral, then would you say that is quite a dishonest statement?

**Mr Quinlivan**—It is quite an important point that you are making.

**Senator MILNE**—It is a very important point.

**Mr Quinlivan**—We would need to make sure we get it right. We have said that we would take the question on notice.

**Senator MILNE**—It is an interesting one because you have quite a lot of money under your climate change and forestry adaptation action plan and unless you get the accountancy right then you are not going to be calculating the emissions from the clearing of native forests. Is that the case?

**Mr Quinlivan**—We are not the government's experts on carbon accounting, so we would be venturing into areas that are not ours.

**Senator MILNE**—I am aware of that. You are doing a huge amount of work in forestry adaptation and that is why I am talking about this whole-of-government approach. What is the point unless you actually know what you are doing? If you are working on a forestry adaptation action plan and you do not understand the accounting system or whether the accounting system is actually true or just deemed to be true, then we are not going to get an accurate outcome, are we?

**Mr Gibbs**—On the forestry action plan, that is a climate change action plan. Through the course of preparing that we would be in discussions with DCC because they have the whole-of-government responsibility for coordinating climate change.

**Senator MILNE**—We will be in discussion with them on that. Can you tell me about the \$8 million that is being spent to identify the knowledge gaps about the impact of climate change on forestry and vulnerability?

**Mr Talbot**—I will have to ask you to repeat the question. The \$8 million set aside is preparing the forest industry for climate change. Is that the one that you were talking about?

**Senator MILNE**—Yes, that is right.

**Mr Talbot**—At the moment we have a draft paper that has been prepared. As Mr Gibbs has said, we will be coordinating the paper with DCC. It is also being given to state governments and industry bodies to consider and it will make its way up through the ministerial council in April next year, I think it is. At the moment it is under development.

**Senator MILNE**—Can you give us any indication of what has already been identified as a knowledge gap or as vulnerability in the forestry sector when it comes to climate change?

**Mr Talbot**—As I said, the paper is under development at the moment. Obviously there are some things that have been identified. I should emphasise this is a draft at the moment and still requires comments from a range of bodies. It includes things like, for example, if you are in a forest industry, the species of trees and the threat from pests and other things. Those sorts of things are in the planning mix.

**Senator MILNE**—Do you think there is any urgency about climate change? How long do you think we have got to get this paper together, let alone the action that might come from it?

**Mr Quinlivan**—Mr Talbot indicated that we were expecting to have it to Commonwealth and state ministers in April.

**Senator MILNE**—But you cannot tell us anything else about it at this point?

**Mr Quinlivan**—No.

**Mr Talbot**—I am afraid that we cannot at the moment. To date there has been a lot of thought put into it in terms of the likely challenges that the industry will have under climate change. I have given a couple of examples and there are a number of other things that are in the draft at this stage, but after it has gone through a mix of various agencies it should have a reasonable list of things that are the challenges for the industry.

**Senator MILNE**—Let me put it to you this way. We know that some areas are going to have less water.

**Mr Talbot**—Yes.

**Senator MILNE**—We know that there is likely to be legislation to require people to pay for interception, which will change the economics. We know that we have changed temperature and there is more vulnerability to disease because of monocultures and changed habitat ranges and so on. Did you have any discussion with the Department of Treasury about giving a tax deduction for planting plantations before this report is out there about where the gaps and vulnerabilities lie?

**Mr Talbot**—I have not had any discussions with Treasury as yet. As I have said, the paper is still under development. I understand a number of things that you have mentioned are in the paper.

**Mr Quinlivan**—The normal practice that will certainly occur in this case is that the minister will take the Commonwealth's position on this to the ministerial council in April, which he does with a whole-of-government position. Prior to that we will be talking to all the relevant departments including the Environment Department, Treasury, Climate Change and so on. It may even be a cabinet process which settles a whole-of-government position and which the minister will then take to the ministerial council. That would be happening over the period between now and March next year.

**Senator MILNE**—I asked if the forestry section had any discussion with Treasury before Treasury went ahead with its tax deduction for planting plantations in the absence of the information that you are talking about regarding the vulnerabilities to climate change?

**Mr Quinlivan**—Are you talking about the statutory regime?

**Senator MILNE**—I am talking about the carbon sink forestry legislation that has already gone through, which gives 100 per cent tax deductibility for planting carbon sink forests. You have just told me that you have a whole-of-government approach and nobody can answer the question as to whether Treasury talked to any of you about this being a good idea, in view of the fact that the plantations for which they give 100 per cent tax deduction may probably die.

**Mr Gibbs**—In the preparation of that work Treasury was talking to DCC. You would be aware that for the last few years there have been offset schemes for forestry and AGO. Previously it was working through that work with Treasury and had a good knowledge of land use issues, including forestry.

**Senator MILNE**—Why do you have a Forestry Department if they can manage it well enough out of PM&C?

**CHAIR**—Reference was made to the Department of Climate Change.

**Senator MILNE**—Yes.

**Dr O'Connell**—Just to go back to your question, that process was a whole-of-government process. This is the carbon sink legislation.

**Senator MILNE**—Yes. It was a whole-of-government process?

**Dr O'Connell**—That was a whole-of-government process.

**Senator MILNE**—Who talked to you? I just asked the question: did you have input to it and they said they had.

**Dr O'Connell**—There was a whole-of-government process in which all relevant departments were—

**Senator MILNE**—Were you consulted, if all relevant departments were consulted?

**Dr O'Connell**—That is my understanding, yes.

**Mr Quinlivan**—It was a cabinet process.

**Senator MILNE**—I hear you saying it is a cabinet process, but I just asked the question of whether you had been involved, did they come and talk to you, and there was not a yes coming from anyone.

**Mr Gibbs**—The action plan for forestry had not been completed by the time of the cabinet process. It was still undergoing development.

**Senator MILNE**—That is precisely my point. This is not a whole-of-government approach. Treasury has gone ahead and done something in the absence of the information it needs.

**Dr O'Connell**—It would be wrong to say Treasury has gone ahead and done something without a whole-of-government approach. In that case, that was a whole-of-government approach.

**CHAIR**—Senator Boswell.

**Senator BOSWELL**—I would like to ask the minister a question and then go on to the department. Senator Sherry, do you agree with the Garnaut review proposal to replace seven million cattle and 36 million sheep with 240 million kangaroos?

**Senator Sherry**—I cannot hear you properly. Can you speak up a little bit?

**Senator BOSWELL**—Yes. Do you agree with the Garnaut review proposal to replace seven million cattle and 36 million sheep with 240 million kangaroos?

**Senator Sherry**—There was some discussion about this earlier. I am sure officers can clarify what Mr Garnaut said precisely.

**Senator McGAURAN**—That is what he said.

**Senator Sherry**—You hop around like a kangaroo yourself, Senator McGauran. You had a go at this earlier. Officers can clarify exactly what Mr Garnaut said, so we will start with that.

**Senator WILLIAMS**—The point is that he did not propose in this or indeed anything else; he was looking at scenarios that might unfold under a variety of situations.

**Senator BOSWELL**—Do you agree with the scenario?

**Senator WILLIAMS**—What he was saying was that land use farmers will make decisions that will reflect prices and profitability.

**Senator McGAURAN**—Perhaps you should read what he said.

**Senator WILLIAMS**—I do not have his report.

**CHAIR**—Senator McGauran, the question has been asked by Senator Boswell. Mr Quinlivan is trying to answer.

**Mr Quinlivan**—I am quite confident in saying that Professor Garnaut did not propose this.

**Senator McGAURAN**—Can we get the words that he used?

**CHAIR**—Let Mr Quinlivan answer.

**Mr Quinlivan**—The precise words I will need to take on notice as I do not have them here in front of me. I am very confident in saying that he did not propose that, but he certainly was contemplating it as a future scenario where land users change their methods, production and the outputs they produce because they are responding to changing conditions, commercial and in terms of the natural resource base. At some point a production of kangaroos or a lower meaty animal rather than ruminants becomes possible if the relative prices are significant enough. That is the point he was making. It was purely an economic analysis.

**Dr O'Connell**—The point that is missed in the kangaroo discussion is really the suggestion that as you increase the price signal on carbon there is the potential to shift away from ruminants.

**Senator BOSWELL**—Do you agree with it?

**Dr O'Connell**—It is not a question of approving or agreeing. In a sense if there is no other mechanism by which you can reduce the greenhouse gas emissions from ruminants, and that is what all the research effort is looking at to see if that can be done and so that you can reduce your emissions and maintain ruminant production at the same levels, that tends to be the point of much of the research, then a price signal will start to move into the process.

**Senator McGAURAN**—Is the ETS going to cover methane emissions in the rural sector?

**Dr O'Connell**—At this stage the government approach with the Carbon Pollution Reduction Scheme is that in 2013 it will make a decision as to whether or not agriculture is included in this scheme and, if so, how.

**Senator McGAURAN**—You are saying that Professor Garnaut says that it will.

**CHAIR**—Let Dr O'Connell finish his answer.

**Dr O'Connell**—Professor Garnaut was making an assumption that it would be. Professor Garnaut is not looking at the Carbon Pollution Reduction Scheme, Professor Garnaut is looking at an emissions trading scheme.

**Senator Sherry**—Firstly, Mr Garnaut is an adviser to government. Secondly, you describe it as a proposal. I do not know whether it was a proposal or not. My understanding is that it is not, but I am happy to take that on notice and clarify whether in fact Mr Garnaut was proposing what you suggest as a proposal, so we will seek some response from Professor Garnaut direct.

**Senator BOSWELL**—Professor Garnaut has put that forward and your secretary, Mr O'Connell, has said it is a scenario. If the signals for ruminants increase, or it is uneconomical to do it, then we will go forward with a 240 million kangaroo herd. That is a scenario. Will the government be allocating any resources to research such a plan?

**Mr Mortimer**—It is fair to say that the government has not made any decision to allocate research for this proposal. As was mentioned earlier, the comment was made by Professor Garnaut in his report about potential climate change scenarios. It is not a proposal that is endorsed in any shape or form by the government. The government's research program was outlined earlier by Mr Gibbs and this does not form part of it.

**Senator Sherry**—You use the word 'plan', but there is no plan. There is no proposal.

**Senator BOSWELL**—There is a proposal. It was put forward by Professor Garnaut.

**Senator Sherry**—I am sorry, there is not.

**Senator BOSWELL**—It is a green paper.



**Senator Sherry**—There is not. You can use adjectives that suit your particular purpose but, as I have said, the officers have given as much information as they can and I am more than happy for the minister to write to Professor Garnaut on your behalf. Since you yourself have used ‘proposal’ for ‘plan’, there do appear to be some differing views even in your own approach to this matter. I can take on notice a request to the minister to seek clarification from Professor Garnaut, but Professor Garnaut is an adviser to government. He does not tell the government what to do. At the end of the day the government will determine policy in this area, not Professor Garnaut.

**Senator BOSWELL**—Do you disagree with him?

**Senator Sherry**—I have been to a few estimates committees and you have put forward a scenario with a description that I am not going to agree or disagree with until I have checked on the actual words that were used. When we have checked that the minister can respond to you.

**Senator McGAURAN**—What credibility can Professor Garnaut now have with the government under such a suggestion? Even if there is a price signal for methane emissions, et cetera, what credibility could you place on a man who puts that up as a suggestion?

**Senator Sherry**—He is an adviser to government. I have already said that we will seek clarification of the description and the scenario.

**Senator McGAURAN**—Why we raised it—and I am sorry, I will get back to you—

**Senator Sherry**—I know why you raised it.

**Senator McGAURAN**—Good. I am glad. It is not funny. It is as serious as serious can be. Firstly, from what I hear, it is an option to be included in the ETS when the rural sector comes online. It is an insult to every farmer who has to meet these absurd costs.

**Senator Sherry**—Can you point me to a document where he has described this as an option?

**Senator McGAURAN**—Do you have a document there that you are asking these probing questions about?

**Senator COLBECK**—We could probably get the document—

**Senator Sherry**—Where is this document?

**Senator McGAURAN**—The Garnaut green paper?

**Senator Sherry**—Where is this document? You did not point me to this document.

**Dr O’Connell**—There is no such thing as the Garnaut green paper.

**Senator McGAURAN**—A draft, an interim, a green—

**Dr O’Connell**—There is the Garnaut report and there is a green paper and those are two distinct things.

**Senator BOSWELL**—The proposition was put through Professor Garnaut that we reduce our beef production by seven million beasts and 36 million sheep.

**Senator Sherry**—Where is that?

**Senator BOSWELL**—I will find it for you.

**Senator McGAURAN**—It is in his last report and call it what you like.

**Senator Sherry**—Could you point me to the page number?

**Senator McGAURAN**—In his interim reports.

**Senator Sherry**—When you are asking questions and you make a claim you should point to the evidence, point to the document and the page number where it says what you allege it does.

**Senator McGAURAN**—Minister—

**CHAIR**—Order!

**Senator McGAURAN**—We know what he wrote.

**CHAIR**—The minister was asking a fair enough question of you. I am advising you to move on.

**Senator Sherry**—I am indicating that I am happy—

**Senator McGAURAN**—For evidence of what he said?

**Senator Sherry**—Provide it.

**Senator BOSWELL**—If it is so hard we will go and get it—

**Senator McGAURAN**—You are denying it. These gentlemen are all—

**CHAIR**—Order! Senator Boswell had the call. You were happy to have Senator McGauran come over. It sounds like you are not now. You want to come back to asking questions, Senator Boswell. Ask your line of questions then other senators—

**Senator McGAURAN**—I cannot believe that the committee is spending so much time—

**CHAIR**—Take it up with the environment committee, Senator McGauran, rather than wasting time—

**Senator SIEWERT**—No, don't send it there.

**CHAIR**—I am sorry. Senator Boswell—

**Senator Sherry**—I have indicated that I am happy to take on notice to request the minister's office to clarify, if clarification is required, as to what exactly it is that Professor Garnaut has commented on. I do not believe it is appropriate for you to go to press clippings again.

**Senator McGAURAN**—Yes, what is wrong with that?

**Senator Sherry**—I have asked whether you can point me to a page number in a report that lists a plan, proposal or an option, through your research that you do when in opposition, but you cannot. I am happy to take on notice to seek clarification about what I would describe as anything more than a scenario. I do not see any evidence of a proposal, plans or a specific instance or any evidence of that, but I am happy to have that clarified. If the minister can speak for himself and we will come back on notice.

**Senator BOSWELL**—You would have obviously known that you would have been asked this question about Garnaut tonight and it would have been one that you would have had to have prepared for and you would have it. Can you point to the statement by Professor Garnaut? You must have known you were going to be asked about this?

**Dr O'Connell**—I did not know I was going to be asked about this, but in fairness—

**Senator BOSWELL**—Do you mean you had—

**Dr O'Connell**—to the minister—

**Senator BOSWELL**—I do not want you to go off and hide under the minister. You are big enough to stand up for yourself and you are paid enough money not to run behind the minister.

**Dr O'Connell**—I can certainly reinforce what Mr Quinlivan said, that the Garnaut review, to my knowledge, does not recommend such a change.

**Senator BOSWELL**—What did it say about kangaroos?

**Dr O'Connell**—I think we have gone through that.

**Senator BOSWELL**—Why did all papers carry the statement the Garnaut 'report'?

**Senator Sherry**—We have indicated what we are willing to do to ascertain—

**Senator BOSWELL**—With due respect, I am asking Dr O'Connell what Professor Garnaut actually said. He is a very highly paid public servant. He must know what Professor Garnaut said.

**Senator Sherry**—He has indicated that.

**Senator BOSWELL**—What did Professor Garnaut say?

**Dr O'Connell**—As Mr Quinlivan said, we do not have the Garnaut report here with us so we cannot quote, but what Professor Garnaut was dealing with was research cited by the review which looked at modelling examining what price signal would potentially shift production from beef to others. That is a modelling exercise—

**Senator BOSWELL**—Just give me an answer, please.

**Dr O'Connell**—That is a modelling exercise that looks at scenarios. In no way could that be represented as a recommendation or a proposition.

**Senator BOSWELL**—It is a modelling exercise. Are you putting any resources or research into this statement of Professor Garnaut's?

**Dr O'Connell**—I think we need to distinguish between 'this statement of Garnaut' and—

**Senator BOSWELL**—The kangaroo statement.

**Dr O'Connell**—The kangaroo statement is a—

**Senator BOSWELL**—Are you putting any research into the kangaroo statement?

**Dr O'Connell**—I do not know what the 'kangaroo statement' is that you are referring to because—

**Senator BOSWELL**—That we are going to have 240 million kangaroos.

**Dr O'Connell**—No, that is not what I understand Professor Garnaut to be saying.

**Senator BOSWELL**—But are you putting any research into it?

**Dr O'Connell**—Not to my knowledge.

**Senator BOSWELL**—Does anyone else know whether any research is going into this statement?

**Mr Mortimer**—We have indicated that we are not aware of that and Mr Gibbs talked to you about the establishment of the research program. As Mr Gibbs pointed out, so far we have a set of arrangements to initiate the research program, but no decisions have been taken on which research should be funded. In terms of the climate change program for this department it would seem logical that our departmental programs that we administer, and which we have just talked about, are not funding this sort of research here and now.

**Senator BOSWELL**—You are not funding research?

**Mr Mortimer**—No.

**Senator BOSWELL**—What work has the department done on investigating the cost to farmers of an emission trading scheme?

**Dr O'Connell**—That might be best answered by ABARE, who have been looking at the issue. Perhaps we could potentially hold that question for when ABARE comes on?

**Senator BOSWELL**—I have a statement of Professor Garnaut here and his key assumptions—they are assumptions—are based on either 'deployment of anti-methanogen technology for ruminant livestock or the shifting of meat production from a minority proportion (seven million cattle and 36 million sheep) of ruminant livestock by kangaroos'. That is in his paper here. It is an alternative future. It concerns emission reduction. His key assumption is that we reduce seven million cattle and 36 million sheep and replace them by kangaroos. That is a key assumption. It is written down there. Do you agree with this assumption?

**Mr Mortimer**—If I could just make a couple of observations. What Professor Garnaut has done is he has made some assumptions, two of which are critical. The first is that agriculture is part of a carbon pollution reduction scheme. On that matter the government has not taken a decision. Secondly, it has made an assumption about a prospective price for carbon. Again, given that no final decision has been made on the final details of the carbon pollution reduction scheme, there is no market operating at this stage and indeed the government has not made a decision as to whether agriculture should be included initially, to some we simply cannot make any response to that because they are assumptions that involve issues where the government has either indicated its disposition otherwise or indeed just has not taken a decision. It would be most unhelpful and potentially misleading for us to say anything about that.

**Senator BOSWELL**—You do not agree with the assumption or you do you agree with it, or you don't want to touch it with a barge pole and I would not blame you for that. I would not blame you for that. This is the sort of thing that makes a complete and utter laughing stock of your whole department and loses any bit of credibility that you have got in primary industry.

**CHAIR**—I think the minister explained very clearly that this is—

**Senator BOSWELL**—No, the minister did not—

**Senator Sherry**—Professor Garnaut is an adviser to government. The government will determine policy in this regard, not Professor Garnaut. That policy has not been finalised.

**Senator BOSWELL**—I know that, but I am asking: do you agree with it. You will not—

**Senator Sherry**—It is up to the minister to—

**Senator BOSWELL**—You are the minister—

**Senator Sherry**—Yes. You seem to believe I am the minister. I am not the minister. I am here representing the minister, as you should know. As I have indicated I think on three or four occasions so far, I am pleased to take your question on notice and it will be passed on to the minister and there will be a response.

**Senator McGAURAN**—In other words, ‘kangaroos for cows’ is going to go to cabinet to be considered?

**Senator Sherry**—That is not what I said.

**Senator McGAURAN**—Yes, it is. That is exactly—

**CHAIR**—Senator McGauran, I—

**Senator McGAURAN**—This sort of Garnaut proposal is going to cabinet.

**CHAIR**—Senator McGauran, this is becoming rather embarrassing now. We have been here with this department for nearly an hour, and between you and Senator Boswell all you have wanted to talk about is something that has not even happened yet. There is a host of questions to be asked of the rest of the other agencies that are coming. You can explain to your colleagues why they will not be able to speak and have time to ask questions of AFMA and the like because you have chewed up all this time on a ridiculous assumption or assertion.

**Senator BOSWELL**—Can I ask then: what work has the department done on investigating the cost to farmers of an emissions trading scheme.

**CHAIR**—Senator McGauran, you are totally confused. Senator Boswell, you have the call.

**Dr O’Connell**—If I could pick up on the senator’s question, I think Mr Glyde from ABARE can help you.

**Mr Glyde**—As I understand it, you are interested to know what work we have done for the Garnaut review team?

**Senator BOSWELL**—Investigating the cost to farmers of the emissions trading scheme.

**Mr Glyde**—Yes. Looking specifically at the cost estimates will need a bit of explanation. We have provided some modelling results to Professor Garnaut. They have used, if you like, ABARE information to derive their own modelling so that they can come up with estimates for the costs of the ETS. We have not specifically modelled for Garnaut the costs of the ETS. We have provided information upon which they have then made their own judgments.

**Senator BOSWELL**—Who made their own judgments?

**Mr Glyde**—The Garnaut review team.

**Senator BOSWELL**—Did you model power, fuel and fertiliser costs and the increase in that?

**Mr Glyde**—The modelling framework that is used by both Garnaut and the Treasury includes those costs. Depending on what assumptions you put in and what scenarios you have got—

**Senator BOSWELL**—You have power, fuel and fertiliser?

**Mr Glyde**—Yes.

**Senator BOSWELL**—Have you got anything else in there?

**Mr Glyde**—The other thing we did, which was not modelling, was to describe the impacts of climate change—so not the CPRS but the impacts of climate change—in a qualitative sense on forestry, mining and fishing. You have the complete set of what we have done.

**Senator BOSWELL**—If we take power, fuel and fertiliser, if the government carbon pollution reduction scheme is introduced how much will these costs increase for farmers?

**Mr Glyde**—I am sorry, I did not hear that?

**Senator BOSWELL**—You said you have modelled power, fuel and fertiliser. If you go ahead with the reduction scheme how much will these costs increase for farmers?

**Mr Glyde**—That is really a question you should be asking the people who administer the Garnaut review process.

**Senator BOSWELL**—I am asking you. That is the—

**Mr Glyde**—ABARE has done some other work in relation to that where we have done some calculations as to how much the costs to the livestock sector and the cropping sector would go up with various assumptions about the price of carbon. But that is not stuff that the Garnaut review team asked us to do. We have done that separately from Garnaut.

**Mr Quinlivan**—It is not really possible to answer the question that you ask, because it depends entirely on the decisions that the government makes about the trajectory of reductions and so on.

**Senator BOSWELL**—Let us move forward.

**Senator Sherry**—Hang on, you asked the question. I think he was just concluding his answer.

**Mr Quinlivan**—Until those decisions are made, everything is just speculation about the impacts.

**Senator BOSWELL**—Yes, but you would model it on \$20 a tonne, \$30 a tonne, \$40 a tonne, \$5 a tonne? You just do not say, ‘We can’t do this.’ You know that—

**Mr Quinlivan**—That is true but they are scenarios—

**Senator BOSWELL**—You would have modelled—and do not say that you have not—this on various scenarios of \$20, \$30, \$5 a tonne, or whatever.

**Senator IAN MACDONALD**—But I do not think you have actually said that you have done some of that?

**Mr Glyde**—As Mr Quinlivan said, we have done some scenario work, but you make an assumption. I know we did one for \$40 a tonne to have a look at what that impact might be.

**Senator BOSWELL**—What did that do to fertiliser, power and fuel for farmers?

**Mr Glyde**—I do not recall the precise amounts, but if—

**Senator BOSWELL**—If you did that for \$40 a tonne you must have the figures?

**Mr Glyde**—I could get back to you with that in about five or 10 minutes. I just do not have it in my head.

**Senator BOSWELL**—I would ask you to get back to me in five or 10 minutes.

**Senator Sherry**—The officer will try—

**Senator BOSWELL**—The officer—

**Senator Sherry**—I am sorry, the officer will attempt to. We are not going to give guarantees.

**CHAIR**—Are there other senators who wish to ask questions of the department?

**Senator IAN MACDONALD**—I have some questions, but his questions are similar to mine. He is on the right track.

**CHAIR**—He might be on the right track now, which is great, but just so that you are aware, for the last 59 minutes we have been going around in circles. If you want to have time to ask questions—

**Senator McGAURAN**—You have been bouncing up and down.

**CHAIR**—continue, Senator Boswell, bearing in mind your colleagues will have questions.

**Senator BOSWELL**—If imports do not have to bear the cost of the emission trading scheme, does that mean they will have a competitive advantage over Australian farmers? What work has been done to assess the damage to Australian primary industries if Australia introduces an emissions scheme while our trading rivals do not?

**Mr Quinlivan**—That question really goes to design issues around the carbon pollution reduction scheme and the way in which—

**Senator BOSWELL**—Let’s say at \$40 a tonne.

**Mr Quinlivan**—And the way in which the government deals with the issue of emissions intensive trade exposed industries. You would be well aware there has been quite a significant public debate happening over the handling of that issue. You are really asking us to speculate.

**Senator BOSWELL**—No, I am not asking you to speculate. You admit you have done the work. Let us take a case in Queensland. Let us say Golden Circle is hit with emissions trading and the costs of power, electricity and water go up, and then someone from China brings in tins of pineapple. Have you done the work on how the local farming and canning pineapple will be impacted?

**Mr Glyde**—The short answer in relation to the pineapple question is—

**Senator BOSWELL**—Not of pineapple; you can call it widgets.

**Mr Glyde**—These are questions that are best directed to the Treasury.

**Senator BOSWELL**—I have been in this place for 26 years and I have seen pass the parcel. Don’t try to do it. It does not work. You are ABARE; if you cannot do the job stand down and let someone else do it for you.

**Senator Sherry**—I have been in this place for 18 years and I do know you have to ask the questions at the right estimates.

**Senator BOSWELL**—I do ask questions at the right estimates and I get flicked around here—

**Senator Sherry**—You have the opportunity at Treasury estimates later in the week. They have not finished yet.

**Senator IAN MACDONALD**—The important question Senator Boswell is asking, which I think you have answered, is that you have done work on this and you are going to get it for us in five to 10 minutes, or if you cannot do it in five to 10 minutes you will make it available to the committee?

**Mr Glyde**—Senator Boswell has moved on to a broader question, and if I could just explain ABARE's role and the role of the Department of Treasury in this? ABARE has two officers seconded to the Department of Treasury and has done for about 18 months. Those officers are expert modellers and they work for the Department of Treasury in the design of the parameters and the work that was done in relation to the green paper and the work that will be done in relation to the white paper. What has happened is there is a whole-of-government effort. The Department of Treasury directs the economic modelling work that is done on behalf of the government, and so ABARE's contribution is through that, which is why it is entirely appropriate for those questions to be directed to the Treasury. I do not know. And my officers working on this issue are seconded to the Treasury, and that is the whole-of-government approach to the problem.

**Senator BOSWELL**—I make a formal request through Senator Sherry to have these particular modellers make themselves available at the Treasury estimates.

**Senator Sherry**—Are you referring to the two officers from ABARE who are on secondment?

**Senator BOSWELL**—Yes.

**Senator Sherry**—I will pass on the request. I do not want to give a guarantee, because I do not know how many people are involved in this modelling process. I suspect there are a lot more—

**Mr Glyde**—It is a team from across government.

**Senator BOSWELL**—I am putting a formal request to you, because you invited me to ask the question at the right estimates committee.

**Senator Sherry**—Yes, I will pass that on.

**Senator BOSWELL**—I am asking you to make sure people are there to respond to the questions.

**Senator IAN MACDONALD**—You have agreed that you have been doing work as ABARE in your role as an adviser to rural industries in Australia through the department? What would be really useful to the committee is if we could have details of the work you have done and conclusions you have drawn if not from a whole-of government's point of view on designing a policy then on how it might affect rural industries if—

**Mr Glyde**—We have publications on that and we would be more than happy to provide those publications to you. In terms of the specific detail of the questions in relation to fuel and fertiliser, I do not have that in my head, but I can say that the work that we did that is separate from the modelling work that is being done in the Treasury and indicated that roughly the increasing total costs for the livestock sector would be of the order of about two and a half per cent to three per cent for a \$40 a tonne carbon tax and about five per cent or six per cent for the cropping sector, reflecting the fact that cropping primarily involves a much more intensive use of fuel.

**Senator WILLIAMS**—Are you going to compare that with other countries that may not be bringing in an emissions trading scheme? In other words, what will be the competitive disadvantage to the Australian agricultural industry?

[8.35 pm]

**Mr Glyde**—We have not done it specifically for agriculture, but over the last four or five years we have modelled a number of scenarios that looked at the extent to which a variety of countries around the world contributed to reduce greenhouse gas emissions. The bottom line is the more countries that participate in the effort to reduce greenhouse gas emissions the cheaper it is for the whole world. The fewer the countries the more expensive it is for them to hit the targets.

**Senator WILLIAMS**—Don't you think you should do it in relation to agriculture?

**Mr Glyde**—That is one of the many research priorities we have.

**Senator WILLIAMS**—The point that we have basically been getting to for the last half an hour is that if the big emitters, such as the United States, China and India, do not go down the road of emissions trading

schemes with an added tax on it, we are going to be blown out of the water when it comes to being able to compete against these countries and we will lose more industries, more jobs and more income for the nation.

**Mr Glyde**—As Mr Quinlivan said, that then comes to the question of the design of the scheme and the extent to which—

**Senator BOSWELL**—With due respect, if you put any tax on something that makes—

**Senator Sherry**—Let the officer finish.

**Mr Glyde**—One of the key elements in the design of the scheme in the green paper is the emission intensive and trade exposed sectors and to what extent they are assisted so you do not end up with the carbon dioxide emissions simply occurring in another country because you have penalised those industries in this country. That is why, as Mr Quinlivan said, I think these are issues that need to be addressed to the department of climate change, because they are the people who are charged with the design and development of the scheme.

**Senator BOSWELL**—Has the department done the sums on the extra cost of beef of livestock emissions under the carbon pollution reduction scheme? One submission to the green paper from Rockdale beef estimated that it would be \$33 per head, and that is before the emission cost of the abattoir operations. I actually tested this out with Teys Brothers, who are the second biggest abattoirs in Australia. They believe it is \$33.60 a head and about \$17 for the increase in the cost of going to the abattoirs per beast. Have you done any research on that?

**Mr Glyde**—No.

**Senator BOSWELL**—What role will the department play in the establishment of the CPRS in the agriculture, fisheries and forestry sectors and what will that cost?

**Mr Mortimer**—The department is providing policy advice on the development of the CPRS. The department has consulted widely across all regions of Australia with all the different sectors on the proposal put out in the green paper. The department will assess those and provide advice to government when it finalises its position. Its position will be set out in the white paper, which is coming shortly. The department will essentially bring together and ensure that that feedback and advice is given to the government. It makes its decisions on the CPRS, which is to be set out in a white paper some time down the track.

**Senator BOSWELL**—What will that cost? What is the cost to your department?

**Mr Mortimer**—It is not possible to say that in a simple way. At one level I could simply say it is just the cost of running for the grant that Mr Gibbs runs. But I am not quite sure what the point is. Essentially, it is a cost that the department bears and we just do it out of our running costs.

**Senator BOSWELL**—We will move on to 9.1 million hectares of land for trees. I have the Garnaut report in front of me. It mentions that 9.1 million hectares of land where returns would be more than \$100 per year better than current—

**Dr O'Connell**—I am sorry, we cannot hear.

**Senator BOSWELL**—The Garnaut report states under key assumptions that with emission removal there is a potential for 143 million CO<sub>2</sub> per year for 20 years using 9.1 million hectares of land. That is a lot of land. Let me put it in perspective. If we took every piece of land growing wheat in Victoria and South Australia—wheat, barley, canola, the lot—that is roughly about 9.1 million hectares. That is on table 22, page 543. Can you tell me where this 9.1 million hectares is located? Where are we going to find 9.1 million hectares and which areas of Australia are being talked about?

**Dr O'Connell**—That is obviously a number out of the Garnaut report and as that is not our report the best thing for us is to take that on notice and try and discover where—

**Senator BOSWELL**—When Professor Garnaut makes these statements you guys do not worry about it. You do not seem to say, 'Well, we better see if that would work or will not work', or, 'Where are we going to get the land?', or, 'Where will the land go?', or 'Who is going to eat 240 million kangaroos?' Or do you just ignore it? It deserves to be ignored, but do you just ignore these reports? How do these reports interact with your department?

**Senator McGAURAN**—Where is Mr Garnaut?

**Mr Mortimer**—As I stated earlier my observation is that the Garnaut report is purely an advisory report to government. The government's proposals are on the table and set out in the green paper. The influence and

outcomes of any sort of consideration of the proposals in Garnaut's report are impossible to say. It is all in the future.

**Senator BOSWELL**—Do you ignore those reports?

**Mr Mortimer**—No.

**Senator BOSWELL**—Do you read them or do you say what a stupid idea this is and have a bit of a laugh in the department? I bet you do.

**Mr Mortimer**—No. We read the reports, then we brief the minister and the government on them and then they may or may not be taken into consideration. Essentially, the government's proposals for a carbon pollution reduction scheme are set out in the green paper. That is the key issue and the Garnaut report has no particular status from a government point of view in terms of a proposal to go forward.

**Dr O'Connell**—I think again you are looking at another modelled result. I do not think that this is a—

**Senator BOSWELL**—I am looking at an assumption.

**Dr O'Connell**—Yes. That is right. Then that goes into the modelling.

**Senator BOSWELL**—Does it go into the modelling?

**Dr O'Connell**—I do not think there is a proposition there that we try and grow nine million hectares of forest, but we will take it on notice and just go—

**Senator BOSWELL**—No. I do not want things to be taken on notice. That is why we pay you guys a heap of money to come here to answer questions, not to duck them.

**Dr O'Connell**—It is not part of our work. The Garnaut review is not a product of this department. It is an independent—

**Senator BOSWELL**—I know it is not a product of the department but you must take notice of it. You must actually do something about it.

**CHAIR**—We have established that earlier on today, that this is not the department's area. So, on that, Senator Boswell, your colleagues have questions.

**Senator BOSWELL**—Thank you for your patience.

**CHAIR**—I will go to Senator Colbeck.

**Senator COLBECK**—Thank you. I want to go back to the program that Senator Milne was asking about in relation to where you were in expectation of projections of budget and you were not keen to put a figure on that. What was the actual allocation for that program?

**Mr Mortimer**—This is the climate change program.

**Senator COLBECK**—Yes, the Climate Change Adjustment Program.

**Ms Cupit**—The Climate Change Adjustment Program was \$55 million dollars over four years.

**Senator COLBECK**—What is your budget for the grants that are being handed out, the \$1,500 grants. You said that there have been 264 applications, 95 granted and 20 redeemed. What is your budget for the year for those?

**Ms Cupit**—The budget for 2008-09 is \$15 million in total. That is the total for the Climate Change Adjustment Program.

**Senator COLBECK**—Is that the whole program or is there a subelement of the program, because that is an awful lot of grants.

**Ms Cupit**—The Climate Change Adjustment Program includes advice for training grants as well as re-establishment grants.

**Senator COLBECK**—What is the break-up for the two?

**Ms Cupit**—I do not have those.

**Dr O'Connell**—I think I can help you. I think, and we will confirm this, that the professional advice and adjustment training is \$32.2 million and the re-establishment assistance is \$12.6 million.

**Senator COLBECK**—But that is over four years.

**Dr O'Connell**—Yes.



**Senator COLBECK**—What I am after is what the individual annual targets are so that we can try and get an assessment of where the program might be going. So, I think it is easier if you take that on notice so we do not get a confusion of numbers.

**Mr Mortimer**—Yes. That might be a good idea.

**Dr O’Connell**—I think I can help you again. The budget for 2008-09 on the adjustment advice and training is \$8.9 million.

**Senator COLBECK**—And you have spent \$30,000 so far.

**Dr O’Connell**—As we were saying, it is early in the year.

**Senator COLBECK**—Redeemed, there has been \$30,000, although there is 95 that have been granted and so there is still another 70-odd to be redeemed? With regard to the ETS stuff that Senator Boswell was talking about, on the decision to differentiate vertically integrated parts of an industry, for example, the milk industry, what consultation was there with the department in respect of the proposed design of the system and splitting those industries up and the impacts that might occur at farm gate in those industries?

**Mr Gibbs**—There are two ways that came about. The first is in the national accounts. The processing parts of agriculture are not included in the commission’s profile.

**Senator COLBECK**—Can you speak up just a little bit, please, Mr Gibbs?

**CHAIR**—I am sorry, Mr Gibbs. Senators, it is getting a bit hard to hear over your voices so if you can go to the back room and have a chat. Mr Gibbs.

**Mr Gibbs**—The DCC are in charge of the scheme and the design of the scheme, so we work with them through consultation at a number of IDCs. The process that I understand that they come to arrive at what is essentially agriculture and a processing or a manufacturing sector is derived from looking at input-output tables—that is one method—of the national accounts. It is based on ABS, Australian Bureau of Statistics. That is my understanding.

**Senator COLBECK**—What consultation was there with you about the potential impact on industries like the dairy industry? My understanding is that the New Zealand scheme has a capacity for the manufacturing element of the dairy industry to get concessions out of a fixed energy component of their scheme, which effectively takes them out of the scheme. So, while Senator Williams was worried about countries that do not put schemes into place, there is also a concern about the design of the scheme for those that do put it in place. I know for a fact that the dairy industry is very concerned that there will be a significant disadvantage to them from the New Zealand scheme—and obviously the New Zealanders are significant competitors in dairy with Australia—by virtue of the design of the scheme. At this point in time the manufacturing sector of the dairy industry in Australia is below the threshold to gain any credits by a long way, so there is no prospect of that occurring. So, what consultations have you had with DCC on the design of the scheme with respect to those sorts of impacts on industries like the dairy industry, particularly cheese, milk powder and pasteurising milk, which are quite energy intensive?

**Mr Gibbs**—We are involved in a process with DCC and other agricultural stakeholders. There was a working group that also contained agriculture and forestry in the drafting of the green paper. I understand Dairy Australia was a member of that group at that time. The current proposals that are in the green paper at the moment aim to treat all processing elements of the economy the same, which is somewhat different to what is in the New Zealand scheme as I understand it. Dairy Australia have made a submission to the green paper—as have other processing industries—and the DCC are currently going through those consultation papers at the moment in the final drafting of their white paper, which will be out towards the end of this year.

**Senator COLBECK**—So, are DCC coming back to you to talk to you about your perspective on those particular issues?

**Mr Gibbs**—We have had early discussions with DCC but at the moment they are having discussions with the dairy industry and other industries.

**Dr O’Connell**—The development of the white paper will be on a whole-of-government basis. DCC is coordinating it, but it will be a whole of government process.

**Senator COLBECK**—I am happy with the assurance on that, Mr O’Connell, but what I am concerned about is that the department that actually looks after these particular industries is in there making sure that their interests are looked after so that the industry is not disadvantaged by the fact that the scheme is going

forward, even in comparison with countries that do have a scheme, regardless of what might be happening with other countries that may not.

**Senator Sherry**—Could I just assure you and assure the other senators that the minister, Mr Burke, and the department are working very hard to place the agriculture, fisheries and forestry issues at the heart of the climate change policy development, including the ETS.

**Senator COLBECK**—I am pleased that that is the case, Senator Sherry, but I am very keen to get some understanding of what is happening at a departmental level to ensure that the manufacturing sectors of these industries are considered—and they are quite significant. This country exports a considerable amount of its agricultural production and, while there are some doubts about what other countries might not do in respect of climate change, we want to make sure that we do not get done over in a major sector of our economy on climate change.

**Senator Sherry**—There are two experts from ABARE in Treasury seconded to be involved in the modelling. I do not know what the total number of people involved in that modelling process is. I suspect I will find out when Senator Boswell asks some questions of Treasury later in the week. The placing of two specific officers seconded with a background in these industry sectors is very important in the context of modelling.

**Senator COLBECK**—At this point in time even with the good devices of the department the manufacturing sector of agriculture is outside the scheme in respect of being able to claim credits at this point in time, and that is a major concern for the industries. I know because they have told me that that is the case.

**Mr Gibbs**—I would like to make another point of clarification. I talked about the agriculture stakeholder group. That is at the officials level, the public service level. There is also meeting between ministers such as Senator Wong and Minister Burke and they can meet here at parliament house with representatives from agriculture industry as well. So, the minister has been in contact with stakeholders regarding this issue. As a department, we also undertook consultations across the country in regional areas in relation to the green paper and the views of their industry were factored back into DCC's part of the green paper. They have come and visited us to have a discussion about this issue you are raising.

**Senator COLBECK**—Did the modelling that was done include any of the potential impacts of an emissions trading scheme on the manufacturing element of the food industry?

**Mr Gibbs**—The modelling that is happening at the moment in regard to the costs of emissions trading is happening through the Department of Treasury which will be reporting towards the end of this month, and that will feed into the white paper process.

**Senator COLBECK**—Sorry to interrupt you, but you are going down a different track to what I was intending. Has any of the ABARE work—and perhaps we need to scare that representative back up again—included calculations on the impact of the manufacturing sector of the agricultural industry.

**CHAIR**—We have about four minutes to go until a break.

**Mr Glyde**—Our model has the capacity to look at impacts right across the economy—different sectors throughout the economy—at the impacts on growth and employment and the like, but we have not done any of the modelling in recent times for the Carbon Pollution Reduction Scheme. The model is being used, along with other models, by the Treasury team that Mr Gibbs referred to.

**Senator COLBECK**—But did you not say earlier that you had done some work with respect to agriculture and that was feeding into the process. Has any of the work that you have done included the impact on the manufacturing portion of the agricultural sector?

**Mr Glyde**—I would have to take that on notice in terms of the extent to which we have broken out in the various models we have done, the manufacturing part as opposed to the growing part.

**Senator COLBECK**—We have heard a lot about different types of animals and things of that nature, but there is a fairly significant manufacturing section of the agricultural sector in the country that deals with those primary products and I am interested to know.

**Mr Glyde**—In our modelling we would be using the industry definitions which would have the primary industry sectors and the secondary sectors so, whilst people would look generically at agriculture as covering both of those sectors, those impacts can be picked up through the modelling process.

**Senator COLBECK**—You said before that the calculations that you have done have been based on a number of assumptions with respect of the carbon price and I would expect that that would be the case. Has that work been hampered by the unavailability of formal costings at this point in time? Would it have been easier to do some of the work that you have been doing if you had costings on the operations of the scheme?

**Mr Glyde**—I think we need to distinguish between the capacity of the models that we have got and the work that is being done in relation to this specific emissions trading scheme, the Carbon Pollution Reduction Scheme. The existence of the model is not hampered by the lack of data. We go to the industry, not just in relation to the emissions trading side of the analysis, but in order to make this model work we have to get estimates of production costs from right across the economy. So we do get good cooperation from industry in producing that information, but that just gives you the capacity. And as you have already pointed out the key things are: what are the assumptions you make, what are the parameter adjustments you make in the model, and what scenarios do you model? Do you model \$20, \$30, \$50 a tonne? Do you model other issues and policy interventions as well?

**Senator COLBECK**—Perhaps we are at cross purposes, but it has been extremely difficult for industry to make a lot of assumptions that they would have liked to have made in respect of their submissions to the government on this because they have not had the costings provided by Treasury. Surely that must impact on the capacity that you have to do the work that advises on the impact on industry yourself.

**CHAIR**—This is the last answer before we go to a break.

**Senator COLBECK**—We will be back. Do not worry.

**Mr Glyde**—The Treasury recently released its assumption book. I am not sure if you are aware of that. They have not actually released their modelling results, but what they have done is released their assumptions that underpin a lot of their work and I think that has provided industries across the country with the opportunity to have a look and see whether or not they are realistic from the perspective of that particular industry. Of course, they have also had the opportunity to contribute to the green paper as well in terms of what they would like to see in the emissions trading scheme.

**CHAIR**—Thank you. It is 9 o'clock. We will take a short break. We will recommence at 9.15 and I will call a private meeting of the committee if I can, please.

#### **Proceedings suspended from 8.59 pm to 9.16 pm**

**CHAIR**—We will get stuck straight into it. We are continuing on climate change.

**Senator IAN MACDONALD**—We have agreed on our side that we will try and stick to those very limited times to try and give everyone a chance to get through. We ask you, Mr Chairman, to ruthlessly tell someone they have had their time when their four minutes are up.

**CHAIR**—Absolutely. Thank you, Senator Macdonald. I urge officials to answer with a simple yes or no if they can. That would be greatly appreciated. If we are cutting down on this side and if you can cut down on the length of your answers and get to the point, we are all going to be happy by 11 o'clock. We were in continuation with, was it Senator Colbeck? It was. Senator Colbeck has 15 minutes.

**Senator IAN MACDONALD**—Didn't we cut him back?

**Senator COLBECK**—I have been cut back since I left here; I thought I had 20 minutes. That is what happens when you leave the room!

**CHAIR**—That is right, yes.

**Senator COLBECK**—I will start with some forestry questions. We have already addressed the \$8 million, and that is basically a draft paper to be considered at the ministerial council. There were three other promises within that. Addressing forestry skill shortages, \$1 million, where is that program at?

**Mr Talbot**—Sorry, is this climate change?

**Senator COLBECK**—It is; it is under the climate change area of the portfolio.

**Mr Talbot**—Senator, I am quite happy to give you an update on all of them at once.

**Senator COLBECK**—Okay, so you have got that \$1 million, you have got \$9 million for the export of forest products and another \$1 million for the database; is that correct?

**Mr Talbot**—Yes, Senator. There are all those. The Forest Industries Development Fund, which refers to the exporting of products and value adding; there is \$9 million allocated for that. Guidelines are going to be developed through the Forest and Wood Products Council subcommittee on that, which is due to meet in October. I should say—

**Senator COLBECK**—That is a ministerial council?

**Mr Talbot**—No, the Forest and Wood Products Council is a council that is chaired by the Minister for Agriculture, Fisheries and Forestry and has senior representatives from industry attend to provide advice. What has been decided through the council is that a number of these election commitments will be worked through, through subcommittees of this council. That particular election commitment will be worked through a subcommittee of the council. The climate change one I mentioned earlier will also be worked through. Also there is one to develop forest skills; there will also be a subcommittee for that. That forest skills is part of the industry database, so that will also be worked through.

**Senator COLBECK**—So they will be basically developed together—the database and the skills one will be worked together? There is also one for banning the importation of illegally logged timber.

**Mr Talbot**—I think there is a distinction to be made. When the election commitment came out there was \$20 million, but \$19 million is being handled by this portfolio and there was \$1 million for an industry skills council which was transferred to DEEWR. I think it was done in March or April this year. The industry council that has been appointed is ‘forest works’. On your further point that you made to me, Senator, in terms of the illegal logging policy, we have had three IDCs to date on that.

**Senator COLBECK**—What is an IDC?

**Mr Talbot**—An interdepartmental committee. We have about 12 departments on that. It has also being worked through the Forest and Wood Products Council subcommittee and we are also running some stakeholder forums. There is a range of work that is a fairly complicated policy that we will work through a number of stages in the design of the policy.

**Senator COLBECK**—So effectively you are still developing?

**Mr Talbot**—Yes, Senator.

**Senator COLBECK**—Okay. The drought policy review that was undertaken and received by the minister; that again has basically disappeared into his consideration process?

**Mr Mortimer**—No, Senator, if I can make some comments on that. The drought policy review was announced to be built around three separate and independent reports which will come to government. The first of those which I think was mentioned earlier was the Bureau of Meteorology-CSIRO report which drew together all the research and analysis of climate change and forecasts on that. That was published in July and is available.

The second part was a report on the impact of drought on, I suppose you call it, social outcomes in rural Australia—the social impacts of drought. That report was overseen by Mr Peter Kenny and has been provided to the government, and the minister is presently considering that. Thirdly, there is a report into broader business support issues around drought which is currently being done by the Productivity Commission and there is a draft report on that due at the end of October, roughly. Those three elements will then come together to form the basis for the minister considering and developing new approaches to draft policy.

**Senator COLBECK**—Do we have a target date for completing the process overall?

**Mr Mortimer**—The intention is that the new policy be developed over the next six to nine months, such that it could be set out in next year’s budget.

**Senator COLBECK**—So what about some of the issues that are coming up, immediate issues that have come up through the social work, the Kenny report? Obviously there has been a fairly broad consultation and there would be some quite immediate issues that would come up as part of that process.

**Mr Mortimer**—Those issues will be looked at with other agencies and then clearly there will have to be a consideration amongst ministers. The sorts of issues that the social assessment panel talked about involve departments responsible for family services, for welfare, for housing and education and health. There are a lot

of issues there which would need to be worked through between the relevant agencies and ultimately ministers.

**Senator COLBECK**—So, it seems like additional funding into rural financial counsellors comes under that, or is that well and truly under way?

**Mr Mortimer**—The Rural Financial Counselling Service is presently funded and that is provided for in the budget. New arrangements were put in place over the last six to 12 months following a review done under the previous government and that led to a selection process for service providers. Those service providers in the different states have now been put in place.

**Senator COLBECK**—What about the additional \$10 million that was promised in the budget?

**Mr Mortimer**—That provides a large part of the funding for the Rural Financial Counselling Service.

**Senator COLBECK**—So that is going into those new contracts that are coming out as part of that previous review process?

**Ms Cupit**—To clarify, that \$10 million that you were referring to was added into consideration under the Climate Change Adjustment Program, for which there was up to \$10 million for financial counselling services. The Rural Financial Counselling Service already had a base budget of \$12.328 million. They had additional funding provided under the 2007 drought package for an additional \$2.431 million. So, at this stage that \$14.759 million is what they are operating under, though they can access, if they wish to, up to \$10 million over the next four years under the Climate Change Adjustment Program. At this stage that budget is sufficient for this financial year.

**Senator COLBECK**—So that has not yet been implemented but it is potentially available?

**Ms Cupit**—Potentially.

**Mr Mortimer**—What we are saying is that the arrangements are in place, the service providers are in place and the funding available provides for potentially an extra \$10 million.

**Senator COLBECK**—Have you determined the process for the distribution of that, or basically that is sitting there in the budget, for when it is asked for?

**Ms Cupit**—Under the Rural Financial Counselling Service program, they have got a program for looking at and reviewing on a needs basis. That will be conducted over the next six to nine months and adjusted for the next financial year should they require any additional counsellors for the Rural Financial Counselling Service.

**Senator COLBECK**—Has there been any consideration to extending any of the areas that are currently in drought whose exceptional circumstances ends in March next year, and commencing the rollover process on those?

**Mr Mortimer**—The current EC process will continue until two things happen: one, until the government would make a decision to change the policy in any regard and, two, until transition arrangements have been settled. Certainly the minister has emphasised that areas currently in EC will continue to receive EC assistance for so long as they are assessed to be in EC. Indeed they will not be taken out of EC assistance arbitrarily; rather they will be considered by the Environmental and Natural Resources Advisory Committee to see whether EC assistance is justified and decisions will be made on that basis.

**Senator COLBECK**—So, when would the process commence for the review of those areas whose ECs are due to run out in March?

**Mr Mortimer**—What I am saying is that the March assessments will be done under the current arrangements because the government is committed not to change any arrangements until there is a decision to specifically change drought policies. So, ENRAC will do assessments of those March regions for those areas that are due for review in March.

**Senator COLBECK**—How far after the end of the EC declarations do the assessments start? Is there a statutory time period before; say, is it three months to the end of an EC that a review starts or can the review start in November or December?

**Ms Cupit**—For the 52 areas that are due to expire in March, ENRAC has actually commenced their review process. They are considering the available data and have started reviews of areas. In actual fact they have started tours of some areas where they want to get some more information on the ground. So that process has already commenced.

**Senator COLBECK**—Can you take this question on notice, in the consideration of time. Can you give me the percentages of each state and areas that are currently declared?

**Mr Mortimer**—In terms of land mass?

**Senator COLBECK**—Yes.

**Mr Mortimer**—We could probably do it now. I think we might have the information in the papers.

**Ms Cupit**—Yes, we have that. For New South Wales and ACT, we have 27 areas in EC, which equates to 82.9 per cent of agricultural land in New South Wales and 100 per cent of land in ACT. In Queensland there are 12 areas, which equates to 41.2 per cent of agricultural land. Victoria has eight areas in EC, which equates to 99.7 per cent of the agricultural land. South Australia has 16 areas, which equates to 96.5 per cent of the agricultural land. Western Australia has three EC areas, which equates to 20 per cent of the agricultural land. Tasmania has two EC areas, which equates to 48.7 per cent of the agricultural land, and Northern Territory has one EC area, which equates to 25.7 per cent of the agricultural land. That is 69 areas in EC across Australia, which is 48.6 per cent of the agricultural land.

**Senator COLBECK**—Okay, just one final question. How many Exceptional Circumstances Exit Grants have been paid in the last 12 months and how many are outstanding or waiting to be approved?

**Ms Cupit**—Since the program started in 2007 there have been 77 EC exit grants paid out. There are 140 waiting for presale; they have been granted but they are just waiting for their sale of the land. There have been 256 applications rejected. There are currently 96 pending with Centrelink and that is a total of 569 applications for EC exit.

**CHAIR**—Thank you, Ms Cupit. Senator Williams, you have four minutes.

**Senator WILLIAMS**—Mr O'Connell, you would be aware that a substantial amount of agriculture land is being planted down to trees either through MISs or carbon sinks. Has the department done any projections or estimations on the loss of agriculture production, food production, through increasing permanent plantings of agricultural land down to trees?

**Dr O'Connell**—We might be able to help you in due course with the Australian Bureau of Agricultural and Resource Economics, I suspect. We could hold it for ABARE.

**Senator WILLIAMS**—Could you take that on notice and actually give us a reply? Likewise, with the increase in national parks. Toorale Station at Bourke is an example where 90,000 hectares, I think, used to run 30,000 sheep and irrigation, et cetera, but it will be made into a national park now that the New South Wales and federal governments have purchased it. What is the projection of the loss of agricultural production, food production, because of so much land over the last five, six or eight years being put down to national parks? The reason I ask this question is because Australia is a vital food producer, not only for Australia but for many parts around the world, and if we keep putting land down to trees, we cannot eat trees. How much production are we going to lose, how many exports, how much volume of actual gross agricultural production will be lost through carbon sinks and national parks? That is what I would like to know?

**Dr O'Connell**—I will have to take the natural parks question on notice. I do not think we have any figures here that we could give you.

**Senator WILLIAMS**—Could you get back to me with that? That is all, Chair.

**Senator IAN MACDONALD**—I will confine myself to one question to Mr Gibbs. Is there a clear definition of emissions intensive trade exposed? What I am really getting at is which of the agricultural industries fits the description of emissions intensive trade exposed?

**Dr O'Connell**—I think it will be useful to have as the starting point the green paper approach because that whole area is an area that is under very strong public discussion as to how it might end up in the process. Perhaps if Mr Gibbs can just talk to the green paper then we know what the anchoring point is.

**Mr Gibbs**—The green paper has been out for some time now. It has a table towards the back which is an indicative table ranking, if you like, of emissions intensive trade exposed. From memory beef production is at the top of that ranking, sheep and dairy.

**Senator IAN MACDONALD**—This is in the agricultural field? I must confess I have not read the report.

**Mr Gibbs**—This is in the agriculture sphere. The other one would be pigs. There is a table in the back of the green paper that we can reproduce for you if you like. We can take that on notice. The secretary is correct that there has been some debate obviously through the green paper consultation process, and the Department

of Climate Change are taking on board those comments and having consultations as we speak on the emissions intensive trade exposed nature and how they will treat them in the white paper.

**Senator IAN MACDONALD**—An industry is either trade exposed or not trade exposed. It is either emissions intensive or it is not emissions intensive. I am not sure what you are having discussion about. You are having discussions on how they are treated but that is really not my question.

**Dr O'Connell**—There are issues around thresholds but there are also issues around definitions. Perhaps you can talk about the definitional aspect—what measures are used.

**Mr Gibbs**—Re the definition of emissions, there is an assessment made by looking at data on the number of emissions as a proportion of total revenue for an industry. That is the primary ranking. There is also analysis done on the trade share of different industries—the level of exports and imports as a proportion of domestic production. Both those considerations are taken on board in judging which industries are emissions intensive. You are quite right that a number of industries are trade exposed and of those some are more emissions intensive than others. So what is in the green paper is a—

**Senator IAN MACDONALD**—Is the green paper the work of your department?

**Mr Gibbs**—No, the green paper is the work of the Department of Climate Change.

**Dr O'Connell**—The green paper is the government's green paper.

**Senator IAN MACDONALD**—What I am really interested in is this: you are the department that deals with agriculture, fisheries and forestry; what is your assessment? You do not represent those industries but you have an interest in ensuring those industries are viable in Australia in the Australian context. I really want to know what the department believes are industries that are trade exposed and that are said to be emissions intensive. Have you done work independently of the whole government approach, not to look at how you design a scheme but how it will affect the industries for which your department has some responsibility?

**Mr Gibbs**—ABARE has commented on some aspects that have been looked at in terms of how it will affect the livestock and the cropping parts of the industry. We have not gone into more detail.

**Senator IAN MACDONALD**—My four minutes is almost over so can you take on notice and give me, if you would, a list of what your department assesses are rural industries that are trade exposed by whatever the definition is—perhaps you can tell me what that is—and emissions intensive?

**Mr Quinlivan**—Senator, we agree with the analysis in the green paper so the table in the green paper we agree with completely. It will make perfect sense to you when you see it and we will make sure you get it quickly.

**Senator IAN MACDONALD**—You agree, which means they are using your figures. I would have more confidence in you than I would have in Professor Garnaut, I might say.

**Mr Quinlivan**—We participate in the analysis through ABARE.

**Senator IAN MACDONALD**—Would you agree that it is a difficult thing to do when nobody really knows how you calculate the emissions from a lot of the agricultural industry? Do we know how to calculate the emissions?

**Mr Gibbs**—The analysis which has been undertaken to date is based at industry level across the nation. So those figures can be calculated and they have been calculated for some time because we report on them internationally.

**Senator IAN MACDONALD**—Are they accepted by the industries involved?

**Mr Gibbs**—The numbers have been around for some time and they are internationally accepted definitions.

**Senator IAN MACDONALD**—Are they accepted by the industries involved? Perhaps you can take that on notice.

**Mr Gibbs**—I will take that on notice.

**Senator IAN MACDONALD**—Finally, how far advanced are we on working out how much rural industries contribute to abatement of greenhouse gases, for example through lack of tree clearing, sugar cane growing, grass growing on the plains and prairies, tree planting and all those sort of things? Have we got an accurate way of determining what carbon abatement comes from rural industries?

**Mr Gibbs**—We have a relatively accurate assessment of tree growing across the nation.

**Senator IAN MACDONALD**—All the others?

**Mr Gibbs**—No, that is developing.

**Senator IAN MACDONALD**—You are developing that? Can you take the rest of my question on notice please.

**Mr Gibbs**—The development part of the question?

**Senator IAN MACDONALD**—Well, what work you have got that we and the industries can confidently use. My understanding is that here is not a way of calculating the abatement effect of grasses and things, but you tell me about it.

**CHAIR**—I thank the officers from the Department of Climate Change. We now move to questions on sustainable resource management.

**Senator SIEWERT**—Could you explain quickly how the natural resource management unit is operating?

**Mr Thompson**—The natural resource management unit within DAFF comprises a domestic fisheries and aquaculture branch which reports to me, and through me and deputy secretaries through to Minister Burke. It also contains three other branches which, with branches from the Department of the Environment, Water, Heritage and the Arts, comprises Australian Government Land and Coasts, which is the joint team that administers Caring for our Country.

**Senator SIEWERT**—That is a unit within sustainable resource management now?

**Mr Thompson**—No, Australian Government Land and Coasts is the joint team between two departments which delivers the joint program. It comprises three branches from the sustainable resource management division.

**Senator SIEWERT**—Okay, so fisheries now come under that?

**Mr Thompson**—Domestic fisheries and aquaculture come under that. International fisheries fit in the trade and market access division.

**Senator SIEWERT**—If we want to ask questions about domestic fisheries we should be asking them here?

**Mr Thompson**—You can ask them here now. We also have the Australian Fisheries Management Authority here and international fisheries are also available. We thought we could run those together perhaps at the end of questions about the rest of natural resource management. All fisheries people are here, just as it always has been.

**Senator SIEWERT**—I want to go specifically to some natural resource management questions first and then I think there will be some fisheries questions, but maybe we will do NRM first. I know I am not allowed to ask questions about an ongoing inquiry, but issues did come up last week at the NRM inquiry and there was some confusion, at least I am confused, about allocation of money for Landcare. I would like to clarify who makes the decisions on what used to be Landcare funding and which is now sustainable farming practices?

**Mr Thompson**—I will explain and then Rod Shaw can provide some more detail. Effectively, the previous Landcare appropriation has been rolled in as part of the broader Caring for our Country program. Just as in the past there was some sort of Landcare related activities funded out of the old Natural Heritage Trust, some additional funds are earmarked for Landcare type related activity. So, the old Landcare appropriation plus some additional money becomes sustainable agricultural practices. Sustainable agricultural practices is bigger than Landcare.

**Senator SIEWERT**—Who makes all the decisions on that particular program?

**Mr Thompson**—All the decisions for the expenditure of money that comes from the Landcare appropriation are made by Minister Burke. Those programs that are funded from the Caring for our Country addition for sustainable practices are made jointly between the two ministers.

**Senator SIEWERT**—How are the decisions made around what used to be Landcare money and is now sustainable agriculture practices?

**Mr Thompson**—Decisions on Landcare projects are made by Minister Burke.

**Senator SIEWERT**—On Friday we were told that a certain amount of money has been allocated. Senator Macdonald, can you remember the figure? I forgot to bring that bit of paper.

**Senator IAN MACDONALD**—127,



**Senator SIEWERT**—Yes, 127. That was Landcare money but is now sustainable agriculture practices. Tell me how you are going to make it work? How are you going to decide what is Landcare money, which is now not Landcare, and what is the extra money in sustainable agriculture practices? I am struggling here.

**Dr O’Connell**—I might ask Mr Shaw if he could explain the Landcare appropriation. That might be helpful.

**Senator SIEWERT**—This is the fourth time I have had it explained and I still do not get it.

**Mr Shaw**—Under the Landcare appropriation there is a similar four-year profile to what was under the national Landcare program—about \$149 million. So, for 2008-09, we have an appropriation of \$31.2 million for Landcare funding. In addition, under the Caring for our Country budget, there is an additional \$5.67 million which is a land management change item but it is for sustainable agriculture. So, for 2008-09, we have a total of \$37 million available for sustainable agriculture projects.

**Senator SIEWERT**—I am with you so far.

**Dr O’Connell**—I might know where the confusion is. Of that, the decisions on the direct Landcare appropriation are made by Minister Burke.

**Senator SIEWERT**—All right, I am with you there.

**Dr O’Connell**—And on the Caring for our Country money and the component there—

**Senator SIEWERT**—The \$5.6 million.

**Dr O’Connell**—the \$5.67 million is part of that, decisions are joint between the two ministers, Burke and Garrett.

**Senator SIEWERT**—All right. So if I am catchment group X and I put in an application, how do you decide whether I have put in a Landcare application, a sustainable agriculture practices application or an application into Caring for our Country?

**Mr Thompson**—All the applications will go through one process. This year they were through the open grants, and when they went in as Landcare ones or sustainable practices they were all considered together. When people respond to the business plan they will come in together. A number of the projects can actually meet the objectives of a range of activities, so a judgement has to be made as to whether they are a Landcare project alone or the Landcare and sustainable practices or, for that matter, a Landcare and biodiversity project.

**Senator SIEWERT**—What happens if I have not put Landcare in my project? What I am getting to now is: why have we kept Landcare if we are not having Landcare applications? A lot of groups do not know to moniker their thing as Landcare so they can access the Landcare money.

**Mr Thompson**—They do not have to access by changing the name; it is the nature of the activity they are carrying out. If someone puts up a proposal via Landcare or a community group that is related to an agricultural group or a farming group, improving agricultural practice for a range of outcomes or working on private land to deliver a mix of agricultural and biodiversity outcomes, we would probably attribute that to Landcare. They do not have to name which source of funding they are going to.

**Senator SIEWERT**—Okay, but Minister Burke gets to decide some of that money but not all of that money. So how do you work out what Minister Burke decides and what Ministers Burke and Garrett decide?

**Mr Thompson**—It is on the nature of the particular project. One which is predominantly of a nature relating to agriculture, farmers and private land would, as much as possible, be put against the Landcare appropriation.

**Senator SIEWERT**—But does not the \$5.6 million extra that has been put into the sustainable agriculture bucket address the sustainable management practices as well?

**Mr Thompson**—It addresses very similar activities but what it means is, for a sense, there is more money available for those sorts of activities than would have been available if it were only drawing on the Landcare appropriation.

**Senator SIEWERT**—\$5.6 million?

**Dr O’Connell**—Yes.

**Senator SIEWERT**—Then how do you decide—I am really struggling here—out of that \$37 million? Wouldn’t you be better off just putting everything in the pot and saying, ‘They are sustainable agricultural

practices; let's look at them as such instead of artificially dividing them between what can nominally be paid for under Landcare and what is paid for out of the rest of the \$5.6 million?'

**Mr Thompson**—When the assessment of the projects is done, it is all done one project against another and they will be ranked on their intrinsic merit. The decision about which appropriation to take them from then is a step made subsequent to that. The ones that would go to Minister Burke would be the ones that were predominantly agricultural and the ones that were more of a mixed nature or of another nature would go to the other programs. For the individual applying it does not make any difference, we have to do the—

**Dr O'Connell**—I think that is the critical point, Senator, we are trying to simplify it. While that is a complex appropriations issue it is not necessarily complex for the person who is applying because they simply have to apply to this set of programs with the project they want and we will sort out the issue around which appropriation it should come from.

**Senator SIEWERT**—I appreciate your comment. The point is I am trying to look at how you are doing it as a comprehensive approach to natural resource management and it seems crazy to me to be dividing it that way. I realise we are short of time so I will move on. In terms of assessing those open grants project for this year, I understand that this is probably going to be the only year that you have an open grants project?

**Mr Thompson**—This is the only year we plan to have an open grants project, yes.

**Senator SIEWERT**—Who is going to assess those grants this year?

**Mr Thompson**—This year, when they were assessed, we had a panel of internal assessors review all the projects against a set of criteria. Then they were examined by an executive team for consistency of approach, et cetera.

**Senator SIEWERT**—Was this an executive team from the department?

**Mr Thompson**—An executive team from the department. Then we had an independent panel look across the process to look at the balance between priorities, the balance between relative merits of projects in different areas to get a sort of a consistency over the top and to provide advice on whether lines were being drawn at the appropriate place or not. Then the final package was put together and goes to ministers for their final consideration.

**Senator SIEWERT**—Did they assess the projects or was that just done internally?

**Mr Thompson**—A detailed assessment of the projects was done internally by the assessment teams. When the executive review was done they had access to the full range of projects to answer any queries they might have had. The same when the independent panel looked at, they were also able to look at individual projects if they so wished.

**Senator SIEWERT**—Who were the independent panel? There was one independent panel for all the projects across Australia?

**Mr Thompson**—Yes.

**Senator SIEWERT**—How many projects did you get?

**Mr Thompson**—We received over 1,200 applications, Senator.

**Senator SIEWERT**—For how much?

**Mr Thompson**—They were worth over \$280 million.

**Senator SIEWERT**—And are we talking about a grants program of \$30 million?

**Mr Thompson**—\$25 million.

**Senator SIEWERT**—\$25 million. Who was on the panel?

**Mr Thompson**—I do not have the names of the people who were on there. We could take that on notice.

**Senator SIEWERT**—Could you provide that on notice? How long did they have to make the assessment? People have not yet been notified have they?

**Mr Thompson**—No, they have not.

**Senator SIEWERT**—When is that likely to happen?

**Mr Thompson**—I could not say, Senator. The final decisions on projects have not been determined. The projects are still under final consideration.

**Senator SIEWERT**—The 15 per cent administration limit that was, as I recall, on all projects, has that been maintained?

**Mr Thompson**—I am not familiar with a 15 per cent administration limit. I would have to check whether there was or not.

**Dr O'Connell**—Senator, I think that is for the regional projects but Mr Shaw might be able to answer.

**Mr Shaw**—Yes, Senator. I think you might be referring to the regional funding—the 60 per cent and the 15 per cent? I do not believe there is a 15 per cent administration on the open grants.

**Senator SIEWERT**—That is interesting because that is what I have been told very clearly.

**Mr Shaw**—I am not aware of it.

**Dr O'Connell**—We will take that on notice and confirm that.

**Senator SIEWERT**—Good.

**Senator IAN MACDONALD**—With respect to you, Senator Siewert, I have been trying to ask questions and the very limited time we have got today is ridiculous. It is no criticism except of those who this morning wasted time. I think our best thing is going to be trying to get the department back to our other inquiry and recall them later on. You are quite right, there was a figure given on costs.

**CHAIR**—You have two sets.

**Senator SIEWERT**—Would you be able to take on notice, or has it not been decided when these grants are going to be finalised?

**Mr Thompson**—It has not been decided when they will be finalised but final decisions are expected shortly.

**Senator SIEWERT**—The other issue that I would like cleared up if possible is, it is my understanding that into the future, regional groups are going to be guaranteed 60 per cent of the historic funding, not just this year and the transition year but into the future.

**Mr Thompson**—Yes, Senator, there is a guaranteed minimum amount for regional groups into the future.

**Senator SIEWERT**—Okay, this is where I got caught up the other day. Is that 60 per cent for each regional group or 60 per cent overall in the overall bucket?

**Mr Thompson**—It is 60 per cent overall. There will then be a determination made about which group gets how much money.

**Senator IAN MACDONALD**—One hundred and twenty-seven thousand plus ten, \$170 million plus ten.

**Senator SIEWERT**—So not all—

**CHAIR**—Five minutes, Senator Siewert.

**Senator SIEWERT**—All right, we will see how we go on this. Regional groups are not guaranteed that they will all get 60 per cent or more of their historic funding into the future?

**Mr Thompson**—The mathematics would indicate that on the guaranteed funding they may not all get the same amount but they all do have the capacity to apply for additional funding separately.

**Senator SIEWERT**—I understand all the competitive funding rules, but I want to be very clear that each regional group is not guaranteed to get 60 per cent. It was implied the other day that regional groups were getting 60 per cent and they are not.

**Mr Thompson**—What we said the other day, and I will clarify it here now, is that 60 per cent, the notional \$127 million plus ten, is for regional allocation across Australia, not per group.

**Senator SIEWERT**—Yes. Thank you.

**CHAIR**—Thank you, Senator Siewert. Senator Colbeck.

**Senator COLBECK**—I wanted to do some stuff on fisheries, so you might need to get the—

**CHAIR**—While we are still on this, do you not want to ask questions on this?

**Senator COLBECK**—Well, it is in this portfolio area.

**CHAIR**—Maybe we will go to Senator Williams.

**Senator WILLIAMS**—I am going fishing as well.

**CHAIR**—Senator Macdonald?

**Senator IAN MACDONALD**—May I have half of my time just on this?

**CHAIR**—Yes.

**Senator IAN MACDONALD**—But just to follow on with Senator Siewert: it will be a matter for the committee, but I would be recommending that we get the department and the environment department back to go through these in some more issue. I see in the answer you gave me to questions at last estimates about the number of jobs lost. The thing that sticks out is you say you are not a job employment counter so you did not know. But, Mr Thompson, you would have heard or been made aware of the last person who gave evidence the other day who, of her knowledge down in the Gippsland, could name ten people who had lost their jobs in the NRM area in the last few months because of uncertainty of funding. I really ask, and put on notice because I do not think I asked this in the other one, if you can give us an indication of how many people you are aware of who have lost their jobs since 1 July 2008. I see you gave me some figures in answers previously which said there were more people employed on 7 May 2008 than there were on 20 November 2007. That just cannot be right. It just cannot be right.

**Mr Thompson**—Senator, those numbers that we provided you earlier this year were numbers provided to us by the regional bodies themselves or the state governments on behalf of the regional bodies. We do not employ these people, so we have to rely on the advice we receive from the bodies that employ them, and they were the numbers that they provided to us. We do not regularly update it, but if you want us to update those numbers we can.

**Senator IAN MACDONALD**—I would. But could you please try to get a little more—and I am not suggesting you are being dishonest; I appreciate you are just repeating—but could you get from the people that are giving them to you some honesty in the figures? All of the anecdotal evidence shows that every NRM body, with the exception of those along the Barrier Reef, have been losing staff because of lack of guaranteed funding. I have a million more questions but we do not have time. What I just want to ask this department is, what work are you doing as part of the Reef Rescue package, a Labor Party pre-election policy which they are implementing with \$200 million? A lot of that will involve interaction with the sugar industry, the banana industry, the cattle industry, grazing industry up along the Barrier Reef. Have you as a department done work on that? Having asked the question, I do not think I can allow the time for the answer, so perhaps you will just have to take that on notice and give it to me in writing.

**Mr Thompson**—We can take it on notice. But what I will say is that we work jointly with the Department of the Environment, Water, Heritage and the Arts on that and with all the meetings with the various industry bodies and regional bodies, so that one is a joint project.

**Senator IAN MACDONALD**—What I am really after is a summary of what the rural industry groups actually are doing. There are a lot of meetings, a lot of assessments, a lot of strategies, but very little on the ground. Some of these questions will overlap with questions I have asked previously, but if you could take that on notice I would appreciate it.

**CHAIR**—That is half of your time, Senator Macdonald.

**Senator IAN MACDONALD**—Yes, I have some fishing ones but I will wait.

**CHAIR**—All right, I will save that extra four minutes. Senator Adams.

**Senator ADAMS**—Thank you very much. Ms Kidman, I follow up on that rural counselling issue I asked you about at the last estimates. It was about a tender, pertaining to why the Western Australian rural counselling service were not the successful applicants. You told us at that estimates hearing that the North East Farming Futures were the successful tenderers. I would like to follow up on just where that program is and how that organisation is going. You did state at that stage that you were going to have ongoing negotiations with them.

**Ms Kidman**—Rural Financial Counselling Service program actually sits with the climate change division that was just on recently. I am not aware of the recent developments for that program.

**Senator ADAMS**—All right. Once again we get the—

**Dr O'Connell**—Can we take that on notice?

**Senator ADAMS**—Yes, I would like it on notice. I was very concerned because this new body only actually started at the end of February this year and the fact that the tender had gone to an organisation that

really, we were told last time by you, Ms Kidman, met the ten essential criteria. I really would like to know just where it is at the moment, because there is still a terrific lot of disappointment from the previous people that were involved. I think Senator Siewert was asking questions on that as well.

**Senator SIEWERT**—That is right.

**Senator ADAMS**—So if we could have that on notice we would appreciate it.

**CHAIR**—I think all the rest of the questions are fishing. So we will say thank you very much to the officers from Sustainable Resource Management and we will call the officers from AFMA.

[10.05 pm]

### **Australian Fisheries Management Authority**

**CHAIR**—I welcome officers from the Australian Fisheries Management Authority. Just for the record, AFMA, Senator Siewert has four minutes, Senator Macdonald, you are now eight minutes, because that includes the four of your part that you did not use. Senator Williams has eight minutes. Senator Colbeck.

**Senator COLBECK**—I have just got some general questions on government policy on fishing. Dr O'Connell, I will direct them through you and Senator Sherry. There were five specific commitments with respect to fishing and I would just like quickly to get where each one of those is at. There is \$2 million to develop a new Recreational Fishing Industry Development Strategy, \$4.3 million for an expanded fisheries research program, \$5 million for promoting Australian produce, \$10 million for a new Seafood Industry Productivity and Innovation Program, which I think we have covered as it is part of the \$35 million that we talked about earlier, and \$7.5 million in Torres Strait Commercial Line Fishery Reallocation. Can we get a sense of where each of those programs is at, please?

**Mr Hunter**—We have talked about those projects earlier today in the agricultural productivity part, Senator, and indicated the guidelines for that program were close to finalisation.

**Senator COLBECK**—I thought it was \$10 million out of \$35 million?

**Mr Hunter**—\$10 million out of \$35 million is correct.

**Senator COLBECK**—All right. And do all these programs come under what the government is determining is its returning fisheries to profitability commitment?

**Mr Thompson**—Senator, all those programs fit within that broader ambit of the—

**Senator COLBECK**—So is that a generic term?

**Mr Thompson**—It is a generic term, it is the government's assistance to help the industry build its profitability.

**Senator COLBECK**—All right, that clarifies another point. Recreational Fishing Industry Development Strategy, where is that at?

**Mr Pittar**—The Recreational Fishing Industry Development Strategy, the \$2 million that you refer to, the minister announced late last week that he was calling for nominations to an advisory committee to assist with reviewing the existing recreational fishing policy and to provide advice to government on that. At the moment the minister has announced a chair for that committee, that advisory group, and that is Mr Chris Natt from the Northern Territory. Other members for the advisory committee have been invited and the closing date for that is mid-November. Once that advisory committee is in place it will be charged with reviewing the existing recreational fish policy and providing advice to the minister for further consideration.

**Senator COLBECK**—So that effectively qualifies as another review. All right, let us move on from that. Fisheries research program, \$4.3 million. That I think was allocated to ABARE and BRS; is that correct?

**Mr Pittar**—Senator, that \$4.3 million is to assist in reducing the number of species classified as uncertain and the money is flowing to BRS and ABARE in relation to that program. BRS and ABARE follow us on the schedule so they may be able to talk a little more about the specifics of that program, but essentially that is what that \$4.3 million is designed to do.

**Senator COLBECK**—So you do not know when that money might start being spent or projects might start to occur?

**Mr Pittar**—Again, Senator, my understanding is that for this financial year there is around \$1.9 million for expenditure under that particular program and that part of that process will be to develop and scope out exactly the nature of that research program over the forward estimates.

**Senator COLBECK**—So some of the funding will go into scoping of what research will be done?

**Mr Pittar**—A small component which will then shape the remainder of the program money.

**Senator COLBECK**—I might put a question on notice now to ABARE because I am not sure that I have been allocated any time in that section.

**Mr Thompson**—BRS.

**Senator COLBECK**—They might like to make an opening statement that answers that question.

**CHAIR**—I think they will probably get hung by the rest of the senators. You can save some time if you wish, Mr Colbeck.

**Senator COLBECK**—All right. They are on notice that will be a question. The Seafood Industry Productivity and Innovation Program?

**Mr Thompson**—I think you asked questions about that earlier in the day. Both the innovation program and the productivity program are part of another division and both those programs and the guidelines and the details of them are near finalisation now.

**Senator COLBECK**—All right, I will go back to that. I am not sure that actually we are getting our money to add up here. Torres Strait Commercial Line Fishery Reallocation?

**Dr O'Connell**—I think Mr Hurry can help you with that.

**Senator COLBECK**—The Torres Strait Commercial Line Fishery Reallocation, they are effectively buying out licences and reallocating them back to the Indigenous and moving them out further?

**Mr Hurry**—That has happened and they are now being moved back to the commercial sector for income. As far as I am aware, that process has been completed and leasing has now occurred in both the mackerel and the coral trout fisheries in the Torres Straits.

**Senator COLBECK**—So that \$7.5 million is expended, effectively?

**Mr Hurry**—That is my understanding unless the department has any difference. I do not know whether it took the full \$7.5 million for the purchase or not.

**Mr Thompson**—I do not have details of the funding but that is my understanding that—

**Dr O'Connell**—We will take that on notice.

**Mr Thompson**—the buybacks on the Torres Strait were completed before the end of the financial year.

**Senator COLBECK**—Could you take on notice the final costs of that work?

**Dr O'Connell**—We will.

**Senator COLBECK**—In the short time I have left—

**CHAIR**—Two minutes, Senator.

**Senator COLBECK**—The withdrawal of the resource sharing arrangement for Eastern Tuna and Billfish fishery, \$700,000, the industry have put it to me that much of the work had actually been done and in their words—much of it having been spent. Then the funding was withdrawn. I just cannot work out how if funding had been spent it could then be withdrawn, or was it preparation for the expenditure of the money and then it was withdrawn? What was the process that occurred there?

**Dr O'Connell**—Mr Quinlivan may be able to help.

**Mr Quinlivan**—My recollection is that the \$750,000 had two components. The largest one, and it was certainly well over half, was effectively a payment that certain operators would accept in return for what were either assessed as or perceived to be fishing rights forgone. So there were certain areas that would be effectively allocated to recreational fishers and in return the fishermen vacating those would receive a payment. That was the basis of the deal, and as you know, that was a budget saving and therefore the deal did not proceed.

**CHAIR**—Thank you, Mr Quinlivan. Senator Williams?

**Senator WILLIAMS**—Thank you, Chair. Recfish Australia, that peak representative national organisation for recreational fishing, Senator Sherry, have told me that they have had repeated requests to meet with the minister over the past 12 months but cannot get a meeting with him. Would you be able to explain why or would you be able to look into if they can get a meeting?

**Senator Sherry**—I would have to take that on notice and I will get a response from the minister.

**Senator WILLIAMS**—And do you know what the minister is doing to ensure that his gazetted representative organisation for recreational fishing does not collapse in the next 12 months?

**Senator Sherry**—Again I would have to take that on notice.

**Senator WILLIAMS**—What is the minister doing to address the growing loss of access to recreational fishing opportunities for Australian families brought about by the closure to fishing in both the marine and freshwater environment?

**Senator Sherry**—I can take it on notice. Officers may have some details of policy response on recreational fishing.

**Mr Thompson**—Senator, on those issues of closures in freshwater environments and the near coastal waters, they are under state jurisdiction so there is no direct intervention that the Commonwealth minister can make. But, as part of the work that will be done as the recreational fishing industry consultative forum the minister will establish, no doubt they will look at some of those things. While the Commonwealth cannot directly intervene, there can be things to do with information or other sorts of activities that they may well be able to make a contribution on. But, as I said earlier, the direct responsibility for management of those recreational fisheries in the near shore waters and particularly the freshwater ones is under state jurisdiction.

**Senator WILLIAMS**—All right, that is it for me, Chair.

**CHAIR**—Well done, Senator Williams. Senator Macdonald?

**Senator IAN MACDONALD**—Thank you, Mr Chairman. I have given notice to the department of this and there is a cleverer way to approach this but in four minutes it has got to be a bull at gate. The issue of the payout of the onshore businesses arising out of the program to try and restructure the Australian fishing industry in a sustainable and economically viable way. There is a Mr Phil Brennan from Maroochydore or somewhere, well the Sunshine Coast anyhow, Buddina, who, as I understand it—and it is a fairly complicated thing—

**CHAIR**—Excuse me, Senator Macdonald. It is just there are some voices coming over you. Carry on.

**Senator IAN MACDONALD**—I have a file that thick on it, your file is no doubt thicker, and to try and put this in four minutes is fairly difficult. But my understanding and what I will put to you is this, and tell me if this is not correct. My understanding is that it was the billfish and tuna fishery operating out of Maroochydore. He was an onshore business that got, not the main species but what I would term the by-catch. There were three, four or five boats, and I think he has nominated them, who went out of the industry. Because of that his business collapsed. He applied for assistance. He understands that not everyone can get it; you had to make your case. He did get the \$1,500 and got an accountant to assist him. But he is very concerned, and so am I on hearing his story, that he has not been successful in his application. The suggestion, and somewhere in this material I have it but I do not have it in front of me, was that his suppliers did not actually leave the industry. Now, having given you notice of Mr Brennan's case—and I realise this is a public forum but he is quite happy for it to be raised publicly, otherwise I would not be asking these questions—can you tell me why he was not favourably considered?

**Mr Pittar**—I will attempt to answer that question. The applicant was deemed ineligible because they did not meet one of the eligibility criteria for onshore business assistance. That criteria was that the applicant needed to demonstrate that they have been or will be significantly impacted by the reductions in fishing activity. The applicant was requested to supply evidence in addition to their original application and to support their claims of a significant and direct impact as a result of the concession buy-back. This information was provided and the applicant supplied that to the department. The department assessed that additional information and maintained its conclusion that the applicant was not eligible for funding under the program. I am advised that in the order of one-third of all applicants for onshore business assistance and fishing community assistance applications are unsuccessful. The \$1,500 that you refer to was funding to assist applicants in the preparation of their application for funding under those two elements of the program.

**Senator IAN MACDONALD**—I see the letter from Mr Cuthbert dated 31 January which actually says, 'You supplied a list of operators you did business with in order to demonstrate your claims for impact. Very few of the operators on this list had associated concessions which were bought as a result of being part of the successful tenderers.' He tells me that is simply not accurate and he demonstrates to me, and I would to you if I had more than another 30 seconds to raise this, that I think it was five principal suppliers and four of them

were actually bought out, which means that he had no-one supplying him fish. This seemed to me to be a classic case of the sort of things the government was wishing to address with the onshore business compensation.

**Mr Pittar**—Well, Senator, I am going on the advice that we have been provided in assessing this particular candidate or this particular applicant. As you say, a number of invoices, a number of other pieces of information were provided in order to assist the department in arriving at a conclusion as to whether the applicant was eligible for the assistance or not. That information was reviewed. The additional information that was requested was reviewed and the department remained of the view that he was not eligible.

**Senator IAN MACDONALD**—I understand that. He did ask for a review and he had a review, but on the information given to me and the material he showed to me, it just does not make sense and it suggests to me that someone has made a mistake in the department as a result of which a person has missed out on what this program was all about.

**Dr OConnell**—The information we have, I guess, on advice, does not correlate with the information that you have just provided. So perhaps I can undertake to ensure that those—

**Senator IAN MACDONALD**—Look, we are not going to resolve this. But what I was hoping to do with the minister's permission—I am reluctant to approach departmental officials direct, but perhaps with the minister's approval—is make an appointment at your convenience to sit down with the department and go through the material I have and either convince you a mistake was made or you can convince me that a mistake was not made. Would that be in order?

**Senator Sherry**—That is agreed, Senator Macdonald. The minister's office will organise it.

**Senator IAN MACDONALD**—All right, thank you very much.

**CHAIR**—Thank you, Senator Macdonald. Senator Siewert?

**Senator SIEWERT**—I would like to ask around changing basically the boundaries of the Western Trawl Fisheries. Who do I ask about that? I have got a letter here from the department of fisheries in WA that says AFMA have proposed new boundaries to the Commonwealth's Western Deepwater Trawl Fishery and North West Slope Trawl Fishery.

**Mr Hurry**—That is correct, Senator. That happened probably seven or eight months ago.

**Senator SIEWERT**—Has it already been changed?

**Mr Hurry**—That was about a small area of water in the top of WA where there were some problems with a boat operating in there which should not have been operating in there, if I remember this one quite correctly.

**Senator SIEWERT**—Is it? Because I have a letter here from the WA department that says the consultation on the boundaries is happening until 1 November 2008.

**Mr Hurry**—Senator, I will take it on notice and follow it through for you. But my understanding is that we actually resolved that issue with WA fisheries and a letter came out later. But let me take it on notice and I will come back to you and confirm that.

**Senator SIEWERT**—Take it on notice, but this is a letter that was written on 17 September 2008.

**Mr Hurry**—Yes.

**Senator SIEWERT**—It talks about the changes, which seem to be quite substantive changes, and they were about changes to those trawl fisheries on recommendations by Geoscience Australia.

**Mr Hurry**—Yes, that is right.

**Senator SIEWERT**—All right, so there seems to be some confusion and it is causing some angst in the fishing industry in WA if the email and the comments that I have received are right.

**Mr Hurry**—If it is the fishery I am thinking about, Senator, it has very few operators in it and I think we had it sorted but, I am happy to take it on notice.

**Senator SIEWERT**—Well, it obviously is not; this was written a month ago. How long ago did you think you had it sorted?

**Mr Hurry**—I am happy to take it on notice, Senator. I would have thought we had it resolved about seven or eight months ago, but I might be wrong.

**Senator SIEWERT**—If you could get back to me.



**Mr Hurry**—I will do that.

**Senator SIEWERT**—Sooner rather than later, given that submissions on this close on 1 November. That would be good. Obviously the department in WA does not think it is resolved.

**Mr Hurry**—All right.

**Senator SIEWERT**—Thank you.

**CHAIR**—Is that it, Senator Siewert?

**Senator SIEWERT**—I was going to do climate change in fisheries, but we went past. Could I maybe ask a quick question on notice?

**CHAIR**—By all means.

**Senator SIEWERT**—The climate change and fisheries report that was released about three weeks ago by the Department of Climate Change.

**Mr Thompson**—There was one by the Department of Climate Change, the scientists were from CSIRO.

**Senator SIEWERT**—There were two reports, if I understand it properly. There was the one about the impact on the production of seafood which CSIRO did and there is this report that the Department of Climate Change did.

**Mr Thompson**—Yes.

**Senator SIEWERT**—Has that been factored into any of your fisheries planning work?

**Mr Thompson**—Both those reports and other reports on climate change are being factored into the work that is underway with the states and with industries in developing a fisheries and seafood climate change action plan.

**Senator SIEWERT**—Yes. Where is that at?

**Mr Thompson**—It is in its final stages of consultation prior to being considered by the Natural Resource Management Ministerial Council.

**Senator SIEWERT**—The final stages of consultation with whom?

**Mr Thompson**—It developed in consultation with industry players, the states and others and the Department of Climate Change. We are now in the final processes of doing some final internal consultations and tidy-ups prior to submitting it to the ministerial council for their consideration.

**Senator SIEWERT**—Will that be released as a final action plan or as a draft?

**Mr Thompson**—It will be released as an action plan. It is intended to be a fairly high level action plan with details of implementation and that sort of thing to follow afterwards. So, in terms of what gets done on the ground coming out of the action plan, there is opportunity for the continuing and ongoing work in climate change science to be incorporated in that.

**Senator SIEWERT**—All right. So who have you consulted with on the action plan: the industry?

**Mr Thompson**—Industry and the relevant climate change departments and the state jurisdictions.

**Senator SIEWERT**—Was it released as a draft for public comment?

**Mr Thompson**—Not to my knowledge.

**Mr Pittar**—My understanding, Senator, is that it was not released for public comment. It was essentially worked up through a broad range of stakeholders as Mr Thompson has outlined—the state fisheries agencies, the commercial sector and so on.

**Senator SIEWERT**—Were any NGOs or any non-government organisations, environmental organisations, marine organisations and recreational fishing organisations consulted?

**Mr Pittar**—As far as the fishing sectors that were concerned, the commercial, recreational and aquaculture sectors were all consulted. The Department of Climate Change was involved and consulted, as were, as Mr Thompson said, state fisheries agencies and the like.

**Senator SIEWERT**—In other words no non-government organisations, the Australian Marine Conservation Society, the Marine Coastal Community Network, the Australian Conservation Foundation and Greenpeace?

**Mr Thompson**—To my knowledge they were not consulted. We will have to take that on notice to see how widely it went. This is an action plan related to the industry. It fits within a broader climate change strategy which you may have spoken to others about relating to the marine environment. This is the industry component.

**Senator SIEWERT**—Yes, I do understand the industry component. I hate to tell you this but the NGOs are very interested in industry and anything to do with the marine environment. They consider themselves stakeholders, and not one was consulted. It is 2008 and none of the NGOs were consulted.

**Mr Pittar**—The plan, though, in moving forward, will be considered by a range of other ministers, including the Minister for Climate Change and the Minister for the Environment, Heritage and the Arts.

**Senator SIEWERT**—How has it been included, and I will ask the marine branch this tomorrow, in any planning for the marine regional parks, for the bioregional planning that is going on in Environment?

**Mr Thompson**—You would have to ask the environment department how they have taken into account the strategy structure of this in their marine bioregional planning. But they are at a relatively early stage with that and this sort of work could be something that could feed into their programs for bioregional planning. This is not determinative over bioregional planning. The bioregional planning process runs along following its own arrangements and consultation process which is very broad ranging.

**Senator SIEWERT**—Thank you.

**CHAIR**—That concludes our time with AFMA. Thank you, gentlemen.

[10.31 pm]

#### **Land and Water Australia**

**CHAIR**—We seem to have misplaced an officer, so I will probably ask you, Mr Thompson. Dr Robinson is not around, is he? No; we seem to have misplaced him. Now you made me do him in the way you looked at me.

**Senator Sherry**—Dr Robinson was here.

**CHAIR**—He is here.

**Senator Sherry**—In the waiting room.

**CHAIR**—If you are there, Dr Robinson, Land and Water Australia? Do we lay a bet? Shall we put a carton of beer and a carton of champagne for the secretariat? Any takers? Dr O'Connell?

**Dr O'Connell**—I do not think I would take one at the moment. He apparently has gone.

**CHAIR**—So our secretariat once again has done a remarkable job. Thank you, Bruce, you were right. Mr Thompson, would you be able to take questions on behalf of Land and Water?

**Mr Thompson**—Yes, we could.

**CHAIR**—We will see how we go, then. Senator Fisher.

**Senator FISHER**—Thank you, Chair. Thank you, gentlemen. This may be a simple yes or no. In respect of the government's proposal to buy appropriately sited properties in order to realise water, to bring water back into the system, an example that the government has given of that is the recent purchase of Toorale Station. But I do not want to ask about that specifically. Has the department provided the government with any advice as to a strategy for purchasing properties in order to realise water?

**Mr Thompson**—The operation of those water buyback programs and the reserves program are probably better asked of the Department of the Environment, Water, Heritage and the Arts. This department has not provided any advice on where they should be targeted.

**Senator FISHER**—You have not provided any advice as to that directly to government?

**Mr Thompson**—Not that I am aware of. I could take it on notice but I am not aware of any.

**Senator FISHER**—If you could, I would like your confirmation or otherwise of that. What about comments to other agencies as to the same thing: has the department provided any comments to other agencies that may or may not be advising the government to that end?

**Mr Hunter**—We participate in, as Mr Thompson said, the primary responsibility lies with the Department of the Environment, Water, Heritage and the Arts. But we do provide input to various fora which consider issues to do with the availability of water. For example, on the contingency planning on the Murray-Darling

Basin, our department will assist in assessments of likely outcomes of different rainfall scenarios. We do that with the assistance of ABARE, for example, and also on occasions the Bureau of Rural Sciences' water capacities is also used. We have general input to the policy-making processes which are led by that department.

**Senator FISHER**—Are you able to provide on notice the details as to the occasions upon which you have provided such comment on this issue?

**Mr Hunter**—On individual proposals?

**Senator FISHER**—On targeting appropriately sited properties with significant water entitlement under the reserve scheme, I think you said.

**Mr Hunter**—It was the National Reserve System; is that what you are referring to?

**Senator FISHER**—Yes, that one.

**Dr O'Connell**—On specific properties I think the approach that is taken—and you would have to confirm this with the environment department—is one that ensures the commercial confidentiality of much of that information prior to a decision being made, and there is not a significant capacity to share information on specific properties. So if you are looking in that area I would be confident that we do not have a major role. Our role would be a broader role about the overall intent and policy debate, but specific properties are very much a—

**Senator McGAURAN**—But you have a global figure or target, do you not?

**Dr O'Connell**—In terms of what the overall reserve system should look like?

**Senator McGAURAN**—Buyback.

**Dr O'Connell**—I think there are two different things. I think there is a buyback of water and there are two different things.

**Senator FISHER**—Yes, I just want to keep this particular line of questioning to the purchase of properties. I hear what you are saying, Dr O'Connell, in respect of commercial and in confidence, therefore unlikely to be specific advice in relation to specific properties. Therefore I would very much hope that there is generic advice being sought and provided as to an overall strategy to underpin the specific purchases. That is what I am trying to flesh out, the extent to which your agency may or may not have been involved in consultations leading to the provision of that advice or indeed in the provision of that advice directly.

**Mr Hunter**—Senator, we can take that on notice and provide you with an answer.

**Senator FISHER**—Thank you. And to the extent (a) whether you have been and (b) to the extent that you have been, details as to when, who and how and what, to the extent that you can. I know you cannot tell us about policy advice but you can indicate the topic.

**Mr Hunter**—It would be broadly an ongoing process. There are now interactions with the environment and water department, so perhaps being precise on each and every occasion would be difficult, but we can certainly characterise a role for you.

**Senator FISHER**—Thank you.

**CHAIR**—Thank you, Senator Fisher. Senator Siewert?

**Senator SIEWERT**—I am right on this one. I would rather move to BRS.

**CHAIR**—Yes, by all means. In that case then—

**Senator McGAURAN**—Is there an equivalent hectare global figure, buyback figure, or is it just in gegalitres?

**Dr O'Connell**—In terms of the National Reserve System?

**Senator McGAURAN**—Yes.

**Dr O'Connell**—I think you would have to address that question to the environment department; I do not have—

**Senator McGAURAN**—It has been reported it is 31 million hectares buyback, that that is the target figure.

**Mr Thompson**—That is the target that has been published in the Caring for our Country outcomes which is the target for the National Reserve System. That component of Caring for our Country is largely administered by our colleagues in Environment and Water and to get further details of that you are best to ask them. But

essentially it is around ensuring a representation in the reserve system of most of the bioregions of Australia and it is intended to cover intact ecosystems.

**Dr O'Connell**—The National Reserve System is in Environment portfolio.

**CHAIR**—Thank you, Dr O'Connell, thank you, Mr Thompson. We will now call Trade and Market Access.  
[10.39 pm]

**Senator IAN MACDONALD**—The rest of you need not get excited but it is really just to Mr Kalish in international fisheries. Thank you, Dr O'Connell, for your comprehensive response dated 16 August to my letter about the FAO. I just want to follow up three things very quickly. You say in your letter that the Australian government never received any request for assistance with port state operations in Fiji. But you remain receptive to a request from FAO for assistance in international fisheries matters. That is directly contrary to what Mr Nomura told me himself. I wonder, is it possible for your department just to check with Mr Nomura if there is something you could assist them with along those lines?

**Dr O'Connell**—I might pass over to Mr Kalish.

**Mr Kalish**—Senator, there are a few issues that I can, I think, shed light on here. Firstly, we recently had a conversation with Mr David Douman of the FAO fisheries and agriculture division, who was in Canberra two weeks ago for a meeting, and we discussed this issue with him. And, we have recently received a letter within the past month or so, I do not have the exact date, from the FAO requesting funding support for consultations with a range of developing port states to develop a better understanding of possible port state measures, legal implications and how they might adjust their legal systems and their technical systems to deal with port state measures. This is a recent request.

**Senator IAN MACDONALD**—He must have been thinking aloud when he was speaking to me in April, but anyhow it is all resolved; that is what we want. A further paragraph:

On behalf of the government, DAFF officers attended an FAO expert and technical consultation 2007 earlier this year on the development of international guidelines for deep sea fishing on the high seas. The department provided \$55,000 to FAO to support a further FAO meeting in the matter, which will be held in Rome next month.

And this was April, so it would have been held in September. What happened?

**Mr Kalish**—I am pleased to report that the technical consultation agreed on guidelines for deep sea fishing on the high seas and that was successfully completed with I think about 80 countries participating.

**Senator IAN MACDONALD**—What chance have we got of enforcing those agreements?

**Mr Kalish**—They are guidelines, they are not legally binding, so certainly countries will attempt to follow them in good faith. Some of the requirements are fairly difficult and I think, though, given that the majority of countries will seek to implement in good faith, there is some degree of weakening of possible guidelines as Australia might view them in an ideal case. We have guidelines, they are good; they take us very far towards fulfilling the requirements under the UN General Assembly resolution 105 that was agreed in 2006 dealing with fishing in the deep sea on the high seas.

**Senator IAN MACDONALD**—The difficult thing with all these is it does not matter what responsible countries agree to, it is the rogue states that cause all the trouble to the sustainability of the fisheries. We have not yet devised a way of gunboat diplomacy on the high seas to enforce those sustainability agreements?

**Mr Kalish**—No, we have not, but port state measures do take us some way in that regard. Also Australia is engaged, and you of course know this, in the development of the South Pacific Regional Fisheries Management Organisation and also has already signed on to the Southern Indian Ocean Fisheries Agreement, although we have not ratified that agreement. Both those agreements would seek to manage deep sea fishing activities on the high seas.

**Senator IAN MACDONALD**—They are FMOs, both those last two?

**Mr Kalish**—Yes.

**Senator IAN MACDONALD**—The first one I was aware of. They will have more stringent rules like the Central and Western Pacific, which is the most recent of those, so there is a better chance of the states involving—

**Mr Kalish**—Yes, that would be the intent, yes.

**Senator IAN MACDONALD**—Just finally in this stupidly limited time, the Indian Ocean Tuna Commission and I raised in my letter and you responded about Chinese Taipei, saying that attempting to find a solution is always with the FAO. But there has been a meeting since this letter in the margins of IOTC 12 where the issue was discussed with representatives of both FAO and China. Bearing in mind diplomatic sensitivities and perhaps it should not be spoken about in public, but if it can be spoken about in public, was there any hope at the end of the tunnel that Chinese Taipei might be brought in as a fishing entity so that we can try and enforce some of the rules against them?

**Mr Kalish**—There are still some difficulties in finalising that and one of the avenues that is being looked at is negotiation of a new agreement to replace the current Indian Ocean Tuna Commission convention, which is an article 14 body under the FAO constitution. So that is one avenue. But, unfortunately, I think the road of actually incorporating Chinese Taipei into the IOTC as it is currently constituted may be a difficult task.

**Senator IAN MACDONALD**—We were trying to get IOTC out of the FAO but that sort of failed, did it not?

**Mr Kalish**—That failed and I do not believe that would work; that is my view.

**Senator IAN MACDONALD**—I will have to talk to you about that some other time, because you did at one stage believe it would work. Anyhow, that is perhaps unfair. This might be a matter for DFAT rather than you, but the new Chinese Taipei government seems to be going full speed ahead to try and normalise relations with mainland China. Are there opportunities as that situation progresses to try and involve the IOTC arrangements, do you think?

**Mr Kalish**—We certainly have discussed the possibilities with our Chinese Taipei colleagues and they are hopeful there may be some forward movement but there has not been anything yet along those lines. They are still dealing with larger issues—trade between the two countries, transport, those type of issues—and have not discussed these specific fisheries matters as far as we know.

**Senator IAN MACDONALD**—The issue is one recognising the other, not so much whether it is trade or fisheries or tourism. I understand tourism has now fairly well opened up between Chinese Taipei and mainland China. I am not sure if this is a question, but it may be an opportune time to try and get DFAT to redouble its efforts perhaps, but perhaps I will raise that with them. That is all, thank you, Mr Kalish.

**CHAIR**—Thank you, officers from Trade and Market Access. We now call Bureau of Rural Sciences.

**Dr O’Connell**—Chair, just while they are coming up, I might correct one piece of information. Senator Siewert was asking about National Climate Change and Fisheries Action Plan. Our answers at that stage suggested there had not been any consultation with environment NGOs. There was a forum in May, a stakeholders forum, which did include environment NGOs. We will get the details of who was there for you.

**Senator SIEWERT**—That would be much appreciated.

[10.47 pm]

#### **Bureau of Rural Sciences**

**CHAIR**—I welcome officers from the Bureau of Rural Sciences. We will not muck around; let us get into it. Senator Siewert.

**Senator SIEWERT**—Thank you. How long have I got?

**CHAIR**—You have eight minutes.

**Senator SIEWERT**—Oh, good. I understand BRS has done some modelling on the impacts of the carbon price on various industries: is that correct?

**Ms Schneider**—No, we have not done any modelling on impacts of prices.

**Dr O’Connell**—I think you may be thinking about ABARE.

**Senator SIEWERT**—No, I was led to believe that BRS has done some modelling on the impact.

**Ms Schneider**—As far as I am aware, we have not done any modelling of that nature.

**Senator SIEWERT**—Okay. Have you done any modelling at all on the carbon price as it relates to trees and plantations?

**Ms Schneider**—I would have to ask Dr Ritman.

**Dr Ritman**—No, I am not aware of any modelling.

**Senator SIEWERT**—So BRS has done no modelling on any carbon pricing at all?

**Dr Ritman**—No.

**Ms Schneider**—That is right.

**Senator SIEWERT**—Okay, I will ask ABARE but I have been told it is BRS. I move on to fisheries and the work that CSIRO released not long ago. In fact, I was talking earlier about the impact of climate change on fisheries and on the seafood industry. Have you been doing any work around what impact that will have?

**Dr Ritman**—Senator, we have recently released the fisheries status reports which go through stock assessments of each one of the stocks. We are aware of the work from CSIRO. Being involved in the science community, that is nothing new to us that has come out in that CSIRO report commissioned by DCC. We have nothing in particular that we have been working on with climate change in fisheries.

**Senator SIEWERT**—So you are not doing any work around the impact of climate change in fisheries at all?

**Dr Ritman**—Other than assisting with the national action plan for climate change in fisheries.

**Senator SIEWERT**—Can I go back to the tree planting. I am not talking about reports that have been released. You have not done any work at all, released or not released?

**Dr Ritman**—We do not do modelling on price; that is an economic question that ABARE does.

**Senator SIEWERT**—Okay. I might save some of my time for ABARE, then. I had eight minutes and I only used about three.

**CHAIR**—You have five in credit.

**Senator COLBECK**—The funding that has come through from the fisheries research program, the \$4.3 million, how much of that is coming to BRS? I think there was \$1.9 million in this year's budget. Some of it has been allocated towards a scoping project, as I understand from the department.

**Dr Ritman**—Yes.

**Senator COLBECK**—So can you tell us how much that is and what the process is going forward?

**Dr Ritman**—Okay, I can answer that one. BRS will receive \$1.1 million for this financial year. We are going to undertake the work plan across the 52 species that have been categorised as uncertain. We are starting on the project right now. It commences with consultations with AFMA and CSIRO. During those consultations we will be scoping and prioritising which species to do first, because obviously the objective is to try and reduce the number of uncertain species.

**Senator COLBECK**—Which is now at 19; is that correct?

**Dr Ritman**—There is no figure that I know of.

**Senator COLBECK**—No, I am thinking of something else. Keep going, sorry.

**Dr Ritman**—So once we have prioritised then the planning into the future will become obvious.

**Senator COLBECK**—So out of that \$1.9 million this year there is \$1.1 million coming to BRS?

**Dr Ritman**—Yes.

**Senator COLBECK**—Just quickly, were you consulted by Environment with respect to the listing process for the Patagonian toothfish that is being undertaken at the moment?

**Dr Ritman**—I am not aware.

**Senator COLBECK**—You were not? Thank you.

**CHAIR**—That is all the questions for BRS. I will now call the Australian Bureau of Agriculture and Resource Economics.

[10.52 pm]

#### **Australian Bureau of Agriculture and Resource Economics**

**CHAIR**—Yes, Mr Glyde?

**Mr Glyde**—I undertook to provide some figures to the committee. I made some estimates before in terms of the costs and I have got the figures in front of me now. Would it be okay if I provide those?

**CHAIR**—Yes, please. What do you want to table?

**Mr Glyde**—It is a bit hard to table it; it is a bit all over the place. What we did was had a look at a scenario where you had a \$40 tonne price for carbon and then looked at what impact that would have on the livestock sector and the cropping sector. We were not able to break it down into fuel, fertiliser and chemicals. We found that on the assumption that agriculture is not in the scheme to start off with, which is the current proposal in the green paper, the costs for the livestock sector would go up by three per cent because of the increased cost of energy, and for the cropping sector by four per cent. However, if you assumed that agriculture was in the scheme as has been proposed post 2015, then that would lead to an additional cost of 15 per cent for the livestock sector and two per cent for the cropping sector, which would give you a total cost with those assumptions in place of 18 per cent increase for livestock and six per cent for crops.

**CHAIR**—Thank you, Mr Glyde. Senator Siewert.

**Senator BOSWELL**—Sorry, three per cent and what was the—?

**Mr Glyde**—Three per cent for livestock and four per cent for crops.

**Senator BOSWELL**—Yes, but three per cent for—

**CHAIR**—Senator Boswell, the time is coming off your time, so if you want to use eight minutes to ask questions it is fine, otherwise we will get to Senator Siewert.

**Senator SIEWERT**—Mr Glyde, you just heard my question to BRS for which they said they have not done any modelling. Have you done any modelling of the relationship between carbon price and tree planting?

**Mr Glyde**—We have. We have done some preliminary work and have done for 12, 18 months or so.

**Senator SIEWERT**—Okay. Have you completed a report or is there anything publicly available?

**Mr Glyde**—We have provided a report to the Department of Climate Change. We have provided some information also to the Garnaut review but that information has not been published. In relation to the report to the Department of Climate Change, that has been published?

**Dr Gunasekera**—Yes.

**Mr Glyde**—We are happy to provide that to you, Senator.

**Senator SIEWERT**—Okay. The information has been provided?

**Mr Glyde**—Yes, to the Department of Climate Change.

**Senator SIEWERT**—Thank you. Is it just on the plantation industry, and if it is what does it say? Or do you look at the impact on other renewable industries as well?

**Mr Glyde**—At this stage I would characterise the work that we have done is to look at at what carbon price would a change in land use occur between agriculture and forestry.

**Senator SIEWERT**—Okay.

**Mr Glyde**—Not just plantations but also environmental plantings as well. So we have not yet gone on to look at what that land use change might mean in terms of agricultural production; that is still work we have in front of us.

**Senator SIEWERT**—What about native forests?

**Mr Glyde**—We have made no assumptions, I think, in relation to native forests. I think some of the numbers that you see in the Garnaut review papers tend to make the assumption that there is no land use constraint to where you might put the environmental plantings or the plantations.

**Senator SIEWERT**—There has been no work done, then, comparing trees being planted to trees already in the ground?

**Mr Glyde**—We have not done that work.

**Senator SIEWERT**—Okay. Have you looked at any of the relationships between the carbon sink tax deductions—and you have heard the discussion that we have been having on and off all day—and the price in promoting plantations?

**Mr Glyde**—I am not quite sure about that. I do not think we have done specific work on that but I would have to just check in terms of some of the scenarios that we might have run for DCC, whether or not we have done that. So can I take that on notice?

**Senator SIEWERT**—Yes, that would be appreciated. I am sorry I am rushing, because I am running out of time.

**Mr Glyde**—No, no.

**Senator SIEWERT**—I have got a series of other questions which I think I might have to put on notice, but they relate to your purchasing of water in the Murray-Darling Basin report of 2007.

**Mr Glyde**—Yes.

**Senator SIEWERT**—October 2007. If I understand, you have made a quote there:

Where environmental benefits are not independent of where water is purchased, an environmental index will be needed to compare the environmental benefits derived from purchasing water from different irrigation systems within a physically connected system or across irrigation systems in physically disconnected systems.

With the purchases that the department has been making recently, have you had a discussion with them about this environmental index?

**Mr Glyde**—That paper we provided to the Department of Environment, Water, Heritage and the Arts was provided in October 2007 and it has only recently been released because it was a report to them.

**Senator SIEWERT**—Yes.

**Mr Glyde**—I might ask my colleague, Mr Gooday, to try and answer your question because I am not sure what has happened in that interim period.

**Mr Gooday**—Since providing the report in 2007 we have not followed up discussions regarding the environmental benefits index with the department.

**Senator SIEWERT**—You have not, at all?

**Mr Gooday**—No.

**Senator SIEWERT**—Okay. In view of the time, I might put the rest of my questions on notice because if you have not actually discussed it I think it null and voids many of my questions. I will need to go through them and check which ones are appropriate. I will put the rest on notice, thanks.

**Senator BOSWELL**—There seems to be a bit of double-dipping here. How are you representing ABARE and you were representing another department?

**Mr Glyde**—I am trying only to represent ABARE at the moment, Senator.

**Senator BOSWELL**—So you were working for another department before?

**Mr Glyde**—No.

**Senator BOSWELL**—I was asking you some questions when another department was here.

**Dr O'Connell**—That was another division.

**Mr Glyde**—Yes, I was here. I was at the other end of the table but—

**Senator Sherry**—He has moved positions, Senator Boswell.

**Senator McGAURAN**—Senator Boswell's point is quite right.

**Senator BOSWELL**—You were here with another department.

**Mr Glyde**—Sorry, yes, quite right, my apologies—when another division was—

**Senator BOSWELL**—You are being more helpful than most. I will try and use my five minutes. You just gave us an increase in the cost of beef production by 18 per cent?

**Mr Glyde**—Yes, that is correct.

**Senator BOSWELL**—How is that made up? By ruminant emissions and increased cost of abattoirs?

**Mr Glyde**—No, it is two elements. We were looking at the input costs, was the first part, where even if agriculture is excluded from the scheme it will still have to pay higher costs for energy, for fertiliser, for chemicals, any of the products that require energy.

**Senator BOSWELL**—Okay. Is that 18 per cent fertiliser energy?

**Mr Glyde**—No, that was the—

**Senator BOSWELL**—Is that the emissions plus the fertiliser?

**Mr Glyde**—The three per cent was the input costs for livestock, four per cent for crops.

**Senator BOSWELL**—No, but you said it was 18 per cent.



**Mr Glyde**—Yes, and the bulk of that for the livestock sector is actually made by the direct emissions from the livestock.

**Senator BOSWELL**—Okay. So a beast that sells for \$1,000, put it through the abattoirs: is that going to cost \$180 at 18 per cent?

**Mr Glyde**—I think what we are saying is that the overall costs of getting that animal to market will go up by 18 per cent because you will have to pay for an emission permit that would cover those emissions, or somehow reduce your emissions.

**Senator BOSWELL**—That is an incredible figure!

**Dr O'Connell**—This is on the assumption that they are in the scheme and the effective cost of carbon is \$40 a tonne.

**Senator BOSWELL**—But even if it was \$20 a tonne or it was \$90—

**Mr Glyde**—We do not know what the price of carbon will be.

**Senator BOSWELL**—No, but at \$40 a tonne it is going to cost \$180 for a \$1,000 beast put through an abattoir. Okay. What work has ABARE done with regard to cost of an emission trading scheme on the rural sector, what studies or analysis?

**Mr Glyde**—Most of the work that ABARE has done has been in the context of the work that we mentioned earlier on, Senator, the work that the Department of the Treasury has done. What we have tended to do in the past, prior to the existence of the government's policy in relation to the emissions trading scheme, was to talk about the impact of climate change itself on agriculture rather than the climate pollution reduction scheme.

**Senator BOSWELL**—I have got five minutes. Let us just go to the point. Have you done any costing on emission trading, yes or no?

**Mr Glyde**—No.

**Senator BOSWELL**—Can you summarise the main ABARE findings regarding impact of the proposed carbon pollution reduction scheme on the primary production sector?

**Mr Glyde**—No, because that depends on the settings that are put in place for the carbon pollution reduction scheme.

**Senator BOSWELL**—Well, at \$40 a tonne?

**Mr Glyde**—No, the answer is no.

**Dr O'Connell**—Yes, the answer is no.

**Senator BOSWELL**—Have you any estimates of how profitability will be affected across a range of enterprises?

**Mr Glyde**—Not at the CPRS.

**Senator BOSWELL**—Will there be a loss of jobs from rural sector direct and indirectly?

**Mr Glyde**—It depends on the design of the CPRS.

**Senator BOSWELL**—Well, at \$40 a tonne, \$20 a tonne, there would have—

**Dr O'Connell**—But that is not the design of the CPRS at the moment.

**Mr Glyde**—We do not know what it is. Prices will change throughout the whole economy and how that actually plays out really depends on the design of the scheme.

**Senator BOSWELL**—What will happen to Australian farmers if they have to operate under a carbon cost regime when their competitors overseas do not have to?

**Mr Glyde**—The overseas competitors would have an advantage.

**Senator BOSWELL**—Have you done any modelling on that?

**Mr Glyde**—Not in relation to the Carbon Pollution Reduction Scheme.

**Senator BOSWELL**—Do you know what sort of advantage, how much advantage?

**Mr Glyde**—Again, it depends on the assumptions in the scheme and the design elements of the scheme.

**Senator BOSWELL**—Did the government ask for any advice from ABARE concerning the impact of their climate change policy response on agriculture?

**Mr Glyde**—ABARE has been providing advice, models and modellers to the Department of Climate Change, the Department of the Treasury and also the Garnaut review.

**Senator BOSWELL**—Is food security an issue if we put millions of hectares under carbon farming as advocated by the Garnaut review?

**Mr Glyde**—That is a question you perhaps should put to the Garnaut review.

**Senator BOSWELL**—I would love to, but I am putting it to you.

**Dr O'Connell**—I think without more context it is difficult. It depends on where plantations go and how much agricultural land will be taken out of agricultural use. It depends on whether it is Mallee country, for example, or—

**Senator BOSWELL**—This nine million hectares, do you know where that is going to go?

**Dr O'Connell**—No, because I think it is a hypothetical and a scenario, so the answer is no.

**Mr Glyde**—That is right.

**Senator BOSWELL**—You have shocked me with 18 per cent on killing a beast; that is phenomenal. You are going to just about bankrupt every—no, you will not bankrupt the farmer, it will just get passed on.

**Dr O'Connell**—I should make clear that is not the CPRS. The CPRS has not been designed yet.

**Senator BOSWELL**—No, that is at \$40 a tonne.

**Dr O'Connell**—There is no decision that agriculture will be in it.

**Senator BOSWELL**—I am well aware of that. But at \$40 a tonne, it is going to be \$180 a beast, which is going to put—

**CHAIR**—Senator Boswell, do you have any other questions, it being five minutes past 11?

**Senator BOSWELL**—I have a lot of other questions, but you will be throwing me out if I ask them.

**CHAIR**—All right. Senator Colbeck has one last very quick one and it will go for 10 seconds and so will the answer..

**Senator COLBECK**—We were told earlier that there is \$1.9 million this year allocated for fisheries research program, of which \$1.1 has gone to BRS. Can I assume that the rest has come to ABARE, and what will you be doing with it?

**Mr Glyde**—I think Peter would know the answer or we may have to take it on notice.

**Mr Gooday**—Yes, the answer is the money has not come to ABARE.

**CHAIR**—Right, that has answered that. Thank you very much. It is now way past our bedtime. I would like to thank the officials for availing themselves today, even those who had to stay here all day. More importantly, I would like to take this opportunity to thank the broadcasting and Hansard staff and the secretariat. Thank you, Minister. On behalf of the committee, that concludes today's estimates hearings. The committee now stands adjourned.

**Committee adjourned at 11.07 pm**