



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## SENATE

STANDING COMMITTEE ON RURAL AND REGIONAL AFFAIRS  
AND TRANSPORT

ESTIMATES

**(Additional Budget Estimates)**

MONDAY, 23 FEBRUARY 2009

CANBERRA

BY AUTHORITY OF THE SENATE



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

**Monday, 23 February 2009**

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

**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, Feeney, Fielding, Fierravanti-Wells, Fifield, Fisher, Forshaw, Furner, Hanson-Young, Heffernan, Humphries, Hurley, Johnston, Joyce, Kroger, Ludlam, Lundy, Macdonald, Marshall, Mason, McEwen, McLucas, Milne, Minchin, Moore, Parry, Payne, Polley, Pratt, Ronaldson, Ryan, Scullion, Siewert, Stephens, Troeth, Trood, Wortley and Xenophon

**Senators in attendance:** (Senators Abetz, Boswell, Colbeck, Farrell, Fierravanti-Wells, Heffernan, Hogg, Hutchins, MacDonald, McGauran, Milne, Nash, O'Brien, Siewert, Sterle and Williams)

**Committee met at 9.00 am**

**AGRICULTURE, FISHERIES AND FORESTRY PORTFOLIO**

**In Attendance**

Senator the Hon. Nick Sherry, Minister for Superannuation and Corporate Law, representing the Minister for Agriculture, Fisheries and Forestry

**Department of Agriculture, Fisheries and Forestry**

**Executive**

Dr Conall O'Connell, Secretary  
Mr Daryl Quinlivan, Deputy Secretary  
Mr Rob Delane, Deputy Secretary/Executive Director AQIS  
Mr Stephen Hunter, Deputy Secretary  
Mr Phillip Glyde, Deputy Secretary/Executive Director ABARE

**Corporate and Management Services**

Mr David Williamson, Executive Manager, Corporate Policy  
Mr Travis Power, General Manager, Policy Development (Economic and Cross-Portfolio)  
Dr Vanessa Findlay, General Manager, Policy Development (Economic and Cross-Portfolio)  
Ms Elizabeth Bie, General Manager, Ministerial and Parliamentary  
Mr Dale Starr, Acting General Manager, Corporate Communications  
Ms Anne Hazell, Chief Operating Officer  
Mr Darren Schaeffer, Chief Finance Officer  
Ms Vanessa Berry, Deputy Chief Finance Officer  
Ms Leanne Herrick, Acting General Manager, Governance and Planning  
Ms Julie Hicks, General Manager, Collective Agreement Negotiations Team  
Mr Gerry Smith, General Manager, Human Resources

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RURAL AND REGIONAL AFFAIRS AND TRANSPORT

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Mr Dave Mitchell, Acting General Manager, Levies, Contracts and Services  
Mr Stephen Foley, Chief Information Officer

**Wheat Exports Australia**

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

**Climate Change**

Mr David Mortimer, Executive Manager, Climate Change Division  
Mr John Talbot, General Manager, Forestry Branch  
Miss Julia Gaglia, Acting General Manager, Climate Change Branch  
Mr Matthew Dadswell, General Manager, Drought Policy Branch  
Mrs Jenny Cupit, General Manager, Farm Adjustment Branch

**Sustainable Resource Management**

Mr Ian Thompson, Executive Manager  
Mr Roland Pittar, General Manager, Domestic Fisheries and Aquaculture  
Mr Rod Shaw, General Manager, Landcare and Sustainable Agriculture  
Ms Glenda Kidman, Acting General Manager, Australian Government Land and Coasts  
Ms Michelle Lauder, Manager, Business Planning

**Land and Water Australia**

Dr Michael Robinson, Executive Director

**Australian Fisheries Management Authority (AFMA)**

Mr Glen Hurry, Chief Executive Officer  
Dr Nick Rayns, Executive Manager, Fisheries Management Branch  
Mr Paul Murphy, General Manager, Fisheries Operations Branch  
Mr Mark Farrell, Chief Information Officer  
Mr Dave Johnson, General Manager, Corporate Governance Branch  
Mr David Perrott, Chief Financial Officer  
Mr Peter Venslovas, Regional Director, Foreign Compliance Operations, Darwin

**Trade and Market Access**

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  
Ms Sara Cowan, General Manager, Multilateral Trade

**Quarantine and Biosecurity Policy Unit**

Ms Fran Freeman, Executive Manager  
Ms Kirsty Faichney, Acting General Manager  
Mr Russell Phillips, General Manager  
Ms Catherine Smith, Acting General Manager (1 Oct 08–16 Jan 09)

**Australian Quarantine and Inspection Service (AQIS)**

Ms Jenet Connell, Executive Manager, Business Strategy and Corporate Services  
Mr Peter Moore, General Manager, Finance Property and Business Services Branch  
Mr Greg Read, Executive Manager, AQIS Exports Division  
Mr Colin Hunter, National Manager, Food Exports Branch  
Dr Mark Schipp, General Manager, Animal Products Market Access Branch  
Mr Garry Cullen, Acting National Manager, Animal and Plant Exports and Imported Food Safety Branch  
Mr Tim Chapman, Executive Manager, Quarantine Operations Division  
Mr Robert Langlands, Acting National Manager, Cargo Management and Shipping  
Dr Chris Parker, National Manager, Border  
Dr Ann McDonald, National Manager, Animal Quarantine  
Mr Peter Liehne, National Manager, Plant Quarantine and Biologicals Program  
Ms Jenni Gordon, Executive Manager, Quarantine Systems Division  
Ms Helen Gannon, Acting General Manager, Quarantine IT Systems Branch  
Dr Nora Galway, Manager, Imported Food Program

**Biosecurity Australia**

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

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

Dr Andy Carroll, Acting Executive Manager  
Ms Lois Ransom, Chief Plant Protection Officer, Office of the Chief Plant Protection Officer  
Dr Graeme Garner, Acting Australian Chief Veterinary Officer, Office of the Chief Veterinary Officer  
Dr Bob Biddle, General Manager, Animal and Plant Health Policy  
Dr Peter Thornber, Project Manager, Animal Welfare Branch  
Dr Allan Sheridan, Project Manager, Animal Welfare Branch  
Mr Jim Paradise, Acting General Manager, Animal Welfare Branch  
Mr Scott Turner, Project Manager, Animal Welfare Branch  
Mr Richard Souness, General Manager, Food, Product Safety and Integrity

**Australian Wool Innovation**

Mr Walter Merriman, Chairman  
Mr James Barry, Chief Operating Officer  
Mr Charles Olsson, Director  
Mr Stuart McCullough, Strategic Adviser

**Australian Pesticides and Veterinary Medicines Authority (APVMA)**

Dr Eva Bennet-Jenkins, Chief Executive Officer  
Ms Joanne Mitchell, Program Manager, Corporate  
Dr Raj Bhula, Program Manager, Pesticides Program

**Agricultural Productivity**

Mr Allen Grant, Executive Manager  
Mr Bill Withers, General Manager, Research, Innovation and Training  
Mr Simon Murname, General Manager, Livestock Industries  
Mr Peter Ottesen, General Manager, Crops, Horticulture, Wine and Water  
Mr Greg Williamson, General Manager, Food Branch

**Grains Research and Development Corporation**

Mr Keith Perrett, Chair  
Mr Peter Reading, Managing Director

**Meat and Livestock Australia**

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

**Bureau of Rural Sciences (BRS)**

Ms Karen Schneider, Executive Director  
Dr Kim Ritman, General Manager, Fisheries, Land and Forestry Sciences Branch  
Dr James Findlay, General Manager, Climate Change and Water Sciences Branch  
Mr Mark McGovern, Program Leader, Business Strategy and Operations Program  
Dr Anthony Hogan, Social Sciences Unit  
Mr Gavin Begg, Program Leader, Fisheries and Marine Sciences Program

**Australian Bureau of Agricultural and Resource Economics (ABARE)**

Dr Don Gunasekera, Chief Economist  
Dr Terry Sheales, Deputy Executive Director  
Dr Jammie Penm, Chief Commodity Analyst  
Dr Helal Ahammad, General Manager, Climate Change and Environment  
Mr Peter Gooday, General Manager, Productivity, Water and Fisheries  
Ms Jane Melanie, General Manager, Resources 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. On Thursday, 4 December 2008 the Senate referred to the committee for examination the particulars of proposed additional expenditure for 2008-09 and certain other documents for the Agriculture, Fisheries and Forestry portfolio. The committee will now further examine the particulars of proposed expenditure through these additional budget estimates hearings. The committee may also examine the annual reports of the departments and agencies appearing before it. As agreed, I propose to call on the estimates in the order shown on the printed program. We will take a break for morning tea at 10.30 am sharp. Other breaks are listed in the program. The committee is due to report to the Senate on 17 March 2009 and has fixed Wednesday, 15 April 2009 as the date for the return of answers to questions taken on notice. Senators are reminded that any written questions on notice should be provided to the committee secretariat by close of business this Friday. 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 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. This resolution prohibits only questions asking for opinions on matters of policy and does not preclude questions asking for explanations of policies or factual questions about when and how policies were adopted. If a witness objects to answering a question, the witness should state the grounds 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 claim that it 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, and such action may be treated by the Senate as a contempt. It is also a contempt to give false or misleading evidence to a committee.

[9.03 am]

#### **Department of Agriculture, Fisheries and Forestry**

**CHAIR**—I now welcome Senator the Hon. Nick Sherry, Minister for Superannuation and Corporate Law, representing the Minister for Agriculture, Fisheries and Forestry, Dr Conall O'Connell, Secretary of the Department of Agriculture, Fisheries and Forestry, and officers of the department. Minister, do you or Dr O'Connell wish to make a brief opening statement?

**Senator Sherry**—No, I do not have any opening statement.

**CHAIR**—Dr O'Connell?

**Dr O'Connell**—No, thanks.

**CHAIR**—In that case, we will go straight to questions.

**Senator COLBECK**—I will quickly go to some questions relating to budget and cash flow—where the agency is in respect of its budget projections and cash flow at the moment. Can you give me an overview of whether you are ahead of or behind budget? I would like to go through that program by program, if I can.

**Mr Schaeffer**—Broadly, the department is primarily on track to meet its full-year budget for 2008-09. Administered, we are projecting a slight underspend this year. Departmentally, we are also projecting to meet our full-year target.

**Senator COLBECK**—What is the quantum of the underspend that you are projecting?

**Mr Schaeffer**—At this stage, although we are working on it, it is around one per cent.

**Senator COLBECK**—Which is quantified as how much in dollars?

**Mr Schaeffer**—I would have to check, but it would be around \$290 million.

**Senator COLBECK**—A \$290 million underspend. Where are the underspends projected to come from? What are the elements that are making up that \$290 million underspend?

**Mr Schaeffer**—The bulk majority of the variance is estimated to come from exceptional circumstances payments from our drought program.

**Senator COLBECK**—Do you have a figure? What is your expected figure? I would like to get a fairly detailed breakdown on how that \$290 million is made up, if I can, please.

**Mr Schaeffer**—I do not have those exact details but I can take it on notice.

**Senator COLBECK**—Could you possibly come back to me later in the morning on that? I would like to be able to go through and have a bit of a look at the detail of that as part of the day's proceedings. Can you undertake to do some work on that for us this morning?

**Dr O'Connell**—We will do what we can as quickly as we can to get that to you.

**Senator COLBECK**—I would like to have a sense of what areas you think you might be underspending in and what areas you might be going to underspend in.

**Mr Schaeffer**—Sure.

**Senator COLBECK**—Do you have a figure for how much you expect to underspend on EC?

**Mr Schaeffer**—We do; however, most of the variance will be transferred. There is a bit of a timing issue at the moment with the specific purpose payments being transferred to the Department of the Treasury, so we are just clarifying the exact timing and the exact amounts for our portfolio as opposed to the Treasury portfolio in relation to that.

**Senator COLBECK**—So you are saying that the \$290 million figure might vary depending on how much you have to give to Treasury?

**Mr Schaeffer**—It may be zero or it may be more; it just depends on the timing. Those figures are our current estimates based our department's perspective. There will be another chance to update the estimates as these things unravel.

**Mr Quinlivan**—We will have the climate change division here later this morning, I think, and we can have a detailed tour through the exceptional circumstances programs at that time.

**Senator COLBECK**—That might be worth doing. I would like to get a sense of which particular programs are underspent, which you are projecting to underspend and which particular programs you project to be tight on budget. Frankly, I would have expected that you would have had that sort of information available given that is fundamentally what we are talking about here today.

**Mr Schaeffer**—We can get that for you reasonably quickly. As I say, it is just a matter of the timing issues between our department and the Treasury department.

**Senator COLBECK**—What is the current staffing of the agency and what has it varied since we last discussed that in November?

**Mr Schaeffer**—In the portfolio additional estimates statements on page 28, our revised target on the current staffing levels was 4,481.

**Senator COLBECK**—That is a target; I want to know what they are now though.

**Mr Schaeffer**—My colleague Ms Hazell will handle that.

**Ms Hazell**—The department currently employs 4,255 full-time staff, 914 part-time staff and 141 casual staff. That gives you a total of 5,310 based on a headcount of staff.

**Senator COLBECK**—Based on a headcount?

**Ms Hazell**—A headcount, yes.

**Senator COLBECK**—So that is not full-time equivalents?

**Ms Hazell**—That is not full-time equivalents.

**Senator COLBECK**—How do we convert that to full-time equivalents?

**Ms Hazell**—For full-time equivalents, the figure is roughly 4,735.

**Senator COLBECK**—How does that go back to what was projected?

**Ms Hazell**—The projected figures are in a different formula again. The projected figures in the portfolio additional estimates statements are on an ASL basis. The differences are around when you count people on leave and when you do not count people on leave.

**Senator COLBECK**—So how do I convert that so I can compare apples with apples?

**Ms Hazell**—With great difficulty. We could take on notice an ASL calculation for you but the FTE figure, I am advised, is broadly on track to meet that ASL target at year end.

**Senator COLBECK**—But there is no way known that I can check that because I do not have a conversion factor.

**Dr O'Connell**—We can undertake to give you our conversion from the headcount to the ASL number that was in the additional estimates—

**Senator COLBECK**—Sorry, could you just remind me of that ASL number again?

**Dr O'Connell**—The ASL number for 2008 is 4,481.

**Senator COLBECK**—What does the term 'ASL' mean?

**Dr O'Connell**—Average staffing level.

**Mr Quinlivan**—The difficulty arises because it is not a useful management concept, so we do not really use it for managing staff in the organisation. It is mostly used for costing purposes—

**Senator COLBECK**—ASL, you mean?

**Mr Quinlivan**—Yes. It is therefore important in a budgetary sense because it is used for costing programs and so on but, for managing staff and budgets on an ongoing basis, it is not something we use. That is where FTEs and headcounts are relevant.

**Senator COLBECK**—So you consider that you are on track to meet your targets with respect to staffing?

**Ms Hazell**—Yes.

**Senator COLBECK**—Can we go on to the efficiency dividend. Are we still in the process of maintaining the efficiency dividend effort? What target has been put, so far as the budget preparations for this year go?

**Mr Quinlivan**—The efficiency dividend for 2008-09 is 3.25 per cent, which translates to \$9,389,000. As we discussed last time, that is applied to the department's base appropriation funding. Once our appropriation funding is known for the year, the secretary of the department makes an allocation of that funding across programs within the divisions within the department in accordance with judgments about priorities and so on. In effect, the impact of the efficiency dividend is distributed across the organisation in allocating priorities. So you cannot attribute it to any one activity or any one area of the department.

**Senator COLBECK**—In your budget preparations for 2009-10, what efficiency dividend are you working on?

**Mr Quinlivan**—Budget decisions have not been made or announced yet, so that question is premature.

**Senator COLBECK**—So you have not started working on your budget for 2009-10 yet?

**Mr Quinlivan**—We have started working on our budgets in preparing the portfolio budget statement, which is close to being settled, but the decision-making part of the budget process is just about to commence. We will be finalising our departmental budget when all of those decisions have been made.

**Senator COLBECK**—So what assumptions are you working on? Are you working on the assumption that you are running with the normal level of efficiency dividend until you are told otherwise?

**Mr Quinlivan**—Correct.

**Dr O'Connell**—In the position that we are in now, we consider it likely that the efficiency dividend next year will be 3.25 per cent, but of course the government can modify decisions in the process.

**Senator COLBECK**—So you are expecting to run on the 3.25 per cent efficiency dividend for 2009-10.

**Dr O'Connell**—Yes, subject, of course, to government decisions on the budget.

**Senator COLBECK**—We were told that it was an efficiency dividend for this financial year only—the normal efficiency dividend was 1.25, and an additional two per cent for this financial year was what was being asked for. So your expectation is that you will be asked to come up with a 3.25 again this year.

**Mr Schaeffer**—It was characterised as a one-off.

**Senator COLBECK**—That was my point.

**Dr O'Connell**—But it is off the base appropriation.

**Mr Schaeffer**—That is right. So it is not compounding another two per cent each year. It is basically just the flat two per cent ongoing.

**Senator COLBECK**—If it is an ongoing, what is the base level for that?

**Mr Schaeffer**—You have to do it in percentage terms because our base changes depending on measures that get agreed to through the budget processes. So our base would actually change.

**Senator COLBECK**—So you do not reset your base every year.

**Mr Schaeffer**—That is correct. New measures would change that base, and the efficiency dividend would be applied to that new base.

**Senator COLBECK**—What would your projected impact of that be in 2009-10? You lost \$9.389 million, was it?

**Mr Schaeffer**—That is correct.

**Senator COLBECK**—What are you expecting to drop off as the efficiency dividend this year?

**Mr Schaeffer**—The figure is actually \$7.6 million, and the reason for that is that our base drops.

**Senator COLBECK**—So the base is not stable—it has been reset and you are dropping off that next base. What is the projected impact on employment levels in the department based on that for 2009-10?

**Dr O'Connell**—There is no direct relationship. It would depend on how we manage our budget. We will get that plus budget decisions, but we have not had budget decisions, so we cannot talk about next year.

**Senator COLBECK**—So some individual programs may create an employment level and I suppose they will necessarily have to be set aside because they will take a requirement, or are you going to be expected to manage new programs out of an overall staffing allocation?

**Dr O'Connell**—I will wait to see what the budget is. I cannot answer hypotheticals in that area.

**Senator COLBECK**—Do you have figures on the minister's travel expenses for community cabinet meetings held since budget estimates?

**Mr D Williamson**—Since the last estimates there have been three community cabinet meetings: one in Launceston, one in Corio and one in Campbelltown. The ministerial costs of community cabinet are handled by the Department of Finance and Deregulation, so we would have to get that information for you.

**Senator COLBECK**—If you would, please.

**Mr D Williamson**—Sure.

**Senator COLBECK**—What about departmental costs?

**Mr D Williamson**—The departmental costs for the Launceston meeting were \$2005.85, there were no costs for the Corio meeting and I do not have the costs yet for the Campbelltown meeting—that was last week, but we expect no costs.

**Senator COLBECK**—What happened at Corio? Nobody went?

**Mr D Williamson**—That is correct.

**Senator COLBECK**—It is dangerous letting a minister out on his own!

**Senator Sherry**—Not this minister.

**Senator COLBECK**—Departments get nervous when any minister goes out on their own.

**Senator Sherry**—You can bet on it. They are but to serve.

**Senator COLBECK**—What was the staff complement at Launceston?

**Mr D Williamson**—The secretary attended.

**Senator COLBECK**—How many attended at Campbelltown?

**Mr D Williamson**—The secretary.

**Senator COLBECK**—You get all the good gigs, Dr O'Connell! What reviews is the agency currently undertaking?

**Mr D Williamson**—There are a number of reviews. It might be best to discuss that when the relevant areas come up, but the main review—a large-scale portfolio review—relates to the drought. The quarantine review that I think we talked about last time, as you know, is completed, and the government has put an in-principle response out. They are the two major reviews.

**Dr O'Connell**—The drought review of the Climate Change Division can give some detail on that when we get there.

**Senator COLBECK**—But you cannot give me just a whole-of-portfolio summary of what reviews you are currently undertaking?

**Mr D Williamson**—Yes, we can. I can pull that together for you, yes.

**Senator COLBECK**—Okay. If you could, I would appreciate that. Could you give me, with that information, projected completion dates for them, along with estimated costs for each review.

**Mr D Williamson**—Sure. I think we provided a similar thing on notice last time, so I can structure it in the same way.

**Senator COLBECK**—Yes, if you could update that, that would be fine. Thank you. Do you have anything in the wind—anything further that you have in the planning process?

**Mr D Williamson**—Not that I am aware of.

**Senator COLBECK**—You probably did a similar thing for us last time in consultancies, so I might ask you to update that as well as part of this process so that we do not get bogged down in time.

**Mr D Williamson**—Okay.

**Senator COLBECK**—With respect to the stimulus package, the only involvement that the department would have would be with the EC payments—is that correct?

**Mr Quinlivan**—Correct.

**Senator COLBECK**—And effectively that is being managed or worked through in conjunction with Centrelink to deliver the payments?

**Mr Quinlivan**—Centrelink is the delivery agency; that is correct.

**Senator COLBECK**—Was the department asked for any specific input into the stimulus package?

**Mr Quinlivan**—We were involved in the very final stage of decision making on that specific element, but that was the only involvement.

**Senator COLBECK**—When would that have brought you into the process? You said ‘the very final’.

**Mr Quinlivan**—I cannot recall the precise dates, but when the EC people come later in the morning, if you like, we could go through it. I will make sure I have the dates.

**Senator COLBECK**—So it was effectively only the EC group within the department that were involved in that process as part of the package.

**Mr Quinlivan**—That is right.

**Senator COLBECK**—So effectively there was no consideration given to putting any aspects of agriculture into the package as far as you are aware.

**Mr Quinlivan**—I could not say that, because we were not involved in the development of the package; we were just involved in the very final development of materials around that specific element. So I could not answer.

**Senator COLBECK**—Surely, if the department were being involved in the package, you would be consulted at some stage during the development process.

**Mr Quinlivan**—There may well have been consideration of any number of things in our portfolio before that stage, but I am not aware of those.

**Senator COLBECK**—So we will have to wait till the EC guys come in later.

**Mr Quinlivan**—But they will only be in a position to talk about that stage of the process.

**Senator COLBECK**—I understand that, but effectively the only element of the department that was involved in the development of the stimulus package—and that was very late in the piece—was the group that was involved in the delivery of the EC.

**Mr Quinlivan**—I should probably get that clear. We were not involved in the development of the stimulus package or the decision-making process. We were involved in the preparation of materials with Centrelink at the final stage just prior to the announcement, because it was necessary to have materials available for the public immediately after the announcement. That is the element of the process we were involved in. At that point, the package had been developed and the decisions taken.

**Dr O’Connell**—Questions around the development of the stimulus package are probably better to put to Treasury, I think, since they manage that overall process.

**Senator COLBECK**—That may be the case, Dr O’Connell, but this is the department that has expertise on agriculture and how injections into the agricultural sector might help stimulate the economy. Therefore, it would be reasonable to expect that, if there was something that was being considered as part of that process, you might be consulted about it.

**Dr O’Connell**—I was talking more about your question on whether or not there was any consideration of agriculture in the development of the stimulus package. I think you would have to put that to Treasury because they would be the ones—

**Senator COLBECK**—We might consider that, but I expect we will get the ‘advice to government’ response which oppositions know only too well. I understand, but the point I was trying to get at at this stage of the proceedings was whether or not your agency had any input into the development of the process. We have confirmed that that is not the case. There was only some information provided with respect to the delivery of the additional payments for those who are in EC, and that was provided very late in the piece as part of the final mechanics of the delivery of the package rather than the development of the package.

**Dr O’Connell**—Correct.

**Senator COLBECK**—So we would get the date the department was approached from those involved in that process, which would have been those involved in the EC process?

**Mr Quinlivan**—I will make sure we have that detail when they come to the table.

**Senator COLBECK**—Thanks very much. How much have you spent so far on media monitoring this financial year?

**Mr D Williamson**—As of the end of December, the latest figure I have is \$127,288.

**Senator COLBECK**—What is the staffing allocation in the department for those duties?

**Mr D Williamson**—For media monitoring? I would have to take that on notice. We use a company to provide the actual clippings. I think we have one person who collates and distributes the media monitoring within the department.

**Senator COLBECK**—What are the DLO levels in each of the ministerial offices at this stage?

**Mr D Williamson**—We have just the one ministerial office and it has two DLOs.

**Senator COLBECK**—Do they have divisional responsibilities?

**Mr D Williamson**—Within the office?

**Senator COLBECK**—Yes.

**Mr D Williamson**—They do have some specific areas that they focus on, yes.

**Senator COLBECK**—Is there one looking after forestry and one looking after fisheries? Are they allocated to different elements within the agency?

**Mr D Williamson**—No, it is not generally policy issue specific. It is more around correspondence, briefing, questions on notice and those sorts of issues.

**Senator COLBECK**—Is there a graduate in the minister’s office at the moment as part of the graduate program? Some agencies have a graduate who works in the minister’s office. Does this department have anyone in that role?

**Mr D Williamson**—No, there is not a graduate who works in the minister’s office. From time to time graduates will go up to see the minister’s office for a couple of hours to observe it. My colleague Ms Bie might like to comment on this, but we have graduates who work in her area of the department—the parliamentary liaison service, which looks after the minister’s office from the department’s perspective.

**Senator HEFFERNAN**—If the graduate is here, can we get him to ask the secretary what the hell his PhD is?

**Mr D Williamson**—We will see what we can do.

**Dr O’Connell**—And I thought we were past all that after last year!

**Senator HEFFERNAN**—You still have not given me an answer.

**Ms Bie**—Graduates go up from time to time when there is peak administrative workload. In addition, other staff with administrative skills go up at times of peak workload as well.

**Senator COLBECK**—So there is capacity to second some additional capacity into the office when it is needed.

**Ms Bie**—We do not actually second them to the office. They are really an extension of the department. It is only the DLOs who are staff in the office.

**Senator COLBECK**—Since the last budget estimates has the minister had any overseas travel?

**Mr D Williamson**—Yes—two trips, from memory. He went to Italy for an FAO ministerial conference and to Spain for a food security meeting.

**Senator COLBECK**—Do we have the costs of those particular trips available to us yet?

**Mr D Williamson**—I can provide you with the departmental costs. The Italy trip cost \$15,765 and the Spain trip cost \$46,638.

**Senator COLBECK**—They are the departmental costs, not the ministerial costs.

**Mr D Williamson**—Yes.

**Senator COLBECK**—Do we have the ministerial costs?

**Mr D Williamson**—Once again, the Department of Finance and Deregulation look after those costs, so we would have to get that for your notice.

**Senator COLBECK**—What was the staffing delegation on each of those trips?

**Mr D Williamson**—One DAFF official attended the Italy trip and two went to Spain.

**Senator COLBECK**—Do we have any details of the programs of those two trips?

**Mr D Williamson**—I do not have them with me, but we have the trip itineraries, which we can get for you.

**Senator COLBECK**—Was there anyone outside the department who travelled on those delegations?

**Mr D Williamson**—A staff member from the minister’s office accompanied the minister as well on each of those trips.

**Senator COLBECK**—Where would those costs be found?

**Mr D Williamson**—I believe from the finance department, again.

**Senator COLBECK**—So I would have to go to the Department of Finance and Deregulation to find those?

**Dr O'Connell**—Those costs are tabled every six months by the department of finance or ministerial travel.

**Senator COLBECK**—I understand. Does that include the costs of staff travel?

**Dr O'Connell**—I think it—

**Senator COLBECK**—I am aware of the ministerial stuff being tabled.

**Mr D Williamson**—It includes the full cost of the visits, which includes accompanying staff as well.

**Senator COLBECK**—Do they actually break that all down into travel accommodation and other expenses as part of that process?

**Mr D Williamson**—I am not sure. I would have to check for you.

**Senator COLBECK**—Were there any elements of the programs that the minister did not attend, do we know?

**Mr D Williamson**—I do not know. Our trade and market access division will be better equipped to answer that one for you.

**Senator COLBECK**—I might bring that up later in the day. If you could just take on notice for me the breakdown in those particular elements of the cost of departmental travel for the two delegations. I will not ask you to give it to me now; I will take that on notice.

**Mr D Williamson**—Sure.

**Senator COLBECK**—What are the current programs on communications running in the department?

**Mr D Williamson**—Quarantine Matters! is the only formal campaign under the government's guidelines at the moment.

**Senator COLBECK**—So you are not running any other advertising or communications programs at all at this stage?

**Mr D Williamson**—No, there are a range of communications activities under various programs throughout the department, but there is a whole-of-government definition of 'campaign' and Quarantine Matters! is the only one that fits into that category.

**Senator COLBECK**—Do you have a list of all those programs and what the individual costs are?

**Mr D Williamson**—Not with me, but we could pull that together for you.

**Senator COLBECK**—If you could try to get that for me as quickly as you can, I would appreciate being able to have a look at that.

**Mr D Williamson**—So that is communications related activities around the portfolio programs?

**Senator COLBECK**—Yes, please. Can you do me a comparison of that with calendar year 2008 so I can just see where things are going compared to the previous calendar year?

**Mr Quinlivan**—I am not sure. Doing the numbers by calendar year might be a problem, particularly historically, because we probably do not—

**Senator COLBECK**—Fair enough. If you have the previous financial year we can make a direct comparison. That is fair enough. With the Community Cabinet and things of that nature, is there a hospitality component that the department is required to stump up as part of those programs?

**Mr Power**—No, there is no hospitality component.

**Senator Sherry**—I have been to one in Launceston. I recall that there were tea and biscuits available. I think the Department of the Prime Minister and Cabinet may have provided those, but we can check that. I would note, however, the level of tea and bickies was less than what we are provided with here at Senate estimates.

**Senator COLBECK**—So those wanting to follow the advice of the member for Mersey might be a little disappointed.

**Senator Sherry**—Yes. Well, we will see.

**Senator HEFFERNAN**—Ozzie wants to know if you had Iced Vo Vos.

**Senator Sherry**—Unfortunately, no. I love Iced Vo Vos.

**Senator COLBECK**—Can you give us some information on the department's hospitality spend so far this financial year?

**Mr Quinlivan**—I think we will need to take that one on notice.

**Senator COLBECK**—I thought Mr Power arrived with such fanfare that he would be full of information.

**Mr Quinlivan**—It is not actually his area, so I thought I would just get in first in case he felt compelled to answer.

**Senator COLBECK**—He looked very disappointed. We will move on from that. Are there any ministerial office fit-outs that are being completed at this point in time?

**Ms Bie**—There are none in progress at the moment but the details of the ministerial office fit-outs, depending on which particular office, rests with Department of Finance and Deregulation.

**Senator COLBECK**—So, no office fit-outs have been completed that your department is responsible for?

**Ms Bie**—That have been completed?

**Senator COLBECK**—Yes.

**Ms Bie**—We have been involved in fitting out the minister's Sydney office and we also provide some equipment for the Parliament House office as well.

**Senator COLBECK**—Do you have costings on the ministerial office fit-out?

**Ms Bie**—No; I do not have any final costings at the moment. I would have to take that on notice.

**Senator COLBECK**—When was the fit-out completed?

**Dr O'Connell**—We should distinguish between the component that we are responsible for. We might be able to take that on notice and give you the costs there. That is things like the IT

component and others. The broad fit-out of ministerial offices is managed by the Department of Finance and Deregulation, so we would have to get that information from them in terms of the actual fit-out proper as opposed to the provision of services, which is really what we deal with—such as IT services, fax machines, phones and stuff like that. But the actual office fit-out is not our business; that is the Department of Finance and Deregulation.

**Senator COLBECK**—So you will take on notice for me the component of the fit-out that your agency was responsible for and give me some information as to what that was.

**Dr O’Connell**—Yes.

**Senator COLBECK**—When was that fit-out completed?

**Ms Bie**—From memory, it was completed just before Christmas. There may be some ongoing components yet to be finalised. This is the Sydney office. The minister’s Sydney office was completed before Christmas, as I understand it.

**Senator COLBECK**—You mentioned that some work was done in the Parliament House office. Again, that would be IT and services?

**Ms Bie**—Yes.

**Dr O’Connell**—That is more the ongoing provision of services. We obviously maintain the capacity in the place. That is continuing business.

**Ms Bie**—Yes. We are responsible for equipment; for example, occupational health and safety equipment and that type of thing.

**Senator COLBECK**—Is the Sydney office at the minister’s electorate office or is it a separate office?

**Ms Bie**—It is a combined office.

**Senator COLBECK**—You say that you do not have all the final figures at this point in time?

**Ms Bie**—No.

**Senator COLBECK**—What would be the time frame that you would expect to have that detail, given that it was completed just before Christmas?

**Ms Bie**—We could probably get that for you in the next week or so.

**Dr O’Connell**—We will take that on notice and give it to you in the normal period.

**Senator COLBECK**—That is fine. I understand that. And we will have to go to the Department of Finance and Deregulation to find the details of the actual fit-out?

**Ms Bie**—Yes.

**Senator COLBECK**—Was that a completely new site, do you know, or was it an extension of the existing office?

**Ms Bie**—The minister moved within the building.

**Senator COLBECK**—When you say ‘within the building’, is he on the ground floor or is he on the first floor?

**Ms Bie**—I believe he is on the first floor.

**Senator COLBECK**—If you could just give us the details of that, that would be great. Can we move on to board appointments. I notice that you have given us some details of recent appointments. What board appointments do you currently have in the mix, and what is the current process for that? I notice that the change of AFMA to a commission has meant a temporary appointment of a commissioner to the end of this month, I think.

**Dr O’Connell**—Yes.

**Senator COLBECK**—We will start with AFMA. What is the particular process there?

**Dr O’Connell**—There has been a selection. There is the—

**Senator COLBECK**—Interim appointments?

**Dr O’Connell**—The interim appointments were made until the end of this month. The matter is now with the minister and the government to finalise the permanent appointments.

**Senator COLBECK**—I might deal with that later when we get to that area of the department. I am just trying to recall whether Mr Hurry was appointed on an ongoing basis. He was, wasn’t he?

**Dr O’Connell**—No, he was similarly—

**Senator COLBECK**—He was similarly appointed to a short-term appointment.

**Dr O’Connell**—The CEO is part of the commission.

**Senator COLBECK**—How many FOI requests does the government have in front of it at the moment?

**Ms Hazell**—There are 12 freedom of information requests currently being processed within the department.

**Senator COLBECK**—What is the ageing on each of those?

**Ms Hazell**—I am not sure I have the ageing with me. I would need to take that on notice.

**Senator COLBECK**—How many completions have you had so far this financial year, broken up into denied and granted?

**Ms Hazell**—There have been 20 completed to date. Seventeen were completed on time. The number granted in full was six, granted in part was 13, none were denied and none were transferred.

**Senator COLBECK**—What is your time frame?

**Ms Hazell**—In terms of the time frame, we had 17 completed on time—

**Senator COLBECK**—Yes. I just want to know what your time limit is. What is your notional time to grant them?

**Ms Hazell**—It depends on the process of each application, when fees are received and when the applicant pays processing charges. There are times set for each step of the process. It could be as quickly as 30 days; it could be two or three months and still be on time.

**Senator COLBECK**—Is there a published time frame so somebody who wanted to go through the process and had to meet certain milestones could actually identify those time frames?

**Mr Quinlivan**—There is a statutory time frame. I am not sure whether it is 20 days or 30 days but I think it is something in that order. The important point is that, of the three that were not answered on time, they were answered in a time scale agreed with the applicants. Typically, applicants go on fishing expeditions or very expansive requests, and it takes some time to narrow them down to something that is practical and affordable. A new time frame is then agreed with the applicant. Although three did not comply with the statutory time frame, they were done in accordance with an agreement with the applicant.

**Senator COLBECK**—You said you had 17 outstanding. Is that right?

**Mr Quinlivan**—There were 17 completed within the statutory time frame.

**Senator COLBECK**—No, the current ones. Just going back to the beginning—

**Ms Hazell**—There were 12.

**Senator COLBECK**—There are 12 current. Of those that you have completed, how many have conclusive certificates?

**Ms Hazell**—None.

**Senator WILLIAMS**—Just going back to the employment of the department, your full-time equivalent for this year is 4,735. The ASL next year is 4,481. Is that correct?

**Mr Quinlivan**—No, it is 4,481 for this year, 2008-09.

**Senator WILLIAMS**—What programs have received funding cuts as a result of the four per cent efficiency dividend which the government demanded that the department meet this year?

**Mr Quinlivan**—We have already answered that question.

**Senator WILLIAMS**—Sorry. A department your size would have a large electricity account, I would imagine. Do you have any idea what the estimated cost of electricity was in the last financial year?

**Mr Quinlivan**—I think we have to take that one on notice.

**Senator WILLIAMS**—Have you estimated the cost of your electricity for next year?

**Mr Quinlivan**—I will take that one on notice.

**Senator WILLIAMS**—Likewise with your fuel. Could you give us on notice the fuel costs for your department last year and this current year and what your estimations are for next year?

**Mr Quinlivan**—We will do what we can to provide you with that information. I am not quite sure whether our accounting process breaks down expenses to that level of detail, but we will do what we can.

**Senator WILLIAMS**—When will the department undertake work on the cost of the government's proposed Carbon Pollution Reduction Scheme to its budget?

**Mr Quinlivan**—That would not begin until the scheme commenced, and for a period of years after that there would be no increase in our fuel expenses. So we will worry about that in the year in which those expenses begin to occur.

**Senator WILLIAMS**—With your consultancies, are you reviewing country of origin labelling?

**Mr Quinlivan**—There is a proposal to look at a new labelling concept, ‘Grown in Australia’. I think when the Product Integrity Group are at the table, they will be able to discuss that.

**Senator COLBECK**—What happened to the ‘Australian Grown’ label?

**Senator MILNE**—That is what he just referred to.

**Dr O’Connell**—No, this is a new program that comes under the Agricultural Productivity Division.

**Senator WILLIAMS**—Do you know how many reviews, committee task forces and inquiries have been started or formed since 24 November 2008?

**Mr Williamson**—Not off the top of my head. We have undertaken to provide an answer on notice on current reviews. I can backdate that to 24 November, if you like. We did also provide a question on notice at the last estimates that I think was from 24 November to whenever the last estimates were.

**Senator WILLIAMS**—You would know the purpose of each review, I suppose?

**Mr Quinlivan**—We would, yes.

**Senator WILLIAMS**—I mean here with us now. Obviously, you would.

**Senator HEFFERNAN**—Excuse me, you would!

**Mr Quinlivan**—We would.

**Senator WILLIAMS**—Could you provide a breakdown of all consultancies—the companies that were awarded and the cost, purpose, length of each contract for the years 2007-08 and 2008-09 and when they were awarded?

**Dr O’Connell**—I think that we agreed to provide the consultancies on notice in response to Senator Colbeck.

**Senator WILLIAMS**—And you will give us how many consultancies are currently tendered, et cetera?

**Dr O’Connell**—Yes.

**Senator HEFFERNAN**—Do you actually tender them?

**Mr Quinlivan**—Some, yes; some, no.

**Senator HEFFERNAN**—So how do you know whether you are getting a touch-up or not? There is a hell of a difference between taking your car to get it repaired when there is an insurer involved and when there is not an insurer involved. With a consultancy based on no competition, how do you know that you are not getting a touch-up? It is a good question, isn’t it?

**Ms Hazell**—A number of our consultancies do go to tender.

**Senator HEFFERNAN**—But the ones that do not?

**Ms Hazell**—The other processes on a lot of the ones that do not might be a series of quotes where you go out and get three or four written quotes.

**Senator HEFFERNAN**—You would not care to provide the details of the ones that do not get quoted?

**Ms Hazell**—That is normally called a direct source and—

**Senator HEFFERNAN**—I know, but how do you know that you are not getting a touch-up?

**Ms Hazell**—That would be a question for the people getting that consultancy.

**Senator HEFFERNAN**—The answer is that you do not.

**Senator Sherry**—I am sorry, Senator Heffernan, just let the officer complete the answer if you could.

**Senator HEFFERNAN**—I will wait for my turn.

**Senator WILLIAMS**—That will do me, thanks, Chair.

**Senator HEFFERNAN**—Dr O’Connell, besides your PhD, which I have not figured out yet, we have had this brilliant idea in recent days that we ought to bring foot-and-mouth disease into Australia—we will deal with that in another section—but where are we up to in the handover of the Cocos Islands to the Attorney-General, allegedly to save money?

**Dr O’Connell**—It was a decision of the previous government that the Cocos Islands should be transferred to the Attorney-General’s Department from this department.

**Senator HEFFERNAN**—Why was that? Forget about who made the decision—I do not give a rats; it is a stupid decision—but what was the logic behind getting a whole lot of lawyers involved in the Cocos Islands other than agricultural type people? What would be the possible logic? Was it because they had more money in their budget?

**Dr O’Connell**—The place had not been used as a quarantine facility since 1997—

**Senator HEFFERNAN**—I have read all that.

**Dr O’Connell**—I think it was in 1999 that the decision was taken to decommission it.

**Senator HEFFERNAN**—And you have outsourced it?

**Dr O’Connell**—We have not outsourced it. We have moved to transfer it to the Attorney-General’s Department—which was the agreement—and that has been done.

**Senator HEFFERNAN**—So has that happened?

**Dr O’Connell**—Yes.

**Senator HEFFERNAN**—Where are they up to now? Are they going to sell it to some white shoe bloke to build a complex on it?

**Dr O’Connell**—My understanding is that there will be arrangements for the Department of Immigration and Citizenship to have some occupancy.

**Senator HEFFERNAN**—Will there be a contingency to use it for quarantine? To be quite candid, some of the entertaining ideas on how we should deal with the likes of foot-and-mouth in recent times in quarantine and having an onshore quarantine station at Taronga Park or somewhere are just absurd. So you and your department do not have a view that perhaps as a safety precaution for Australia it would make sense to have a facility if we needed it? It might cost a couple of hundred thousand dollars—which is probably the cost of the Christmas cocktail party—to preserve it in a condition that can be started up as needed. Your department is quite happy to hand the thing over the Attorney-General with a view to getting rid of it?

**Dr O’Connell**—It has already been handed over, so it is a question of—

**Senator HEFFERNAN**—Yes, but are you happy with that? Do you think that is a sensible idea?

**Dr O’Connell**—If you are looking to what is the future of quarantine stations, that is a matter that is under consideration by the government in the context of—

**Senator HEFFERNAN**—Yes, I am aware of that and I have read the Beale report—I bet most people have not. I have to say that we are going to have a bit of entertainment later in the day over that. Is the facility going to be on sold and got rid of or mothballed?

**Dr O’Connell**—As to the future of the Cocos Islands facility itself, I think that would be best taken up with the Attorney-General’s Department, which is now controlling the property.

**Senator HEFFERNAN**—So the minute it is handed over you say: ‘Phew! It’s none of our problem now.’

**Dr O’Connell**—It is in the management responsibility of—

**Senator HEFFERNAN**—Yes, but surely in the strategic planning of your department there has to be a contingency. Contingencies are all about things that we have not come across yet, as with that stupid management of the fire—I say with great regret—in Victoria, where people were getting notice five minutes before they got burnt that there was no danger, because there was not on-time information. Surely to God there would be a contingency plan in your department in the event of some catastrophic event that involves quarantine.

**CHAIR**—Senator Heffernan, the question is long. Maybe you could give Dr O’Connell a chance to answer the first seven parts of your question, and then you can move on to others.

**Dr O’Connell**—I might ask Mr Delane, Executive Director of AQIS, to go to the issue.

**Senator HEFFERNAN**—We have had a yarn. Welcome to this side, Mr Delane.

**Mr Delane**—Thank you, Senator. I am pleased to be here. As you know, there is a long history of decisions here, going back almost a decade, and very little use of the facility for quarantine. As you have read the Beale review, you will be aware that the review, informed by our input and that of other stakeholders, argues for greater consideration of offshore measures. The Cocos Islands facility is just one of the options that are available, and given its limited use to date it is possible to conclude that it may not be the best option for whatever the future contingency will be. We need to work that through.

**Senator HEFFERNAN**—Fair enough. When do you think you will have an answer on whether it was a mistake to get rid of it or whether there is a better option?

**Mr Delane**—I am not aware that it has been got rid of as you indicate. It is still owned by the government; it is simply managed by a single department rather than having multiple management.

**Senator HEFFERNAN**—I hear that, but I hear also that maybe Immigration or some other mob—or the ghost of one of the Gold Coast developers—might want to take control of it. Are you doing a cost-benefit analysis to decide whether that is a viable option as opposed to privatising it somewhere—which has happened?

**Senator Sherry**—Just before the officer responds, I think we should be clear. The Cocos facility has not been sold off; it has been transferred to the Attorney-General's Department.

**Senator HEFFERNAN**—I understand that.

**Senator Sherry**—Let me just say that I do not want any misunderstanding. There appears to be a possible misunderstanding in the series of questions you raise. This was a decision of the former government, in 1999.

**Senator HEFFERNAN**—As you would be aware, Minister, I have had as many blues with them as I have had with anyone else over these issues, because this is the national interest.

**CHAIR**—Senator Heffernan, the minister is answering.

**Senator Sherry**—Can I finish. This was a policy decision by the former government and however many ministers there have been between the current minister and that period, back in 1999. That policy decision was taken by the former government and former ministers who oversaw this particular department. It is very difficult to respond to a policy matter—you understand the constraints we are under—but it is particularly difficult for a minister to respond to decisions taken by a former minister in a former government.

**Senator HEFFERNAN**—Thank you very much. I respect what you have just said, but as this committee knows we are happy to stick it up anyone we think is doing the wrong thing. It seems to me that Australia deserves to have a contingency, and to have a contingency you have to have a plan. Mr Delane has been brought over from the west to be the guru of the plan—and we will help you, mate—but it seems to me that we are on the threshold of giving up the opportunity on the Cocos Islands. I want to make sure—and we will make sure—that there is a lot of serious consideration given to not just handing it over and eventually dismantling the place et cetera and then having some unknown contingency occur. It is a great spot out there to deal with contingencies—and I will deal at another time with the detail of the foot and mouth balls-ups we have had internationally in the last two years and the risk that the Beale report suggestion puts us in. You can ponder that, Mr Delane.

Dr O'Connell, has the department given any thought and planning to the decline in research and development? It seems to me that agricultural research and development is gradually going into no man's land; it is somewhere between your department and the CSIRO and getting lost. Do you have a plan to beef up research and development?

**Dr O'Connell**—Do you mean generally?

**Senator HEFFERNAN**—People in the paddock and people in the ag institutes and people in the state departments of ag say that somehow the CSIRO has lost its oomph in ag research; it has gone on to other matters.

**Dr O'Connell**—Especially when we come to both the climate change division and the agricultural productivity division, we can go through the—

**Senator HEFFERNAN**—I am giving you a leg up by putting you on notice on these things; they will come up later. But obviously these are concerns—

**CHAIR**—Senator Heffernan, let Dr O'Connell answer.

**Senator HEFFERNAN**—I just want to know whether anyone is analysing where research and development is going.

**Dr O'Connell**—I think the answer is yes. When we come to the agricultural productivity area and the climate change division, we can go through our thinking on research and development.

**Senator HEFFERNAN**—For the people who are going to answer on that: we in the paddock think it is neither your arse nor your elbow; it is in no man's land. Finally, on the import of veggies—which will come up later—I presume that you have been briefed on some of the problems with the importation of veggies and the 40 per cent increase in frozen vegetables from China. As for the importation of flowers, they are supposed to have been devitalised, yet, when tested, 80 per cent have been able to be propagated. Have you raised any questions further down the food chain as to why that would be and where the system is breaking down?

**Dr O'Connell**—I think we will come to those questions when in due course we come to AQIS. We can provide answers on those issues then.

**Senator HEFFERNAN**—As with the sudden oak death syndrome outbreak, would it be fair to say that we are at risk under the present circumstances that we are enjoying? It seems to me that this is one of those things that has slipped through in the night.

**Mr Delane**—We can discuss that in quite some detail later on. But, as I think you know quite well, we have risk based measures in place across the board and we continue to adjust those as the trade changes and the risks change. My simple answer to your question is no.

**Senator COLBECK**—When should I ask questions about the Agricultural Finance Forum? Would now be a good time? How many meetings of the Agricultural Finance Forum have occurred since November 2007?

**Mr Williamson**—I believe the answer is one.

**Senator COLBECK**—When did that occur?

**Mr Williamson**—It was November last year, from memory. Yes.

**Senator COLBECK**—So that was subsequent to the rural banking emergency summit?

**Mr Williamson**—No; that was a special meeting of the Agricultural Finance Forum.

**Senator COLBECK**—So it was a special meeting of the Agricultural Finance Forum?

**Mr Williamson**—Yes.

**Senator COLBECK**—It was not actually advertised as a meeting of the Agricultural Finance Forum. When was that meeting scheduled?

**Mr Williamson**—I might ask Mr Power to help me with that.

**Mr Power**—Senator, I do not have the exact dates of when it was scheduled, but it was shortly before the meeting was held.

**Senator COLBECK**—So it was announced on 17 October and held on 18 October?

**Mr Power**—I do not have the details with me; I am sorry.

**Senator COLBECK**—Those are the dates that I have. Is there a program for meetings of the forum?

**Mr Power**—No, there is not. The forum is held on an as-required basis.

**Senator COLBECK**—It was not in previous governments, as far as I can recall. Having been the chair, I know there were at least two meetings held every year.

**Dr O'Connell**—My recollection—and I attended that last meeting in November—was that at that meeting the members decided that it would be best if they met on an as-required basis rather than just periodically.

**Senator COLBECK**—Are there any scheduled meetings at the moment?

**Mr Williamson**—No.

**Senator COLBECK**—Given that we are facing a world financial crisis—we have just had a stimulus package announced, and I am sure there is enormous stress in the rural sector with respect to finance—there is no communication by the government through a structure that was set up to communicate between the finance sector, the rural sector, the accountants and the government? There is no formal process nor any planned meetings even to do that?

**Dr O'Connell**—As I said, at the previous meeting the members decided, as I recall, that they would rather have as-required meetings rather than periodically scheduled meetings.

**Senator COLBECK**—Who were the attendees at that meeting?

**Dr O'Connell**—I think we would have to take that on notice.

**Senator COLBECK**—Sorry?

**Mr Williamson**—We would have to take that on notice. I can get you an attendees list.

**Dr O'Connell**—It was certainly all the major players in the agricultural finance area.

**Senator COLBECK**—Could you do a comparison list with those who would have been around the table, say, two or three years ago, so we can get a sense of the organisations that were involved then and how the forum might have metamorphosed now.

**Mr Williamson**—Sure.

**Senator COLBECK**—There are no planned meetings at this point in time. Whose discretion is it to call the meetings?

**Mr Williamson**—The minister.

**Senator COLBECK**—The meetings are called at the minister's discretion. Do you know who requested the last meeting? What brought the last meeting about?

**Mr Williamson**—The minister convened a meeting.

**Senator COLBECK**—So he was not approached by anybody to say: ‘We need to get people together to talk about this’?

**Mr Williamson**—Not that I am aware of; no.

**Senator COLBECK**—What I find interesting is that I was making inquiries about meetings of the Agricultural Finance Forum earlier that week, and later that week there was an emergency meeting of farmers. I do not know whether there is a connection or not, but it is interesting that when the opposition starts making inquiries about it something starts to happen. I find it extraordinary that there are absolutely no plans for communication of financial issues affecting the finance sector at the moment, given the current circumstances.

**Dr O’Connell**—I do not think we could comment on the issue just raised.

**Senator COLBECK**—I think that is fair enough. Okay then. So there are no planned meetings at this stage of the Agricultural Finance Forum and it is at the minister’s discretion as to when there might be a meeting. There is no mechanism for other members of the forum to call a meeting?

**Dr O’Connell**—No. If other members wished a meeting to be called, I am sure the minister would be happy to do that. As I said, they agreed that they would meet as required when there was a sense of a need to do so.

**CHAIR**—Thank you. We will go to corporate services after the break.

**Dr O’Connell**—I just want to clarify that you have been ranging over both management services and corporate services divisions.

**CHAIR**—I am sorry. Then we will go to Wheat Exports Australia.

**Senator McGAURAN**—I want to raise the issue of the Farm Management Deposits scheme. It is very much a health indicator of the sector and a trend indicator too. Do you have information with regard to farm management deposits on hand? For example, what is the total dollar figure and the total number of farmers using it? I would like a comparison—I want to see if it is being run down—from this financial year, ongoing and right up to date if possible, with the previous financial year.

**Mr Quinlivan**—The farm management deposits are an issue for the Climate Change Division. They will be on later this morning. We have heard what you are after and will do our best to have that information available when they come to the table. I am not sure how current our information will be on existing holdings, but we will give you what we can at the time.

**Senator McGAURAN**—Thank you. I have got all those questions, including about average deposits—even if you can break it up into states. It is a financial risk management tool, which is a great health indicator. But why is it part of the Climate Change Division?

**Mr Quinlivan**—Because that is where the drought related programs are administered. Farm Management Deposits is a risk management measure as part of the government’s suite of programs that allow farmers to manage their way through drought.

**Senator McGAURAN**—Yes, I mean—

**Mr Quinlivan**—It was very explicitly styled that way, as a risk management measure—

**Senator McGAURAN**—Indeed, but where does it relate to climate change? This is a financial risk management tool.

**Mr Quinlivan**—That is the area of the department in which our drought programs are managed. It is not really so much that it is a climate change matter as simply that that is where that program is administered in the department.

**Senator COLBECK**—This department is converting drought into dryness, is it?

**Senator McGAURAN**—Yes.

**Mr Quinlivan**—No, it is just the name of the division in the department which administers the drought programs, and farm management deposits are a drought related program. They will be here later this morning and we can deal with your question then.

**Senator McGAURAN**—Wherever the desk is placed in the department, I would hope that there would be the right expertise overseeing it and that the government—I put this to the minister—is not going to lose this in some greater climate change debate. I would hope this is an ongoing policy—is that so, Minister?

**Senator Sherry**—It is, exactly as the officers outlined.

**Senator McGAURAN**—But the officers did not outline, nor can they comment on, the ongoingness of government policy with regard to farm management deposits.

**Senator Sherry**—No, and the officer did not, but I thought the appropriate consideration and weighting to the issue from the departmental level was well outlined by the officer.

**Senator McGAURAN**—Is the government maintaining farm management deposits—

**Senator Sherry**—I thought that the detail the officer gave us was very comprehensive and dealt with the issue. I thought you were going to ask about the Cocos Islands facility. I do recall—

**Senator McGAURAN**—I have been to the Cocos Islands several times—

**Senator Sherry**—I do understand that; I think you were one of many who has looked at that facility over a long period of time.

**Senator McGAURAN**—I know where you are leading!

**Senator Sherry**—No, I am not going to go there!

**CHAIR**—There being no further questions in this area, I thank officers from Corporate and Management Services.

[10.20 am]

### **Wheat Exports Australia**

**CHAIR**—I welcome officials from Wheat Exports Australia.

**Senator WILLIAMS**—Have you had any feedback or opinion on how the removal of the single desk in the AWB marketing system has affected ports like Newcastle and how the harvest went this year?

**Mr Woods**—There have apparently been some issues with rail in a number of ports in Australia. Specifically in New South Wales, the number of trains dedicated to grain or which

can carry grain has dropped from 48 down to about 18. Our understanding is that there are some initial teething problems with that system but that the industry seems to be working on it at the moment.

**Senator WILLIAMS**—Initial teething problems? I believe that GrainCorp did not have enough rail trucks to keep the supply up. Is that true? Did you hear that?

**Mr Woods**—I have not heard that.

**Senator WILLIAMS**—I have heard that. I have also heard that, as a result of the rail not being able to cope with the export of wheat at places like Newcastle, they have had to put a lot of that grain freight onto the road. We have a situation where the terminal at Newcastle can handle only 600 tonnes of road freight an hour—whether on B-doubles or singles or whatever—yet the rail can handle 2,700 tonnes an hour. That has put a big delay on it. I have also heard of trucks waiting 16 hours to unload a load of grain in Newcastle. Have you not had any feedback on those issues?

**Mr Woods**—I am aware that, last week apparently, there were some issues with getting road freight into Newcastle but I have not been given the specifics yet.

**Senator WILLIAMS**—I have been getting the feedback of trucks waiting up to 16 hours to unload. Having spent many years carting grain myself, I know that that would be terribly frustrating and terribly expensive to the operators. They cannot unload yet their rigs are lying idle, and the whole economic flow-on goes right through the transport system. Is the department working with places like Newcastle to improve or is it just a state problem?

**Mr Woods**—You would have to ask the department about that. From our point of view, it is not part of our remit to be looking at those things. We certainly have to publish a shipping standard. Post 1 October, exporters who operate port terminals have to have an access undertaking with the ACCC. Certainly, it has been very clear that it is an industry issue which the industry is looking at at the moment.

**Senator WILLIAMS**—If ships are delayed loading, who would pay the costs? Would the carriers themselves have to suffer that cost of slow loading?

**Mr Woods**—The person who has booked the ship would wear any demurrage costs in that respect. It depends on their chartering contract, what time they have built in for loading and those sorts of things. That would be part of the contract that they have negotiated.

**Senator WILLIAMS**—Were these complaints around when the single desk was in operation? Did you get many problems with slowness of rail or getting the wheat into the ports?

**Mr Woodley**—Maybe I can comment. In a previous life I was the Managing Director of the Grain Handling Authority and then of GrainCorp, which is, of course, the body that owned the Newcastle terminal. The Newcastle terminal is notorious for having difficulties when there are large amounts of grain to be exported. It is a difficult terminal to get to. Since that time, of course, there have been reductions in the number of rail lines available and, as Peter has commented, this year the number of trucks that were available has been reduced. So it has always been a difficult terminal, and I think the problems that you are raising, which we are

well aware of, have occurred again this year with an increase in exports and reductions in trucks available.

**Senator HEFFERNAN**—In terms of lines and wagons, with the iron ore experience in Western Australia and the coal experience over on this side, won't there be a dramatic alteration in the work on the lines? The iron ore job has just fallen in the arse.

**CHAIR**—That would be 'fallen in the backside'. I think that is what you mean to say, Senator Heffernan.

**Senator WILLIAMS**—You mean 'reduced substantially', Bill. That is what you meant to say.

**Senator HEFFERNAN**—Yes, that is it. Wouldn't that make more availability for grain?

**Mr Woodley**—I do not think it was available for this harvest.

**Senator HEFFERNAN**—I accept that, but surely in your previous life—you must have been only a boy when you started!—there would be planning to see through to the next harvest, when there would certainly be a change to the work on the lines.

**Mr Woodley**—That is right. Some rail equipment, as you would well know, is adaptable to both commodities—some is not—so it may well be that, if the mining industry demand reduces, there would be more trucks available elsewhere, but ultimately, of course, that is a commercial decision for the owners of the rail systems.

**Mr Grant**—I might be able to help a bit with respect to that. As part of the transition arrangements for the new wheat marketing arrangements, the government agreed to establish a task force to look at New South Wales grain lines, including looking at rail. That task force is in the responsibility of the Department of Infrastructure, Transport, Regional Development and Local Government. The task force is up and running. It is chaired by Des Powell, who has a lot of experience in this area. The task force has met. It has called for consultations from industry, and that process is happening at the moment. I think the task force is due to report to the government in May 2009.

**Senator HEFFERNAN**—Is that on branch lines as well?

**Mr Grant**—Yes, it is.

**Senator HEFFERNAN**—Best of luck.

**Senator WILLIAMS**—Obviously the port grain receivers are not operating at optimum levels. Would you agree with that—or are they operating at optimum levels?

**Mr Grant**—All we get is anecdotal stories. There are some complaints from operators about some of those port arrangements.

**Senator WILLIAMS**—So you are hoping this report will deliver some solutions to these obviously huge problems of exporting wheat, especially at Newcastle?

**Mr Grant**—The report will look at arrangements across New South Wales, so hopefully there will be some responses in respect of Newcastle port.

**Senator WILLIAMS**—Are all grain berths exporting at optimum levels? Are you aware of that?

**Mr Grant**—I am not aware of that, no.

**Senator WILLIAMS**—My biggest concern is the feedback I, and certainly many others, are getting about the bottleneck at the ports; the rail not keeping up; there not being enough trucks; the slow unloading facilities; and, if they then turn on to road, of course, extra cost of road freight. It all adds extra cost to the industry. I suppose it would be a silly question to ask: have you any idea when we are going to see some improvements in this? Can we fix it up for next year, or in 12 months time is it still going to be a shemozzle? That is basically what I am getting at.

**Mr Grant**—One of the requirements in the Wheat Marketing Act is that port operators who are also exporters have to put in place access undertakings through the ACCC. They have to be in place by 30 September in order for Wheat Exports Australia to renew their accreditation from 1 October. Hopefully, those access undertakings that are implemented through the ACCC will provide a lot more transparency in the way that the ports are operating and will increase competition.

**Senator HEFFERNAN**—I will just flag something I will ask after steak sandwiches. Do you blokes deal with the credit risk side? I would like to ask some questions about default and credit. Thanks. I think it is time for morning tea, Mr Chair.

**Senator WILLIAMS**—If you think that, Bill, it would be.

**Proceedings suspended from 10.29 am to 10.44 am**

**Senator WILLIAMS**—When does this report—or this committee or whatever has been formed—on this whole transport issue of wheat kick off?

**Mr Grant**—There is a task force that has been established. That is currently operating.

**Senator WILLIAMS**—Who is on that task force?

**Mr Grant**—I do not have a list of the members. I know it is chaired by Mr Des Powell, and I know the secretariat comes out of the infrastructure and industry department. I will have to take it on notice and get the members of the task force from the other department.

**Senator WILLIAMS**—Do you know if there are representatives from New South Wales farmers on it?

**Mr Grant**—I do not know whether they are on it, but certainly I know that New South Wales farmers have attended meetings of the task force and have provided input, and I also know that representatives from relevant New South Wales government departments have attended meetings and provided input. But I do not formally know if they are actually formally on the task force or not.

**Senator WILLIAMS**—Have you heard of similar problems with rail freight with grain and clogging with road freight et cetera in Queensland and Western Australia as well?

**Mr Grant**—I have not heard of specific issues. All that we would get is anecdotal stories through the media and discussion through Wheat Exports Australia, who would have similar sorts of anecdotal stories.

**Senator WILLIAMS**—Do you think it is an issue that needs a lot of attention by the department?

**Mr Grant**—This task force that has been established by the government hopefully will address those issues and provide some recommendations to the government about how to resolve them.

**Senator WILLIAMS**—Senator Heffernan, do you have something to ask?

**Senator HEFFERNAN**—Mr Woods, one of the things that concern a farmer—given that there have been some changes which have been pretty emotional in the wheat-marketing side of farming—against the background of the global meltdown is that, when they go in and contract to sell to Joe Bloggs Pty Ltd which has a licence to export, they are going to get paid. Can you describe to the committee what your body has done to protect the interests of farmers and the credit checks that are required so that we do not get left holding the baby at some stage of the game?

**Mr Woods**—As part of the process of accreditation, in considering applications, what we seek from potential exporters or from applicants is what tonnage they expect to export over the next three years, so we know what we are looking at. We also ask for the last two years of their financials—and they have to be audited, for public companies; for others, accountant certified—and those sorts of things. We also look at parent company guarantees, cross-guarantees, that are in place for larger companies. We then look at their export proposal in respect of: ‘Of your export potential that you are looking at, what percentage of that is going to be from the trade and what is from growers? What percentage of what you are purchasing from growers will be pools and what is going to be on a cash basis?’ And then we ask for a cash flow based on that and we do some independent analysis on that. Largely, we end up with a peak funding requirement. Then we ask for all their credit facilities and what free board is in their credit facilities. We see whether they are a new exporter and have not been doing anything in wheat before or—if it is a change from purchasing, say, a million tonnes of other origin, and they are going to still purchase, say, 700,000 tonnes of other origin and 250,000 tonnes of Australian—how it changes their business model. We look at their credit facilities and make sure there is enough free board in their credit facilities to fund their peak periods and their total periods. Also, we have written a number of times to exporters indicating that, given the current financial climate of the world, any change positively or negatively in their credit facilities is notifiable and they need to tell us immediately. If an exporter wants to go above the estimates that they told us they were going to export—for example, a million tonnes—they would need to come to us earlier rather than later because that is a change in how they presented the application, and we would have another look at their finances and ask for updated cash flow et cetera.

**Senator HEFFERNAN**—How many licences have you issued?

**Mr Woods**—We have issued 22 licences to date.

**Senator HEFFERNAN**—Have there been any notifications of default type problems?

**Mr Woods**—There have been no notifications of changes in credit facilities.

**Senator NASH**—If there is not enough change, or if you assess that there is not enough free on board, what do you do?

**Mr Woods**—It is our role to look at that and then communicate with the exporter. In a number of cases, they may open up additional credit facilities, or they might reduce what they want to do as far as exports are concerned, or they might say, ‘We can understand where you are coming from,’ and put in place a self-imposed tonnage limit. It is something that we actively manage.

**Senator HEFFERNAN**—Obviously in the meat game at the present time there are some issues with some exporters about getting paid at the other end. There is no statutory requirement—or common-sense requirement—that there is an enforceable credit note before the wheat leaves FOB?

**Mr Woods**—It depends on how the wheat is sold. If it is sold FOB, in most cases there are letters of credit transferred between banks before title is transferred.

**Senator HEFFERNAN**—Do you know of people who are more or less taking a punt?

**Mr Woods**—In the methods that people have presented to us as part of their risk management plans and strategies that we assess during the application process, we look at the method of payment and how they are looking at that from a perspective of risk management to ensure that they are being paid.

**Senator WILLIAMS**—There is obviously a lot of grain stored on farm now with the abolition of the single desk et cetera. Do you have any idea of how much grain is actually stored on farms?

**Mr Woods**—No. I think that is something that the ABARE and the ABS are trying to come to grips with in their reports.

**Senator WILLIAMS**—Even people such as Senator Nash stored their grain on farm this year. The reason, one would think, is a lack of confidence. On another point, was there an inquiry into the wheat board’s chartering activities by the wheat export authority?

**Mr Woods**—Yes, there was an inquiry by the Export Wheat Commission.

**Senator WILLIAMS**—Has that report been released?

**Mr Woods**—The minister received the report on 30 June last year?

**Senator WILLIAMS**—Did he make it public?

**Mr Woods**—No, he has not.

**Senator WILLIAMS**—Why not?

**Mr Woods**—It is his choice.

**Senator Sherry**—That is a matter for the minister. I will take it on notice and get a response for you.

**Senator WILLIAMS**—The reason why he has not made it public?

**Senator Sherry**—Yes.

**Senator HEFFERNAN**—And when he was going to release it.

**Mr Grant**—Can I just add that the report was referred to four independent investigating agencies to see whether there was a need for further action to be undertaken as a result of that

report. So it would be improper for the minister to release a report while those investigations are still being undertaken.

**Senator HEFFERNAN**—Fair enough.

**Senator WILLIAMS**—Will it be released at a later date when these other investigations are out of the road?

**Mr Grant**—That is a matter for the minister to decide on the basis of the—

**CHAIR**—The minister has taken that on notice.

**Senator Sherry**—I will take that notice.

**Senator WILLIAMS**—Thank you, Minister.

**Senator NASH**—How many of the 22 accredited entities are actually exporting?

**Mr Woods**—I think 14 have exported, and very shortly it will be 16.

**Senator NASH**—You referred earlier to the change in arrangements that will happen at the end of September with the access undertakings with the ACCC. In the ensuing period, what do you see as the check and balance to ensure that there is equitable access?

**Mr Woods**—As part of accreditation, exporters in that position have to publish a shipping stem. They also have to have their prices and their storage and handling agreements published on the website. We monitor the shipping stem for changes daily. It is updated daily in all states and in all ports. At this stage, all exporters who have port terminal operations have abided by the legislation and the scheme to date.

**Senator NASH**—Are you aware of any issues around those exporters who are not port facility holders gaining access?

**Mr Woods**—To date, we have had nothing in writing from any of them.

**Senator NASH**—Does that mean you have had something but not in writing?

**Mr Woods**—There are anecdotal things that people say but, until we get something in writing, we cannot go and check on it. Certainly, at this stage, in excess of three million tonnes has been exported since 1 October. We have not had a shipping program that aggressive for a long time, and it all seems to be going relatively smoothly.

**Senator BOSWELL**—I have some questions about the single desk and how it is working. What prices are being offered in Australia, compared with the world price? Are the prices that are obtained by the farmers running at world parity or are they running below world parity?

**Mr Woods**—My understanding is that—if you leave Victoria out of the situation—Australia is operating on export parity, which would be in comparison with world prices. In Victoria, the harvest was not as good as expected—the domestic demand is higher than the export market—so the price in Victoria is operating between import parity and export parity.

**Senator BOSWELL**—So you are confident that farmers are getting world parity?

**Mr Woods**—There are 22 exporters out there. They are all operating independently of one another. There are price variations in the market at times of up to \$15, and that shows that someone is out of the money and others are in it and offering those prices to growers.

**Senator BOSWELL**—I understand how the market works probably better than you guys, because I was actually in it for 20 years. I understand how a free market works. But my question was not: who is offering what and when? I am asking whether the price that wheat growers have obtained in the last month is equal to world parity pricing.

**Mr Woods**—From what people are telling me; yes.

**Senator BOSWELL**—The grain comes off and moves from Queensland, which is probably where the first crops are harvested, down to southern New South Wales and probably Victoria, where the last crops are harvested. Is there a difference between the price that growers get in Queensland and the price that growers get in South Australia? In other words, as the crop comes off, does the price deteriorate?

**Mr Woods**—You have got the situation of a huge domestic market on the eastern seaboard. Traditionally, those domestic customers have offered higher cash prices than pools, because they need to acquire a certain amount of their grain. That is market dynamics, and the prices change accordingly as the harvest goes on.

**Senator BOSWELL**—You are saying that it does not matter, that the price is governed not by people getting in early and the first crop coming off but by Queensland having a huge feed market. That is what is pushing the price up?

**Mr Woods**—You have the situation where we are operating on export parity but there are some other organisations who want to acquire a certain percentage of their usage, so they may offer a higher or lower price than export parity.

**Senator BOSWELL**—There are feedlots all down the east coast of Australia. If feedlotters can drive the price up in Queensland, where the crop comes off first, wouldn't that happen in New South Wales, where the price would be driven up by feedlotters?

**Mr Woods**—I have seen the price for domestic grain higher in New South Wales and Victoria than for export market.

**Senator BOSWELL**—Have you seen the price higher in Victoria than when the crop comes off in Queensland?

**Mr Woods**—Previously. Under the previous single-desk arrangements, cash was certainly higher at the start of harvest and quite often the cash prices fell off, depending on whether it was at Liverpool Plains or Dubbo or Wagga. Very rarely those cash prices did reach their way down to Victoria, and that is certainly something that everyone had an issue with for a long time.

**Senator BOSWELL**—There are nineteen accredited exporters, and at regional receival sites at harvest time there were often only several buyers. This led to less competition among buyers and did not prop up prices as was predicted. How are you going to ensure the marketplace remains competitive and growers actually do have a choice as to who they sell their grain to? I mean, you have 19 buyers and you have two people in the marketplace actually offering a price. You claimed the market worked well before free trading. How is that working well if only two people put their hand up and say, 'I want to buy your wheat'?

**Mr Woods**—The system has not changed as to who is putting numbers on the board at any particular silo. There is no difference under our current regime from under the previous regime. There are a number of other traders who buy domestically and that sort of stuff.

**Senator BOSWELL**—But there is only one buyer that bought for overseas and that was AWB, previously. And so you have got it in a pearl. But now there are only two players offering a price for wheat.

**Mr Woodley**—In talking to growers around the country, that position that you have stated is not reflected. We have been aware that—

**Senator BOSWELL**—Well, you have a wheat grower—

**CHAIR**—Senator, you have asked a question. At least let Mr Woodley answer it, please.

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

**Mr Woodley**—In many cases, the competition for grain has increased substantially at certain sites. It may not have been at every site, but I guess the reality is that there are 22 accredited exporters out there seeking grain and domestic buyers as well, and AWB remains in the market. So there are more players looking for grain. I think the other thing that I can say in terms of our experience of the whole accreditation process is that, as Mr Woods said, each of the applicants needs to put forward an export proposal as part of their application. In many cases that may be a little optimistic but, when you look at the sum total of those export proposals from those applicants, that well exceeds the amount of grain that is available for exports. So that would indicate that the demand for grain exceeds the supply.

There are two other factors I would like to mention, just to indicate that the demand has probably increased as a result of deregulation. One of those is that some of the accredited exporters are going into new markets and providing grain to areas that had not previously been provided with grain. And there are also a few of the accredited exporters that are replacing wheat that they had previously sought internationally with Australian wheat. They were not allowed to export Australian grain previously and they bought grain on the world market and sold it on the world market and now they are buying some or, in some cases, nearly all of that grain within Australia. So the impression that we are getting is that there has been an increase in competition and an increase in demand for Australian wheat.

**Senator BOSWELL**—There is a problem, I understand, around Newcastle. Ships leaving eastern ports in recent times have been largely loaded from trucks.

**CHAIR**—Your colleague did go down that line earlier, Senator Boswell.

**Senator BOSWELL**—And what was the answer? Are you guys looking at that transport problem?

**Mr Woods**—DAFF indicated earlier on that there is a transport—

**CHAIR**—I am sorry, Senator Boswell; we have gone over time. I am happy to continue with a couple more questions on that line but the answers have been given to Senator Williams; you may wish to check with Senator Williams.

**Senator BOSWELL**—As to these golden grains points—the reward system—which encourage people to deliver a quality product: with that removed, what guarantees have you got that people will be encouraged to produce a quality product?

**Mr Woods**—That is probably not our area but certainly NACMA are doing specifications. GRDC are maintaining varietal assessments. As far as paying for increments on protein, screenings and moisture, there are some companies out there continuing to do that, and the market will evolve in that respect. You are finding already, not only because of deregulation of containers and bags but also because of the liberalisation of bulk, that you are getting new markets opening—niche markets that want very specific quality, and so it is being written into the contracts.

**Senator BOSWELL**—Thank you.

**CHAIR**—Thank you, Senator Boswell, and thank you very much to the officers from Wheat Exports Australia. I now welcome officers from Climate Change.

**Senator MILNE**—I would like to start by asking about the role of the Department of Agriculture, Fisheries and Forestry in the development of the green paper and the white paper and, in particular, the issues that the department was involved in developing with the CPRS.

**Mr Quinlivan**—The white paper and, before that, the green paper were developed through a cabinet process, so the minister and the department participated in the normal way through development of a whole-of-government product—through that cabinet process. Separate to that, there were informal interactions between us and the Department of Climate Change on the development of specific components—those that related to the land-use sector and the land-use change issues that potentially arose from the propositions being considered in the green paper and then the white paper, but that was a relatively minor issue compared to the whole-of-government policy development and our involvement along with a whole range of other portfolios through the cabinet process.

**Senator MILNE**—Is there any work being done by any of you in this section on the estimated costs of the change in climate to, firstly, agricultural productivity and, secondly, to sustainability of agricultural productivity?

**Mr Quinlivan**—If I could just go back to the previous question, I was talking more about the policy development. Of course, separate from that was the modelling work that Treasury was coordinating. ABARE, as an area within the department, was a participant in that work. The question goes to costs and so on principally being done through ABARE and to their involvement in the work, so those officers are available for questions today.

**Senator MILNE**—I will ask them that when we get to ABARE. We will go then to Australia's Farming Future and the Climate Change and Productivity Research Program. Can you tell us what the money has been spent on in the last year and how much has been spent?

**Mr Mortimer**—It might be best if I take that on notice to give you the details. The funding in that program is spent around a number of elements. There is funding for the Climate Change and Productivity Research Program, and I can advise you that there has been no expenditure on that element at this stage because the assessing committee is still looking at

the applications and has advised the minister on those. The minister is yet to sign off on that but we expect that funding will be provided this year.

Another key element of the program is the Farm Ready Program—you might wish to ask a question about expenditure on Farm Ready under the Agricultural Productivity Division. And the other key element of the Australia's Farming Future program is the Climate Change Adaptation Partnership Program. I do not have the exact figures with me but the expenditure there relates to exit grants for agriculture and also advice to farmers to prepare for the future. I do know it is a relatively low uptake there, and that is essentially because much of Australia is still in drought and is getting the benefit of the drought assistance programs: ECRP and interest rate subsidies. As a result, the uptake on the Climate Change Adaptation Partnership Program has not been great.

**Senator MILNE**—Just take me back—what was allocated of the \$15 million over four years in the Climate Change and Productivity Research Program for this financial year?

**Mr Mortimer**—For this financial year there was an allocation of \$10 million for that program.

**Senator MILNE**—Ten million dollars—we are now in February and nothing has been signed off or allocated yet?

**Dr O'Connell**—We expect that full \$10 million to be expended before the end of the financial year. We are on track for that—it is a question of a complex set of projects being developed. But we believe we are on target to expend the full \$10 million this year.

**Senator MILNE**—What are the criteria you will use to prioritise those grants?

**Mr Mortimer**—The research priorities are reducing methane and nitrous oxide emissions and life cycle analysis; carbon in soil and also adapting to a change in climate.

**Mr Quinlivan**—We also need to make the point that the components of the \$15 million Australia's Farming Future program that you mentioned were reconfigured so that \$46.2 million is now available for climate change research. So the \$10 million that was mentioned is \$10 million of the \$46.2 million, rather than \$10 million of \$15 million.

**Senator MILNE**—Okay, thank you for that. I want to come to the research in soils—is this the only work going on in terms of soil carbon, if indeed any of the grant money is allocated for soil carbon?

**Mr Mortimer**—This will be the key funding provided by the Commonwealth for research into soil carbon. There may well be other research happening in other agencies—the CSIRO or R&D corporations—but this is the allocation for the Commonwealth direct funding.

**Senator MILNE**—As I asked the question before on the modelling—if ABARE has done the modelling, is that modelling feeding into the allocation of these research programs in terms of addressing some of the productivity issues?

**Mr Mortimer**—I think the ABARE modelling is operating independently of this research. This research is dealing with scientific issues around reducing methane and use of soil carbon. I expect that when the research becomes available it can then be drawn on by ABARE to help in its modelling and analysis.

**Senator MILNE**—Now coming on to the Climate Change Adaptation Partnership Program—can you tell me how that money is being spent this year? Or what allocation is in this financial year and how is it being spent to date?

**Mr Mortimer**—I think this is an issue that is dealt with under the ag productivity division. You are reading off the figures in the budget papers, I think Senator.

**Senator MILNE**—Yes, I am just looking at the budget speech earlier this year, in relation to that.

**Mr Mortimer**—That funding covers, in part, the Farm Ready Program—which is dealt with in the ag productivity division—and it also covers the Community Networks and Capacity Building Program, which is operated through the corporate services division.

**Senator MILNE**—My understanding is that you are the lead group in terms of climate change, but I am not getting a sense that there is a global emergency being addressed, given the nature of the responses to these questions, frankly. I know that is a comment.

**Mr Mortimer**—If I can just comment—it is a very diverse program which is dealing with a very diverse and large issue, as you indicated. It is helping farmers in a number of ways. The Farm Ready Program will provide farmers with direct training and education to help them deal with the issues. Certainly, that information can be readily provided. I am sorry but it is not part of my divisional responsibility. In terms of the Climate Change Research Program, a lot of work has been put in. There was a call for applications for that program. An expert committee assessed those projects and has put their advice to the minister, and as the secretary indicated, it is expected to be announced shortly. They are the two single biggest funding elements. And there are other activities which provide assistance to farmers to help deal with climate change. I think it is not entirely reasonable to suggest that it is not part of a total package.

**Senator MILNE**—Well, if everybody else is dealing with these issues except you and your team here, what are you actually dealing with? What do you actually do?

**Mr Mortimer**—This division has four areas of responsibility. It deals with the policy for climate change issues broadly. In particular, it contributes to the whole-of-government strategy for climate change—which Mr Quinlivan talked about—which means contributing information and expertise about agriculture in the development of the green paper and the white paper, and subsequently the legislation which will implement that scheme. The division is also responsible for the assistance programs to farmers as well as the drought policy review. The government has indicated that it wants its review of drought policy to be against a background, a context, of ongoing climate change, and it sees a relationship there. Similarly, this division is responsible for forestry issues, with forestry also playing a part in climate change. Indeed, they have a role in that they will form part of the government's CPRS—the Carbon Pollution Reduction Scheme—as you probably understand. Those four areas of activity come together to help provide an overview and policy integration for the issues around how farmers, foresters and people who use the land across Australia engage with and are affected in their land use by climate change issues.

**Senator MILNE**—That is precisely what I am asking and I am not getting very far in terms of what you are actually doing at the moment to raise awareness, but more particularly,

in adaptation and mitigation strategies. We are hearing about exit packages, we are hearing about research that will be conducted that has not, of course, been conducted to date—long after the horse has bolted. But anyway, it is important work that needs to be done. But can you tell me what the impact is on Australian agriculture of the CPRS? You are giving advice. You just said that you are giving strategic, whole-of-government advice. What is the impact of the Carbon Pollution Reduction Scheme on agriculture?

**Mr Quinlivan**—Senator, I think it is best if we can leave that discussion until the ABARE officials are at the table and we have a general discussion about those issues.

**Senator MILNE**—Well, that might be fine, but you are the climate change people. Surely, you can give us a sense of what— you have just told us that you are coordinating a whole-of-government approach and that you are advising into the white paper process, and I cannot even get a general statement about any of the issues on agriculture and climate change.

**Mr Quinlivan**—Would you like us to bring the ABARE officials to the table now and have that discussion?

**Senator MILNE**—No, they can tell me about modelling. You are the people who are coordinating the whole-of-government response for agriculture.

**Mr Mortimer**—In broad terms, agriculture is not, as you would be aware, going to be part of the carbon pollution reduction scheme, as the government has announced it to commence in 2010. The government is going to establish a work program so that it can take a decision in 2013 such that the government can make a decision about whether agriculture can come into the scheme and be covered by the scheme in 2015.

In terms of what the impact on agriculture would be, I guess you could make a few simple observations. If agriculture is not part of the scheme it is not going to be directly required to account for its emissions. So it is not part of the scheme; it will not have to engage and it will not have to take permits or buy permits et cetera. It simply will not be participating in the scheme in that sense.

**Senator MILNE**—But it is going to be impacted in the scheme. I cannot believe I am hearing this, frankly.

**Senator Sherry**—I am going to ask ABARE to come up to the table and be available as well. We are here to assist and provide witnesses who can answer questions fully.

**Senator MILNE**—With respect—

**Senator Sherry**—It is the government's decision as to who comes to the table, and I am trying to help you by providing an additional range of witnesses who are involved in this process. That is our decision.

**Senator BOSWELL**—You will not let Mr Mortimer go away—

**CHAIR**—Senator Boswell, you will have an opportunity to ask your questions.

**Senator MILNE**—I am fully aware the agriculture is not coming into the scheme until later in terms of emissions, but there will be an impact on agriculture, rural Australia—agricultural production—as a result of putting a price on carbon. When you were feeding into the green paper and white paper process, I want to know what your assessment was of the

pros and cons of agriculture going in early or later and, secondly, what the likely cost is across the sectors. You can talk about modelling from ABARE, but I am asking for the overall policy response. This is a whole-of-government approach.

**Mr Glyde**—Senator Milne, as I understand it, you are asking what our involvement was in the lead-up to the green paper and the white paper in terms of making estimates in relation to the impact of, in the first instance, climate change on the agriculture sector, and, in the second instance, the impact of the carbon pollution reduction scheme on the agriculture sector. In relation to the first instance, ABARE did some modelling for the Garnaut review that tried to look at what the impact would be of climate change on the agricultural sector. That was published as part of the Garnaut review. On the second question, I think you are aware that we seconded two full-time staff to the Treasury for period of about 18 months to help the government answer some of those questions in relation to what the impact might be of the CPRS, under various assumptions, on the agricultural sector. The modelling work that Treasury has done has been published and it has various estimates for the agricultural sector under the assumptions that were used by the Treasury in doing that work. We, ABARE, are currently engaged with the Department of Climate Change and Treasury over the course of the next few months in getting down to a finer level of detail about what some of the impacts might be. We expect to be releasing some of that information.

**Senator HEFFERNAN**—Could I just assist you, Christine. We have till a quarter to one.

**CHAIR**—We have three people vying for the call. A bit of order, thanks. Senator Heffernan, you will have your chance.

**Senator MILNE**—I have to excuse myself for 10 minutes. I will be back.

**CHAIR**—In that case, Senator Heffernan can assist.

**Senator HEFFERNAN**—Mr Glyde, thank you very much for that. I will ask about Fontera. To put your finger on something that is not just theory—and it is good to have plenty of theory—but that you can touch and feel, Fontera are a really good example of the challenge that Australia faces if we are fully included. It is \$17 a tonne. Irrigated dairy farmers are insolvent at \$40 a tonne. Thirty-five per cent of the production cost for beef is the tax. Fontera are a living example. We have a serious problem for Australian dairy farmers right now—not only the subsidy program in Europe et cetera. Fontera are being given a range of exemptions in New Zealand, where they are a cooperative based company. They are not a cooperative based company in Australia. They have invested \$2½ billion here. If the exemptions that they have been given through their manufacturing in New Zealand are not offset in Australia, where does that leave Australian dairy farmers?

**Dr O’Connell**—I might ask Daryl Quinlivan to manage that question.

**Mr Quinlivan**—I think it is not at all clear what is going to happen here, because it is not clear what New Zealand is going to do. Our understanding is that the New Zealand government has indicated that it is going to revisit the entire scheme design and has also said that it plans, if it can, to model its scheme more closely on the Australian proposals—or the Australian policy decisions, now, that have been taken in the white paper. So on this issue of trans-Tasman competition, I think, it is far from clear what is going to happen there. It is also

important that, in looking at competitiveness issues, we do not just look at one issue. There are lots of differences in operating conditions across the Tasman.

**Senator HEFFERNAN**—No-one understands that better than me, but there is the briefing that Fontera has given to the Australian dairy farmers. It seems to me that the manufacturing dairy industry, which is mainly based in northern Victoria and southern New South Wales, is rats, and its difficulties are going to be further added to. Fontera briefed the farmers on the arrangements that the New Zealand government has allegedly made with them. I was in the briefing. Our dairy farmers are not going to have the advantage of that.

**Mr Quinlivan**—I understand that the Australian dairy farmers have done some analysis of this, but it was only provided to us last night.

**Senator HEFFERNAN**—Do you want me to brief you?

**Mr Quinlivan**—I am broadly aware of the numbers that are being talked about, but as I say we received it by email last night, so we have not had an opportunity to look at it yet.

**Senator HEFFERNAN**—If it is true, these fellows might as well pack up.

**Mr Quinlivan**—As I say, I am not in a position to say.

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

**Senator BOSWELL**—You guys get the briefings from Fontera. It is in the paper. It is common knowledge; it is public knowledge. You do get the *Australian* or the *Australian Financial Review* there.

**Senator Sherry**—Senator Boswell, as the officer has indicated, the department officers received the document last night. It was Sunday evening. I think you have to be a bit reasonable. The officers are willing—

**Senator BOSWELL**—But this has been public knowledge for three or four months.

**CHAIR**—Senator Boswell, just let the minister finish his answer and then please feel free to cut in over Senator Heffernan at any stage you like.

**Senator Sherry**—Thank you. The detailed report was provided to the department last night. Fair go—it was Sunday night. The officers will examine it, and then they can provide a response. I do not think it is reasonable to expect them to provide detailed analysis of another organisation's report the next morning when they have not done it. I just think you are being a touch unreasonable in your expectation.

**Senator COLBECK**—I will just come in there. Fontera briefed the minister, as far as I am aware, at least a week and a half or two weeks ago on their issues with respect to the reduction in prices. I know Senator Heffernan was involved in a subsequent briefing to the coalition backbench committee, where we talked about a lot of this stuff. I find it hard to believe that the department, which is supposedly coordinating a whole-of-government approach, has no understanding of the concerns of the dairy industry, because they have been talking about them for some time.

**Mr Quinlivan**—I did not say in any sense that we had no understanding of it. I was saying that, during last week, we became aware of some analysis that dairy farmers had done. We

requested a copy of that. I think we requested that on Thursday. Anyway, as soon as we became aware of the analysis—and it was provided last night—

**Senator COLBECK**—Is this from Dairy Australia?

**Mr Quinlivan**—I know which individual it was from, but I am not sure which organisation he represents. It was Alan Burgess's organisation.

**Senator COLBECK**—That is Dairy Australia.

**Mr Quinlivan**—We will be having a look at that now that we have got it, but we are not in a position to provide a commentary on it today.

**Senator HEFFERNAN**—You will be pleased to know that a select committee that I chair will be looking at this in the context of how we produce food that is affordable, sustainable to the environment and viable for the farmers. This fits perfectly into that inquiry, which includes climate change, trade organisation arrangements, cartels and the whole works.

**Senator BOSWELL**—Is the department aware of a recent study by the Centre for International Economics which found that farmers will experience a big rise in ETS related costs even before agriculture is included in the scheme and that production and exports, particularly in the livestock sector, will dramatically decline under the ETS?

**Mr Quinlivan**—We are aware that that report was released this morning. So, again, along similar lines—

**Senator BOSWELL**—What do you guys do there? Don't you read a paper? For goodness sake!

**Mr Quinlivan**—It was released this morning, and I have not actually seen it yet.

**Senator Sherry**—Fair go!

**Senator BOSWELL**—Fair go? We are paying huge money for this group of people up here. What do they do? Don't they read papers?

**Senator Sherry**—What they were doing at eight o'clock this morning is—

**Senator BOSWELL**—I am not interested in eight o'clock; I am interested in what they have been doing for the last three months.

**Senator McGAURAN**—They should have their own report. Why do they have to rely on someone else.

**CHAIR**—Order!

**Senator Sherry**—Thank you. I will respond to the question. As I have already pointed out, it was Sunday evening last night—

**Senator IAN MACDONALD**—Come on, this is a waste of time!

**Senator BOSWELL**—This is getting stupid! This is costing money and it is getting stupid.

**CHAIR**—Order! The minister is halfway through an answer. At least have the decency to hear him out, and then put your hand up if you want the call.

**Senator IAN MACDONALD**—We do not expect public servants to work on Sunday nights. The minister has already explained that. Time is short. We have less than an hour for this.

**Senator Sherry**—I am going to respond to the issue in respect of newspaper reports. In terms of newspaper reports, again I think it is unreasonable to expect the department, given that they were in my office at eight o'clock this morning for estimates briefings—so I assumed they were up at 6.30 or seven o'clock—to provide a full analysis of a report on the basis of newspaper clippings. It is totally unreasonable.

**Senator BOSWELL**—Okay. Mick Keogh said that even the most conservative projection of a 9.5 per cent reduction in the beef industry by 2020 represents a \$1.5 billion reduction in output, which would lead to significant losses of job opportunities and major job changes in rural economies. That would amount to massive changes in rural communities. Let us ignore that report. Is the department working on policies that would help rural communities through such a crisis? I think I asked about this at the last estimates committee and I got an answer from ABARE that it would be an imposition of 18 per cent on the beef industry and, I think, five or six per cent on the farming industry. They were the figures that you gave me. Having established those figures you have given me, are you doing any work on policies that would help rural communities through such a crisis arising out of an ETS?

**Dr O'Connell**—I will ask Mr Glyde to clarify the position around the modelling that had occurred, so that we are all working off a common base.

**Mr Glyde**—The short answer to the question, Senator Boswell, is yes. As to the figures: as I mentioned before to Senator Milne, since the release of the government's white paper there has been a plethora of different assessments and assumptions made. The Mick Keogh report of today is one of them. The Australian Farm Institute which Mick works for also put out a shorter paper in November. What we have been doing—and, indeed, what we have been doing with the Treasury and DCC—is going through those reports and looking to understand whether there is any new information that has come to light or anything different in the work they are doing that might be a contribution to the debate.

What you generally find is that, as with all modelling, if you vary some assumptions you will get a different result. I have not had a chance to personally look at Mick Keogh's work but the Centre for International Economics work that was released today has assumptions that are different from the ones that the government has used in its modelling, and then you end up with a different range of inputs and outputs. What we are engaged in, as I said to Senator Milne, is the process, with the DCC and Treasury, of going through and working out, with the various different assumptions and with different sensitivity analysis applied, what that is going to mean for the farm sector. We see that as certainly one of our key roles: trying to help to explain to people, particularly those in the farm sector, what is actually going to happen as a result of the CPRS. Just as an example: the work that Mick did earlier on did not take into account the fact that there is going to be a fuel tax credit for the agricultural sector for the first three years of the operation of the scheme from 2010.

**Senator BOSWELL**—Who pays for that?

**Mr Glyde**—That is paid out of the revenue that comes from the permits that are raised. It is a decision that was taken in the course of the white paper.

**Senator BOSWELL**—So, in fact, eventually, say, Caltex would pay for a permit.

**Senator IAN MACDONALD**—No, the taxpayer.

**Senator BOSWELL**—No, Caltex still pays for the permit and then that is rebated back to the taxpayer. So, Caltex or Mobil or someone is paying for it.

**Mr Glyde**—It is a subsidy the government gives to shield—

**Senator BOSWELL**—But the government is taking it off, say, Caltex—or Mobil; anyone you like—and then rebating that back to the farmer.

**Mr Glyde**—I am not sure of the precise arrangements for how that will work. That is still being worked out.

**Senator BOSWELL**—But it is not a government subsidy. It is an industry subsidy which the industry pays for by paying for permits. The money from the permits gets rebated back to the farmer.

**Mr Glyde**—I am getting out of the areas that I am familiar with. As to how the actual thing works, it is best if you speak to the Department of Climate Change or Treasury. But the point I am trying to get to is that the assumptions that Mr Keogh made, in the earlier work that he did, did not include that there would be that shielding, or that there would be a similar shielding for the transport sector for the first year of operation. So what we are trying to find out, and what we hope to publish over the next few months, is the answer to this question: when you take all those factors into account, what is really going to be the impact? Because it is very important for the farm sector; I understand that.

**Senator BOSWELL**—Okay. Did you read Dr Fisher's paper?

**Mr Glyde**—Yes.

**Senator BOSWELL**—Do you agree with him? And, if you disagree, could you tell us where you disagree with his assumptions?

**Mr Glyde**—Again, Dr Fisher's paper was not any new modelling work. It was really that Dr Fisher was commenting, as I think he was requested to do by the Senate, on his view in relation to the assumptions that underpinned the broader modelling.

**Senator BOSWELL**—Dr Fisher made an assumption in that paper that the legislation was based on the fact that the rest of the world would come in to an emissions trading scheme. I believe that was Dr Fisher's assumption.

**Mr Glyde**—Yes.

**Senator BOSWELL**—The fact is: the world is not going to come into an emissions trading scheme. So the assumptions are wrong.

**Senator IAN MACDONALD**—That was the government's assumption. Dr Fisher pointed out the inconsistency in the government's modelling. The government's modelling said that everyone is going to be in the ETS, and we know that is not true—as Dr Fisher pointed out.

**Senator BOSWELL**—So is the government's paper wrong in making that assumption?

**Mr Glyde**—I do not think either of the two are wrong. I think people are trying to predict the future here, and I think Dr Fisher is saying that if you make a different set of assumptions you will get a different outcome.

**Senator BOSWELL**—What Dr Fisher did—as my colleague, Senator Macdonald said—was to point out that the government’s assumptions were that everyone would come in, and the figures the government put out were based on the assumption that the world, all the world, would join in an emissions trading scheme.

**Dr O’Connell**—I think you are now talking not about the agricultural component directly but about the broader design of the scheme, which is really a Treasury issue.

**Senator BOSWELL**—I am asking whether ABARE agrees with Dr Fisher.

**Dr O’Connell**—That is what I am saying. I think that goes not to ABARE’s role in the design but—

**Senator BOSWELL**—Let us try someone else.

**Senator COLBECK**—What would really interest me is the impact on agriculture in the scheme. Nobody knows and yet this is the lead agency that is providing a whole-of-government review process. Nobody knows what the impact on agriculture is going to be.

**Dr O’Connell**—Mr Glyde was trying to explain where we have got to with the impact on agriculture. I think Senator Boswell previously had been pointing to some impact work that ABARE had provided and we can update that.

**Senator COLBECK**—Yes, but it is all based on whose assumptions go where and whether we agree on people’s assumptions or not. The assumptions that ABARE have done in forestry provide for almost a full forestation of Tasmania, the whole state—all agricultural land in Tasmania, except for the towns and cities, being covered in forest. That is absolutely absurd. Looking at the figures that are given in that report, how can they be credible for agriculture? There are some land areas that are just not suitable for forestry.

**Senator Sherry**—We are dealing with agriculture at the moment and I am sure we will move on to forestry in due course.

**Senator COLBECK**—Forestry is part of climate change under these programs.

**Senator Sherry**—The questions have been going to agriculture. ABARE and the department are focusing—

**Senator COLBECK**—We are talking about the assumptions that all this is based on so that we can get an idea of the impact on agriculture.

**Senator Sherry**—The questions are roaming and are part of an ongoing commentary. Can we have focused questions, please. The officers should have the opportunity to respond.

**CHAIR**—Minister, you are not the only one confused. With all the interruptions and the jumping around, no wonder there has been a mixed batch. Senator Boswell originally had the call and I now encourage other senators to put their hands up if they want the call, not jump in. Respect your colleague’s right to ask questions.

**Senator COLBECK**—Do you want us to go back to kindergarten, Chair?

**CHAIR**—With some of the performances around here, you probably would get kicked out of kindergarten, Senator Colbeck.

**Senator BOSWELL**—You informed the committee that you spent \$10 million on research. Have you done any research on biochar?

**Mr Mortimer**—At this stage, biochar is being researched by CSIRO. There is a review due shortly from CSIRO that deals with biochar, climate change and soil carbon, which is entitled ‘A review to guide future research’. The position at this stage is to see what that report says about biochar and what it can contribute, and then to be guided by that in terms of future research. That is essentially because there is not unanimity amongst the scientists and other persons involved about the role that biochar might play and how it might operate.

**Senator BOSWELL**—Do you yourself know how it works?

**Mr Mortimer**—I have a rough understanding.

**Senator BOSWELL**—Could you fill us in on how it does work?

**Mr Mortimer**—As I understand it, it is about burning waste from a range of crops and products, which fulfils a range of functions. It captures carbon and also minimises emission of some gases.

**Senator BOSWELL**—It is done in a kiln, is it?

**Mr Mortimer**—I do not know. I am not an expert on these matters.

**Mr Quinlivan**—It is a process called pyrolysis, which is essentially heating and cooling without oxygen.

**Dr O’Connell**—So it makes charcoal. If you want any details, the Bureau of Rural Sciences can certainly provide you with these.

**Senator BOSWELL**—Mr Glyde, I think Dr Fisher’s report is going to be very important in this emissions debate. Is Dr Fisher right when he says that the assumptions that the government have done are based on everyone joining in an emissions trading scheme around the world and if the rest of the world does not join in then the government’s assumptions are wrong?

**Mr Glyde**—The modelling that is being done by the Treasury does indeed have both developed and developing countries coming into the scheme at particular times. If that does not happen, then there will be a different consequence as a result.

**Senator BOSWELL**—So if they do not come in, the government modelling is wrong.

**Mr Glyde**—It does not mean that the government modelling is wrong. I am saying that the modelling is there. You vary the assumptions depending on what you think might be happening in the future. Whatever happens in the future is going to happen—

**Senator BOSWELL**—You just said that the government’s assumptions were based on the rest of the world coming in.

**Mr Glyde**—Yes. At different times.

**Senator BOSWELL**—We have observed that China and India and even America are saying that unless the rest of the world comes in China is not going to come in. India is not going to come in and America have said, through Obama, Clinton and—

**Dr O'Connell**—I think we are now straying into the broad design and assumptions—

**Senator BOSWELL**—Would you mind if I asked Mr Glyde a question? Thank you. I think he is probably—

**CHAIR**—Actually, I would be quite happy, Senator Boswell, if you did ask a question.

**Senator BOSWELL**—capable of answering a question if you let him have a go. If the rest of the world does not come in then the assumptions in the paper are wrong. You have told us that they were based on their coming in.

**Mr Glyde**—The modelling that has been done by the Treasury is based on the developed world and the developing world coming at two different times. That modelling has been put out there. I am not in the business of being able to say whether it is right or wrong.

**Senator BOSWELL**—Thank you.

**Senator HEFFERNAN**—When does this—

**CHAIR**—Sorry, Senator Heffernan. I must remind senators that there is another hour of time left, so there should be no rush to bounce in all together. Senator Boswell, have you finished?

**Senator BOSWELL**—I have finished.

**CHAIR**—Senator Macdonald had his hand up.

**Senator IAN MACDONALD**—Thank you. Mr Keogh gave evidence to a Senate committee just last week, which I know the department would be following closely. He agrees with me that it is likely that Australia will become a nation of vegetarians if the emissions trading scheme goes ahead as proposed by the white paper. Would you agree with that?

**Mr Glyde**—No.

**Senator IAN MACDONALD**—You believe that people will be able to afford meat in Australia? Not after the initial years when concessions are given, but, on the current projections in the white paper, meat is going to become unaffordable.

**Mr Glyde**—Depending on the assumptions that are made—and the projections are in the white paper—you will see the relative costs of particular products changing. The whole idea of having an emissions trading scheme is to change process in the economy to find an efficient way to reduce greenhouse gas emissions. So some things will go up and some things will go down. Most of the modelling that is being done indicates that the relative price of emissions intensive products such as meat will go up, but it does not mean that it renders them unaffordable. I think it is really important to have a look at the impacts that are projected over the next 30, 40 or 50 years and to have a look at the differences between what would be business as usual and the impact of these changes. I think it is actually wrong to say that things would become unaffordable.

**Senator IAN MACDONALD**—So you are agreeing with me, then, I take it, that nobody has a clue as to what is going to happen with the Carbon Pollution Reduction Scheme so far as agriculture industries go?

**Mr Glyde**—No, I would not agree with that at all. If I could go back one step, over the last couple of years in terms of its modelling, the Treasury has been able to achieve a quantum leap forward in its ability to understand what the consequences might be.

**Senator IAN MACDONALD**—Okay. Seeing that you say that they do have a clue and are aware, tell me what is going to happen to the beef cattle industry. You can throw in dairying and everything else as well, but let us just confine ourselves to the beef cattle industry.

**Mr Glyde**—All things being equal, the cost of meat will go up relative to the other products. How much it goes up and how quickly really depends on the policy elements—

**Senator IAN MACDONALD**—So it will go up, you are saying?

**Mr Glyde**—Yes.

**Senator IAN MACDONALD**—But relative to every other increase?

**Mr Glyde**—No, what you would see depends on the actual design, the legislation, how it is implemented, the actions of—

**Senator IAN MACDONALD**—We have been told by the minister that the legislation is about to hit the parliament. She has promised it will be through by the end of the year, so you would be well aware of what the legislation is going to provide. Having that knowledge, can you assure not only us but also the beef cattle industry that they have a future?

**Mr Glyde**—I think that overall, if you look out to 2050 or 2100, the overall production of all of these industries goes up. It does not go up by as much as if you did not have a Carbon Pollution Reduction Scheme. What we are talking about is the differences away from 'business as usual'. The government will be making a change in the fundamental structure of the economy, and how that plays through and how it will evolve will depend a lot on the policies that are put in place right through the system from day 1.

**Senator IAN MACDONALD**—But the legislation is being drafted.

**Mr Glyde**—Yes.

**Senator IAN MACDONALD**—You will be able to tell us, then. You are not saying it will depend on this, that and the other. You can now assure us with confidence that the beef cattle industry has a good future in Australia.

**Mr Glyde**—I think that is right. As I tried to say earlier on, what we are in the process of doing over the course of the next 12 months is that, as more information comes to hand and we get better definition of the agricultural sector in the models that we have, we will be able to more accurately predict what might happen.

**Senator IAN MACDONALD**—You are talking to Treasury about their modelling. Have you spoken to people like Mr Keogh, the Australian Farm Institute and the NFF and gone through their modelling and their assessments of the incorrectness of Treasury modelling, or are you just taking Treasury as being the gospel?

**Mr Glyde**—No, I think that is the whole idea of the debate that we have entered into. As I said before, what we have is this quantum leap forward in the capacity of the country to model these things. We have had the Treasury come out with the assumptions and policies that the government wants to put in place, and it has forecast what the impact might be. Now you have other commentators coming forward with alternative assumptions—not necessarily new modelling, but alternative assumptions—and that really contributes to the debate to make sure that we do understand what is going on.

**Senator IAN MACDONALD**—My question is whether you are talking to people like the Australian Farm Institute and the NFF and going through the modelling with them.

**Mr Glyde**—Yes. As Mr Quinlivan mentioned, we do not rely on the newspaper reports. What we do is to get the reports they have and look at the assumptions behind them and whether they are bringing any additional data or new modelling to the table.

**Senator IAN MACDONALD**—No, I am asking: are you calling them in or going to their office and sitting down with them and saying: ‘Look, this is what Treasury is saying. You don’t agree. You can’t both be right’?

**Mr Glyde**—Yes, we do. We talk to them. It is just the normal process of trying to find out who has the best possible pieces of information. They are not excluded from the debate.

**Senator IAN MACDONALD**—Can you please go and talk to them again, because they and I and many people have a real fear about the proposed Carbon Pollution Reduction Scheme, which is all over the ship—nobody has any real idea what it is about, I am quite sure, and you are in that position too. The legislation is now being drafted, yet people like the Australian Farm Institute and the pastoral industries are petrified because, under current projections, they do not have an industry anymore.

**Dr O’Connell**—We should repeat—and very clearly, I think—Mr Glyde’s view that, under the projections that ABARE has, there will be a significant increase in production of beef.

**Senator HEFFERNAN**—This is too much to take. Mr Glyde, the first thing we want to do is to define meats—white versus red. We are talking about red meat.

**Senator McGAURAN**—Or kangaroo.

**Senator HEFFERNAN**—Obviously—

**CHAIR**—Order! Sorry, Senator Heffernan. Senator McGauran, we have just got it in line. Senator Heffernan wants to ask a question. He has asked his colleague Senator Macdonald if he minds him butting in, which Senator Macdonald does not.

**Senator HEFFERNAN**—The projection might be that the industry is going to increase. Unless there is some freak fart reduction program built into the cows of the pastoral country that Senator Macdonald represents, the beef industry is rats. Obviously with the white meat industry there is a hell of a difference in the program. Chooks and pork—and you would know all this, Mr Glyde—are going to have a serious advantage. What I want to ask you is: given climate change and what I have just said, what are you figuring that we will do? I am sure we are going to have to take action. Forget about what we do from here to 2015—what do we do after that? We can bullshit our way to 2015, but after that the shit hits the fan.

**CHAIR**—Senator Heffernan, I know you are looking forward to really jumping into the department later on—you have told us that—but, if you are getting that excited in your language now, you are starting to frighten me. I would ask you to curtail it.

**Senator HEFFERNAN**—I withdraw it. If anyone is offended out there, I withdraw it. But we will have to reconfigure the way we have settled rural and regional Australia. We will have to reconfigure the way we are doing business in rural and regional Australia if we go down the path that is proposed. Do you agree with that?

**Senator MILNE**—We are going to have to do that anyway because of climate change.

**Senator HEFFERNAN**—I agree with that.

**CHAIR**—Senator Milne, we have just got it all underhand. Just let the officers answer the question.

**Senator MILNE**—‘Underway’, I think you mean—not ‘underhand’.

**CHAIR**—Do not lower yourself to their standards. I mean ‘in hand’.

**Senator Sherry**—Chair, before the officer responds, I will respond too. There are a lot of ifs in all of this.

**Senator BOSWELL**—I’ll say there is!

**Senator HEFFERNAN**—There is.

**Senator BOSWELL**—A huge amount.

**CHAIR**—The minister is answering the question.

**Senator Sherry**—If people want to waste time by cutting in, it is their time.

**Senator HEFFERNAN**—Go for your life.

**Senator Sherry**—If a decision is made on including agriculture, it will not be before 2013—if that decision is made.

**Senator HEFFERNAN**—That is fair enough, but, you see, any farm business plan has a five-year entry and a 10-year outlook, and we cannot afford to sit around waiting for ‘what if’. This is scary stuff. Irrigated dairy farmers in the manufacturing milk side of dairy farming have had it anyhow because of the price of water and the price of carbon if we go to \$17 a tonne. If we go \$40 a tonne and Senator Boswell and Senator Macdonald are picked up, 35 per cent of the production costs—and I think you can confirm that—are the tax side of it. In the pastoral country in the north, we have loonies that run around smoking pot and plaiting their armpits that say that we should destock the north.

**Senator Sherry**—Is there a question here, Chair, aside from the polemic?

**Senator HEFFERNAN**—There is. Part of the food security argument in Australia and the global food task, which is going to double over the next 40 years, is: how do we maintain a viable red meat industry?

**Mr Glyde**—Senator, all I can do is agree to the extent that the introduction of the Carbon Pollution Reduction Scheme will change prices in the economy. It will cause a reconfiguration right across the Australian economy and right across international economies

if other countries adopt similar things because they are trying to do something about the adverse impacts of climate change. If you want to do something about the adverse impacts of climate change you do have to change the prices—you do have to change incentives in the markets for carbon intensive products, and that is exactly what is going to happen. I would part company with you in relation to the extremity of the impact. You are using language that suggests it will be the end of this industry and the end of that industry. As we have tried to point out, these industries will continue to grow and there will be a relative impact. The other point that you have to be aware of, and which was certainly not factored into Mick Keogh's first piece of work, is that there will be technological change through the period of the next zero to 30 years. Consumers and producers will react to the various signals and technologies will come forward that we are not yet aware of. I am not saying there is a magic silver bullet for the beef cattle industry, but the beef cattle industry will continue to grow in this country and the impact of the Carbon Pollution Reduction Scheme will take the top of some of that growth.

**Senator HEFFERNAN**—It will take the profitability out of the exercise, and it might change the landscape. Irrigated dairy farmers will probably go to a caged cows type operation, where you will have that mob who smoke the pot coming into it again. In that way, science will aid as it has with the zero tillage in the diet to reduce the methane emissions. I accept all of that, but as to the proposition that some people are running around with now, that if you have 17,000 cows on 1½ million acres somehow you can put something into their diet, Senator Macdonald and Senator Boswell and everyone would understand, except the people who smoke the pot, that it is just impossible—and against the global food task. The global food task says in 50 years time—

**CHAIR**—Senator Heffernan, is there a question?

**Senator HEFFERNAN**—Yes, there is. In 50 years time 50 per cent of the world's population will be water poor, 30 per cent of the productive land of Asia will go out of production, we will grow the population to nine billion, 1.6 billion people will be possibly displaced and the food task will double while we are playing around here. We are going to have to reconfigure Australia and I want to know if you are planning what that means.

**Mr Glyde**—Personally speaking, I am not planning that. What we are doing is simply trying to illuminate—

**Senator HEFFERNAN**—But you would accept that we are going to have to reconfigure it?

**Mr Glyde**—The whole issue of trying to do the work that we do is to look at some of those broader issues, both nationally and internationally, but the food security is a very good one.

**Senator HEFFERNAN**—I will come back to it.

**Mr Glyde**—In addition to all of this we are not going only going to have to deal with climate change; we are also going to have to help feed the world.

**Dr O'Connell**—To go back to the basic proposition, the assessment that ABARE is making is that the beef industry will expand—its production will increase.

**Senator HEFFERNAN**—With great respect to you and your PhD, we do not want to do this for nothing. We want to get out of bed in the morning and know we are going to be paid to get out of bed. The average punter does not care if the frozen veggies come from China—and we will get to that later. As long as the meat and the milk and everything is in the supermarket on the shelf, they do not give a damn, but we are getting sick of doing it for the experience.

**Dr O’Connell**—Presumably the modelling suggests that it will remain profitable—

**Senator HEFFERNAN**—Well, what if it does not?

**Dr O’Connell**—because otherwise it would not occur.

**Senator BOSWELL**—That is right.

**Senator HEFFERNAN**—Well, the only way that can happen is if we pass—

**Senator BOSWELL**—You do not need a PhD to understand that.

**Senator HEFFERNAN**—Don’t rub the PhD in too much. It was a light-hearted—

**Senator Sherry**—It does not need a PhD to understand that if it is a larger industry then someone will be making some money because the industry will exist in the first place. It does not need a PhD to understand that.

**Senator IAN MACDONALD**—My understanding is that there will be no carbon reduction.

**Dr O’Connell**—There will be productivity improvements. We are talking about carbon reduction in the economy overall.

**Senator HEFFERNAN**—With great respect to the minister, Brazil’s is four times the size of our beef industry. If they fix up their foot and mouth disease our beef industry has a great challenge anyhow. This is just another challenge. We are all here batting for the people who put it on the shelf, not for the people who eat it once it gets to the shelf. Thanks very much.

**Senator WILLIAMS**—Mr Glyde, you said earlier on that no doubt an ETS will add costs to agriculture industry. Are we referring to the beef industry here?

**Mr Glyde**—Yes.

**Senator WILLIAMS**—If a country like the United States does not introduce something similar, whether it be an ETS or a carbon tax, how are we going to maintain our exports to places like Japan and Korea when our costs go up?

**Mr Glyde**—That question really goes to the design of the international negotiating strategy that the government has in relation to trying to work with the rest of the world to get as many people into the global solution as possible.

**Senator WILLIAMS**—If we are talking about the rest of the world, that happens in Copenhagen in December. That seems to be stalemated. Let us not talk about the rest of the world; let us just talk about the United States—beef producers. What will happen if they do not put on an ETS or carbon tax and we do? You have admitted our costs will go up. Even if agriculture is excluded until after 2013, electricity costs are going to go up, fuel costs are going to go up et cetera. How do we compete in a cut-throat market? I come from Inverell,

where we have Bindaree Beef, where they employ 600 people every day and slaughter 1,000 head of cattle a day. You tell me how they are going to compete in the Korean and Japanese markets when the same cost is not put on the United States.

**Mr Glyde**—Again, we are getting into areas of policy design for the scheme, which probably—

**Senator WILLIAMS**—You have helped design the policy, haven't you?

**Mr Glyde**—would be best answered by the Department of Climate Change. I point out a couple of things in the white paper that go to ameliorating the initial impact of the CPRS. The first is the fuel tax credit, that I mentioned earlier on. While that does not go to the question of electricity costs, it certainly does go to the fuel and transport costs in the early period of the scheme. There is also assistance for the emissions-intensive and trade-exposed sectors that is proposed under the scheme.

**Senator WILLIAMS**—Does that include fertilizer as well?

**Mr Glyde**—I am not really sure what you mean. To the extent that there is a carbon signal, fertiliser costs will increase.

**Senator HEFFERNAN**—Do you know how much MAP was, delivered to farms in the United States, last week? It was A\$268 and, after the huge reduction from \$1,400, it is still \$900 here.

**Senator WILLIAMS**—What is that?

**Senator Sherry**—He just cut in again, Chair.

**CHAIR**—Senator Williams has the call.

**Senator WILLIAMS**—I have real concerns for agriculture into the future. I lived in limbo for a long time due to a dispute with the Commonwealth Bank, and now we are going to have agriculture living in limbo because we do not know, in 2014 or 2015, whether they are going to include it in this carbon tax, emissions trading scheme or whatever. If they are included and we have to pay it, what does your modelling say will happen when agriculture has to pay the full rate of the ETS? How is it going to compete then? You have done modelling on this I would imagine.

**Mr Glyde**—There has been modelling done that looked at the impact on the farm sector of government's current policy as outlined in the white paper—

**Senator WILLIAMS**—Let me stop you there. Time is limited. I am not being rude but you take a long time to answer your questions.

**Senator Sherry**—Turn it up, Senator Williams. The questions and the statements have been longer than the answers, if the witnesses can get a word in, frankly.

**Senator WILLIAMS**—Thank you, Minister. Now I will get on to my question.

**Senator Sherry**—No, I am not going to accept criticism of officers for lengthy answers when, patently, they are not going to do it. If you want to challenge what I say, I suggest we get a copy of the transcript and we add up the words and the content of the questions and statements and compare them to the length of the answers. I am damn sure it will show that

the answers are a lot less—when an officer can get a word in—than the length of the questions.

**Senator WILLIAMS**—Would you say that in relation to the officer and me, or the officer and the others around him?

**Senator Sherry**—To what has been happening this morning.

**CHAIR**—Senator Williams, ask your question.

**Senator WILLIAMS**—My concern is this: the people living in limbo do not know what their future is. What does ABARE predict on the effects of an ETS when it comes in next year, with agriculture excluded, and the effects in 2015 with agriculture included? What is the difference to the aspect of exporting beef, for example?

**Mr Glyde**—First of all, we are still working through some revisions of the work that we did last year. We published some work at the beginning of 2008, before the white paper settings had come out. Now that we have got the white paper settings and the policy designs and the like, we are within a couple weeks away from publishing some work about what we think the initial impacts might be in 2010 and what the impacts might be right through to 2030 and 2050. I cannot give you that information at the moment, but I think by the next estimates it will be well and truly out there. We are still working through that because, as I mentioned before, our modellers had been working with the Treasury until November last year and, since then, we have started to look in more detail at what it is going to mean for the agriculture sector. It is important that we get this stuff right—

**Senator WILLIAMS**—It is.

**Mr Glyde**—given, I completely agree, the concerns that are around in the sector and the large number of claims at various ends of the spectrum about what is or is not going to happen to the farm sector. We are engaged in that work. What I can refer you to, if you want specifics in relation to what the impact might be, is the Treasury's work, the best up-to-date thing at the moment. In the back of that, in a table, it has what they estimate to be the impacts on the gross output of various sectors by 2050 depending on a variety of different assumptions. If you take what they call the CPRS minus 5 scenario, you have the sheep and cattle industries going down by 6.7 per cent, which is 6.7 per cent from what it would otherwise have been in 2050—so down by seven per cent. That is still very significant growth from where we sit today. You have dairy cattle at 3.9 per cent and grains at 1.5 per cent.

The state of the modelling is at the stage where we have some good estimates, if you like, of what it might mean. We are now working with the Treasury and DCC to try to provide more of a finer grain detail by sector that I hope will be of relevance and use to the farm sector. I just cannot tell you what that is at the moment. The most recently published stuff is what is in the Treasury's work.

**Senator WILLIAMS**—That predicts the increase in productivity of Australian agriculture over the next 50 years?

**Mr Glyde**—The modelling makes some assumptions about what is going to be happening to the rate of productivity growth for agriculture. That is within the model itself.

**Senator WILLIAMS**—What do they base this productivity growth on—more efficient farming, better water practices, fertiliser?

**Mr Glyde**—That is a question that is probably best asked of the Treasury. Generally speaking, the historical record in Australia is that Australian farmers have had a very strong improvement in their rate of productivity growth over the last 30 years as the farm sector has battled all sorts of things that have been thrown at it, whether they are subsidies from European countries or the like. It has had to have that productivity improvement in order to survive, and I do not see that changing any time soon. We are going to have to work even harder now to overcome the impacts of climate change and the adverse impacts of the CPRS.

**Senator WILLIAMS**—So you are saying that the agriculture industry in Australia can face increased taxes. Whether agriculture will be improved or not, the costs will go up, and yet they will still increase volume productivity, not value productivity. We are not referring to the price of commodities here, but volume productivity you expect to increase more. What was the Treasury statement—‘Agricultural production will increase under an ETS at a level greater than it has over the past 50 years’?

**Mr Glyde**—As I said, if you want the specifics of what lies behind those assumptions, I suggest you talk to the Treasury and ask the Treasury about those ones. What I am saying is that Australian farmers have been facing declining world prices and declining terms of trade for 30 years and they have still managed to survive and still managed to be productive and profitable. We are talking about—

**Senator WILLIAMS**—I will just let Senator Milne drop in for me if you like.

**Senator MILNE**—Can I just follow up on Senator Williams’s question. Do you know what assumption the Treasury fed in about climate change? I mean, taking the historical record of increased productivity for the last 50 years or 30 years and looking at policy changes on issues like trade or whatever is one thing, but climate is an entirely different thing. Do you know what the Treasury assumptions were that led to an assumption that they will increase productivity in the face of ecosystem collapse?

**Mr Glyde**—I personally do not know the specific details of that. I think it is best to probably speak to the Treasury about that. The point you are making is that the impacts of climate change itself on agriculture are also a hurdle that the agriculture sector has to get over. Those effects are built into the system already and we are beginning to see some of the impacts of that. They have to jump over that because of the change in climate, if you like. Then there is also the consequence of the medicine you have to take in order to try and do something about climate change. That will also have an adverse impact in the first instance.

**Senator MILNE**—Essentially my point is that you cannot take the historical record as an indication of what productivity increases you might expect in the future in the face of significant shifts in rainfall and fundamentals of productivity—quite apart from tax and so on. I would be very interested because my concern here is that ABARE or Treasury is putting out things to the agricultural sector saying that there is an expectation that productivity will increase. If there is not an assumption built into that about the level of climate shift or the negative impact of climate then it is actually misleading everybody as to why you would expect productivity to increase.

**Senator WILLIAMS**—ABARE will be back later today or tomorrow?

**CHAIR**—Yes.

**Senator WILLIAMS**—I will leave other questions until then, if I could.

**CHAIR**—On that, then, there are questions to be asked by Senators Colbeck, Siewert and Macdonald. I have been told that Senator Colbeck has one and then that will flow on to Senator Siewert and then Senator Macdonald.

**Senator BOSWELL**—I have one too.

**CHAIR**—If we have time, Senator Boswell, I will give you the call.

**Senator COLBECK**—My question goes back to the initial proposition put by Senator Milne that we get an overview of the impact of the CPRS on agriculture. At the last estimates I asked a question—it is question ABARE 03—as to whether there had been any modelling done on the impacts of the manufacturing portion of the agricultural sector. The response that I received was:

No work has been done on the impact on the manufacturing portion of the agricultural sector.

If there has been no work done on the impact on the manufacturing portion of agriculture, how can you, in any reasonable sense, give us any idea of the impact on agriculture, given that there is a direct feed in? As Senator Heffernan has already indicated, 30 per cent of the cost of the manufacturing sector in dairy is direct energy costs. Perhaps it gives us an understanding as to why there is so much difficulty in giving us an overview when some of the fundamental inputs have had no research work done on them.

**Mr Glyde**—That is one of the things I mentioned earlier on—ABARE working on further developing our modelling capacity. What we have done previously in the dairy processing area was just included it as part of the of the other foods processing sector in our model. What we have been doing over the last few months since we got our modellers back is to expand that out and pull that out of that particular sector and represent it more directly in our model so that we can be more accurate about what the impacts will be on that particular side of the sector. As far as the public accounts are concerned, even though it is a vital part of the agricultural food chain, they treat it as in the processing sector. That is how our model has been established—on the basis of the data we have.

**Senator COLBECK**—What about things like paper and other elements that feed directly back into primary industry?

**Mr Glyde**—Same thing; they would be seen as part of the manufacturing sector. In order to do the modelling that we do, you have to make some simplifying assumptions: you aggregate industries up, you aggregate sectors up. What tends to happen is, when you get a particular issue you need to examine, you then go in and say, ‘Okay, let’s get a better representation of that part of the economy in the model,’ because at the end of the day the model is just a representation of the economy; it is not completely accurate. It would be just too large to make it run. So, as with all models, there are always a lot of simplifying assumptions made in order to be able to come up with some insights that might help you in your policy design work—and you test that against reality as well.

**CHAIR**—Are there other any other questions on modelling? Four. Okay, hang on; allow me to work my way around the table. Senator Macdonald.

**Senator IAN MACDONALD**—My question is actually to the minister. Some of us here get annoyed with officers because they appear to be being evasive, but, quite frankly, I sympathise with the officers because they have got no idea what they are supposed to be modelling, because the government has not yet made a decision on what its CPRS is going to be, if it is going to be. There are so many mixed messages coming from the Prime Minister and the climate change minister. So, Minister, my question to you is: when could we as a committee expect to know what the government is actually proposing for its CPRS? And can you give us a general indication—not the precise date now—of when the legislation is to be introduced into parliament? That will indicate what the CPRS is, and then we will really be able to ask questions, and the officers will be able to make assessments on the basis of what is proposed, not assessments based on one of five or six scenarios, as they are currently struggling to do because like us they have got no idea what the government is actually proposing.

**Senator Sherry**—Just in terms of the commentary, I think the officers are doing very well in considering different—

**Senator IAN MACDONALD**—They always do well. There is no need for that commentary.

**Senator Sherry**—Well, there is. It is a response to your, I think, unfair criticism. I think the officers are doing very well.

**Senator IAN MACDONALD**—I will make this clear: there was no criticism by me of the officers and there never is and never will be.

**Senator Sherry**—You certainly—

**Senator IAN MACDONALD**—I was excusing them, because your government cannot tell them what they are supposed to be doing.

**Senator Sherry**—And I think the officers have responded very well to the range of scenarios that the government has needed to consider in developing the CPRS policy. As to the date of the introduction of the final legislation into the parliament, I will see if anyone has any indication of what an indicative date is.

**Senator IAN MACDONALD**—That would be good.

**Senator Sherry**—I will check with the minister's office about whether we can obtain an indicative date. I will take that on notice.

**Senator IAN MACDONALD**—Thank you, Minister. That would be particularly helpful.

**CHAIR**—Senator Macdonald, do you have any other questions?

**Senator IAN MACDONALD**—No, I am finished.

**CHAIR**—Senator Boswell, one question?

**Senator BOSWELL**—I have one question. Some time ago, I was told that the cost increase would be 18 per cent to the grazing sector and six per cent to the cropping sector. To

give you an example, Rockdale Beef has estimated that their abattoir, with a turnover of 180,000 head per annum, would need to purchase \$6 million worth of permits, at \$33 a head, to cover their increased processing costs due to an ETS. Furthermore, at a stocking rate of 50,000 head, the feedlot would need an additional \$840,000 per annum, \$16.80 per head, to offset emissions due to that activity. Mr Glyde, what can I tell farmers? What is your department doing policy wise, so we can go out and tell those people that you are working on policies that will relieve them of these new costs?

**Mr Glyde**—I might ask Mr Quinlivan to do that, but before I do I would just remind you that the information that we gave in November last year was based on some work that we had publicly released in March 2008, which was prior to the government having its policy settings in place—prior to the white paper being in place. What we are going to be releasing in the next week or two will be the updated figures for those costs. We are still finalising the exact numbers but they are going to be a lot lower than what you have quoted there.

**Senator BOSWELL**—Well, I am only quoting you.

**Mr Glyde**—I know, so I am trying to point out that those figures we had were the most recently publicly available that we had done but since then we have got the policy settings. As I mentioned before, the fuel credit scheme and the overall price of carbon that were assumed make a very, very significant difference to those costs. At the time we were modelling a price of about \$40 a tonne. The Treasury modelling is assuming something of the order of, from memory, \$20 a tonne. When you take into account the policy settings that the government is now proposing to put in place it makes a very significant difference to those costs.

**Senator BOSWELL**—Mr Quinlivan, can you tell us what policies your department is working on to offset these increased costs to farmers? What is the government going to do? Has the government asked you to work through some policies that will alleviate these costs?

**Senator Sherry**—This is going to policy advice to government, Senator Boswell.

**Senator BOSWELL**—I am not asking for policy advice.

**Senator Sherry**—I think you are.

**Senator BOSWELL**—Is his department preparing any policies or preparing any work that would remove or diminish the costs to these particular farmers that are going to get hit?

**Dr O'Connell**—Mr Glyde mentioned the fuel rebate, which is essentially designed to reduce that cost directly.

**Senator BOSWELL**—That fuel rebate is paid for, in fact, by the fuel companies. The fuel companies buy the permits, pay the money to the government and then the government offsets that in fuel rebates to the farmers. The industry is actually paying for it; it is not a government rebate.

**Dr O'Connell**—The precise mechanism will be a matter for DCC and Treasury, but it would be like any other rebate—it eventually, I think, comes out of the budget one way or the other. It is not necessarily one to one marked to the fuel—

**Senator BOSWELL**—As I understand the rebate system—

**CHAIR**—Senator Boswell, you said you had one question. There are others with questions.

**Senator Sherry**—It is a transfer payments system, Senator Boswell. If you want to explore the income base from where the transfer is occurring, from the parties to whom it applies, and then where it goes to, that is a Treasury matter.

**Senator HEFFERNAN**—If you are modelling from 40 back to 20, then a bit like the freight component it will be disproportionate. Are you going to model a series—60, 40, 20—because there is a different effect altogether as you disproportionately decrease or increase the cost of the tax?

**Mr Glyde**—We are planning to model the two scenarios that the government has put forward in the white paper, which are CPRS minus 5 and CPRS minus 15.

**Senator HEFFERNAN**—What's that in whitefella language?

**Mr Quinlivan**—A minus five per cent cap and a minus 15 per cent cap on emissions.

**Dr O'Connell**—The position in the white paper—and I stand to be corrected—is that if other economies do not join in an international agreement we will stick with five per cent reduction.

**Senator HEFFERNAN**—Most farmers are dismayed that their future is absolutely unknown, because we are two to three years from a decision and the bank wants to know where we are going to be in 10 years. In the modelling, is some work being done, and it is not complete, on the carbon credits that are naturally occurring on the farm annually for which we get no credit?

**Mr Glyde**—You are talking about soil carbon?

**Senator HEFFERNAN**—Yes.

**Mr Glyde**—As was mentioned earlier on, there is some scientific research going on in relation to soil carbon. Before we can actually put any dollar figures on that and start to include that in our models we would have to have a better understanding of the science of it and who wins and who loses as a result of that.

**Senator HEFFERNAN**—The modelling you have done, though, does not include that?

**Mr Glyde**—No.

**Senator HEFFERNAN**—Well, there you go—there is a fundamental flaw.

**CHAIR**—Senators, Senator Siewert is waiting very patiently. There is one more question on modelling from Senator Williams, then one from Senator McGauran and I promise Senator Siewert will kick off at half past the hour.

**Senator McGAURAN**—I have one question on modelling. To clarify, the point has been made that there has been no modelling with regard to carbon capture—the credits that the farmers may claim.

**Mr Glyde**—In relation to soil carbon?

**Senator McGAURAN**—Yes. And we hear from my colleague over there that you have not modelled, on the other side, the input factors such as energy and the flow-on effects of the manufacturing sector.

**Mr Glyde**—That is not correct. We have included the energy costs. I think the senator was asking whether I could give some specific numbers in relation to the dairy processing sector and I was not able to do that because we have not as yet split it out. We are in the process of doing that. Manufacturing as a group, and as a series of industries, is reflected in the model.

**Senator HEFFERNAN**—You realise this is hanging farmers out to dry, don't you?

**Senator McGAURAN**—Exactly.

**Senator HEFFERNAN**—It's bloody stupid.

**CHAIR**—Is there a question here?

**Senator Sherry**—I thought we had some reasonable unanimity on what was being modelled, until Senator McGauran's question. You seem to have thrown doubt onto it again.

**Senator McGAURAN**—You can drive a truck through the modelling already. You are leaving out one of the most significant credit factors. You are leaving out one of the most significant cost factors. What sort of modelling is this?

**Senator Sherry**—Is there a question here, Senator McGauran?

**Senator McGAURAN**—We have in today's *Australian*—

**Mr Quinlivan**—On soil carbon, it might be handy if I just mention what we are doing. We talked a little earlier about the climate change research program. The science around soil carbon is still uncertain and there needs to be a good deal of certainty before it can be turned into a commercial transaction, which is what we are talking about here. We—CSIRO and others—are working on that. Also, Australia is taking into the Copenhagen negotiations a position which would be more sympathetic to counting things like soil carbon in the national accounts. They are the two things that we are doing. As and when we have got products that are usable they will certainly be taken into account in the modelling, as they will be in commercial planning by land users.

**Senator HEFFERNAN**—So that will include the zero tillage effect? In 10 years time it will all be zero tillage.

**Mr Quinlivan**—That goes to issues of scheme design and the use of the base year because minimum tillage is now—

**Senator HEFFERNAN**—Not minimum—zero. You know what I am talking about?

**Mr Quinlivan**—Yes, I do. I am reluctant to chance my arm on the technicalities there because it is a complicated matter. Perhaps we can come back to that.

**Senator McGAURAN**—I have a whole string of questions on that part alone that Bill is talking about. I wonder what credits you have taken into account. You have all read today's paper and it has been discussed, and I support my colleagues' dismay in relation to what the farmers are seeing coming down the track. The modelling that was for the Farm Institute in the paper today was based on the government's white paper so it has taken up the

government's own assumptions to come to these conclusions. Even in its most 'conservative estimate'—as it says in the paper—the rural sector is going to lose billions of dollars of production. Yet I hear from the table that the red meat industry is in fact going to grow. In fact I wrote it down.

**CHAIR**—Is there a question, Senator McGauran?

**Senator McGAURAN**—Yes. It says that it is going to continue to grow at a lesser rate—that was the only qualification to that. Despite every other assumption, let alone everyone's expertise in the rural sector around here—full knowledge and common sense—this table is the only table telling us that, for example, the red meat sector is going to continue to grow to the year 2020 by 6.5 per cent. I ask for a reclarification of that.

**Senator Sherry**—When there has been a question the officers have well clarified in their answers.

**Senator McGAURAN**—You are quite right—it will only decline by a lesser amount.

**Senator Sherry**—I do not think there is the question here.

**Senator McGAURAN**—I seek reclarification of that statement.

**Senator Sherry**—I think the officers have well answered the questions, when there have been questions, put to them this morning. I do not see a necessity, unless you want to get agreement with your colleagues to go back through all of the questions—

**Senator McGAURAN**—I put on the record that this table—

**CHAIR**—Order! Senator McGauran, the minister is answering. Minister, please finish the answer and we will go to other questions.

**Senator Sherry**—I have completed the answer.

**Senator McGAURAN**—Let it be noted that the government are the only ones—

**CHAIR**—Rachel is waiting. Everyone has had a fair bloody go around here except—

**Senator McGAURAN**—who believe that the farm sector will be no worse off, in fact better off, under the ETS. Can someone tell me what the fifth Boat House Group is?

**Senator Sherry**—Chair, the question that Senator McGauran asked does require some clarification.

**Dr O'Connell**—Chair and Senator, I do not think that accurately represented our comments at all.

**Senator McGAURAN**—Would you like to accurately present them?

**Senator Sherry**—It is commonly known as verballing, Senator McGauran. We do not accept your schematic and overview of the responses by the officers.

**Senator McGAURAN**—What is the fifth Boat House Group?

**Mr Glyde**—The Boat House Group is a symposium, a forum, that ABARE have organised over the last half a dozen or seven years. It is a forum where we invite practitioners in general equilibrium modelling and get them together with the policy makers in relation to climate change. Given that there is a long lead time between policy development and then trying to

build models that can reflect that, the idea is to get the two groups together to get a bit of a sense of what might be the modelling needs in a few years time. We have been running these, as I said, for a variety of years. It is called the Boat House Group because the very first meeting was held at the Boathouse restaurant in Canberra.

**Senator McGAURAN**—So this is a group that meets—

**CHAIR**—Senator McGauran, it was one question. I think we have had a fair run. Senator Siewert has been patiently waiting to ask questions for the last hour.

**Senator SIEWERT**—I would like to move away from modelling if we could and go back to drought. Is this where we cover drought? Senator Colbeck touched briefly on EC this morning and where it is up to. You could not provide us with detailed figures because it is being transferred because of the relationship with Treasury. Could you just articulate a little bit more on what you mean by it is being transferred to the issues around Treasury and why you cannot tell us where we are up to on EC?

**Mr Mortimer**—No. I think we can answer the questions on exceptional circumstances as far as I know, short of some specific question you might have. What is the specific question that you have?

**Senator SIEWERT**—Specifically, are you going to continue to handle EC or is Treasury?

**Mr Mortimer**—This department remains responsible for exceptional circumstances issues, Senator.

**Senator SIEWERT**—Okay, so why could you not answer the question earlier around the underspend and EC? The answer, as I recollect, was because of some difficulties with how much has been transferred to Treasury.

**Mrs Cupit**—Treasury is now taking the lead on making payments to the states. One of the payments that we deal with is the interest rate subsidies. So from 1 January this year, Treasury do take over the role of paying those states all of the interest rate subsidy allocations.

**Senator SIEWERT**—So it is just that component?

**Mr Mortimer**—Just that component only. It is only in relation to the payment itself. We are still dealing with the EC policy and programs.

**Senator SIEWERT**—So the money that came under the stimulus package, will you be responsible for that?

**Mr Mortimer**—No, Senator. That will go directly from consolidated revenue, and I do not expect that to show through in the statements of this portfolio.

**Senator SIEWERT**—Okay. As I understand it, it goes to people who are already on EC.

**Mr Mortimer**—It will go to people who are on EC at the point of time the government nominated.

**Mrs Cupit**—I will just clarify that as well: EC as well as Farm Help and transitional income support recipients. So it covers those numbers.

**Senator SIEWERT**—Thank you for that. I appreciate that. So it is not going to flow through your books. You will just cooperate to make sure that anybody who is on EC and those other programs gets some assistance.

**Mr Mortimer**—That is right, Senator. We provide information giving the data about who is on different benefits—ECRP, and, as Mrs Cupit mentioned, transitional income support and so on.

**Senator SIEWERT**—I would like to move on to the new programs—how you are going into developing the new programs and the transition period from EC into the new programs.

**Mr Mortimer**—You are talking about the drought policy review?

**Senator SIEWERT**—Yes.

**Mr Mortimer**—The government has made considerable progress on the drought review. You would be aware that there are three elements to it. There is the BoM CSIRO report that was published last year. There was the expert social panel report, which was also made public last year. There was a Productivity Commission inquiry, which is being finalised later this month. The draft report was put out late last year, I think, at the end of November, and the Productivity Commission then consulted with stakeholders and interested parties on that. The government will make its decision on the new drought policy framework and elements when the PC report comes in and is finalised. Then the government will make an announcement, most likely in the budget context, given that clearly there is a significant set of measures there and funding implications which require budget consideration.

**Dr O'Connell**—Can I just clarify: of course in all that, whether or not there is change and how that change occurs is still a matter for budget decisions. So we cannot speculate on where all that will go, and until change occurs the current programs continue.

**Senator SIEWERT**—As I understood the answer, you have discussed it with stakeholders already?

**Mr Mortimer**—Yes, there have been considerable discussions with stakeholders, as mentioned. I will also reference that the minister has had a series of meetings with his counterpart state ministers to discuss how a future drought policy framework should look, given that the states have a role within drought policy.

**Senator SIEWERT**—Could you tell us when those meetings took place?

**Mr Mortimer**—Yes, I can do that. There was a meeting just a week or so ago, on 13 February. There are published communiqués from each of these meetings, which are available on the minister's website, I think. There was a meeting before that on 12 November 2008. There was another one before that on 19 September 2008, and the first one was held on 29 February 2008.

**Senator SIEWERT**—Most of those, though, were prior to the release of the PC report?

**Mr Mortimer**—No, the discussion on 13 February was after the release of the PC report.

**Senator SIEWERT**—Yes. I said 'most of them'.

**Dr O'Connell**—That is the draft report. The final report is just about to be released.

**Senator SIEWERT**—Once the final report has been released, will there be another round of consultation with the states and stakeholders prior to the government making any announcement?

**Mr Mortimer**—I do not expect that there will be public consultation, but the minister may wish to consult with the stakeholders.

**Dr O’Connell**—Again, I think that we should not speculate on what the minister will want to do after the Treasurer has received the Productivity Commission report and the government considers what to do next. I am loath to get into the area of speculation about what might occur when these reports are finally received.

**Senator SIEWERT**—I appreciate you cannot speculate. When is the next ministerial council meeting?

**Mr Mortimer**—I think it is in April. I do not have the exact date but I think it is in April.

**Senator SIEWERT**—I just wanted you to basically answer my question. It is before the budget. The Productivity Commission report?

**Mr Mortimer**—The end of February.

**Senator SIEWERT**—So it is this week?

**Mr Mortimer**—Yes.

**Senator COLBECK**—I want to run through some quick questions on forestry, which I understand is now part of Climate Change. Is that correct?

**Mr Mortimer**—That is right. It is indeed.

**Senator COLBECK**—Is there any reason why it has been moved out of sustainable resources into Climate Change?

**Mr Mortimer**—As I mentioned earlier in response to questions from Senator Milne, the restructuring of the division reflects an intention to draw together all the different policy frameworks and measures that impact on land use across agriculture and the sector as well as reflecting that forestry is part of climate change issues because the forestry sector will be participating in the scheme on a voluntary basis from 2010.

**Senator COLBECK**—So it really is no reflection on what might be going on in other elements or a perspective of forestry as a sustainable industry—

**Mr Mortimer**—Not at all, Senator. There is no reduction in emphasis on the sustainable forestry issues and they are continuing in the normal way.

**Senator COLBECK**—Well, let’s see how well it is going. At the last estimates we talked about addressing the forestry skills shortages program. We were told that the program had been transferred to the Department of Education, Employment and Workplace Relations in March 2008 and guidelines for the program were being developed. Where are we now with that?

**Mr Talbot**—When we spoke to you last time we ran through where each of the election commitments were at and I am quite happy to do that again. In terms of one of the things you mentioned, the Forest Industries Development Fund—

**Senator COLBECK**—Let's deal with the skills shortages program first. I am going to ask you questions about those so I will go back through them. I want to know what the progress is on addressing the forestry skills shortages program.

**Mr Talbot**—First of all, as I said, one of the forestry skills programs was transferred to the Department of Education, Employment and Workplace Relations, and that was for ForestWorks to set up an industry council. In terms of building a forest industry database, we are currently working on that—

**Senator COLBECK**—But that is a different question. I asked you specifically about addressing the forestry skills shortage. The program, as you said and you have just reiterated, has been transferred to the Department of Education, Employment and Workplace Relations and guidelines were being developed.

**Dr O'Connell**—My understanding is that the industry skills council has been established.

**Mr Talbot**—That is correct.

**Senator COLBECK**—So the skills council has been established?

**Dr O'Connell**—Yes, and that is ForestWorks, as in the Forest and Forest Products Industry Skills Council which will receive \$8 million over the next three-year period.

**Senator COLBECK**—There are still some guidelines being developed under the process—and you might have to take that on notice given that it has gone to a different agency. I would like to know where the guidelines for that program are.

**Dr O'Connell**—Essentially, in terms of the overall election commitment, I think that is close to completion.

**Senator COLBECK**—Moving on to boosting the export of forest products, there is \$9 million for that program. We were told at the last estimates that the program guidelines were under development. So where are we with the guidelines for that program?

**Mr Talbot**—The guidelines for that program have been released and that is the Forest Industries Development Fund. We have received a number of expressions of interest for that program and they will be being assessed this week.

**Senator COLBECK**—So you have received a number of expressions of interest under the guidelines?

**Mr Talbot**—That is correct.

**Senator COLBECK**—So none of the \$9 million has been allocated so far?

**Mr Talbot**—None of the money for that program has been spent so far.

**Dr O'Connell**—The call for expressions of interest, I understand, closed on 6 February.

**Senator COLBECK**—How much do you expect to expend of the budgeted amount this financial year?

**Mr Talbot**—That is difficult to say until the applications have been assessed.

**Dr O'Connell**—I think that it is reasonable to say that there is a large number of applications so there is a high degree of likelihood that the money will be expended this

financial year. The advisory committee is meeting this week and they will give advice to the minister shortly.

**Senator COLBECK**—How would you characterise the interest in respect of submissions or expressions of interest received versus money available?

**Mr Talbot**—Considerably in excess of the money available.

**Senator COLBECK**—Can you give me any sense of the proportion of that?

**Mr Talbot**—The program is \$9 million and, just off the top of my head, I think we have had expressions of interest up to about \$118 million. The program was very well subscribed.

**Senator COLBECK**—We will go on to the forest industry database. Again, at the last estimates we were told that the guidelines were being developed. Can you tell me where that is that.

**Mr Talbot**—We are currently developing a process to put a tender out into the community to get this task done.

**Senator COLBECK**—You told us last time that you were developing guidelines. So are you still effectively developing a tender process to construct the database?

**Mr Mortimer**—No. There are a few steps in the process. The minister wanted to have a discussion with his forest and wood products advisory council late last year—I think in early December. It was important to get industry advice on the nature of the database and what it should focus on. Since then the work has proceeded to settle exactly what would be the subject of the tender, and it will be put out shortly.

**Senator COLBECK**—So you do not know when that will be put out to tender? Or is that still with the minister?

**Mr Talbot**—It is still with the department but I think we are getting very close.

**CHAIR**—Senator Colbeck, we have gone over the time limit.

**Senator COLBECK**—I just have a couple more questions on forestry. I do not know if any one else wants to do any more on climate change, particularly drought.

**CHAIR**—We are out of time. I am quite happy to extend if there are questions but the time will have to come off somewhere else.

**Senator COLBECK**—I understand that.

**CHAIR**—In that case, we will go to one o'clock and make up the time somewhere else.

**Senator COLBECK**—On banning the importation of illegally logged timber: again, at the last estimates we were told that guidelines were being developed. Can you give us an update on where that is at?

**Mr Talbot**—We are currently having a regulatory impact statement done. The Centre for International Economics is conducting that work for us. We are hoping to have that work on the regulatory impact statement completed by 30 June.

**Senator ABETZ**—Would the regulatory impact statement—if I may interrupt, Senator Colbeck—be on the basis of a voluntary scheme? On what sort of a scheme is the impact statement being predicated?

**Mr Talbot**—The regulatory impact statement would look at a range of options—anything from some sort of voluntary approach to some sort of very strict legal approach.

**Senator ABETZ**—So it would cover the full gamut of options?

**Mr Talbot**—It would cover the full gamut of options. There would be an issues paper in March and an options paper in May. And there is a very large consultation process going on.

**Senator ABETZ**—When do you expect that to report?

**Mr Talbot**—We expect it to be finalised around 30 June.

**Senator ABETZ**—Will that be made publicly available, or is it a report to the minister and at his discretion to release?

**Mr Talbot**—My understanding is that it would be a report to the minister and at his discretion, but I had better take that on notice and clarify it.

**Senator ABETZ**—Yes, of course; understood.

**Senator COLBECK**—So it will be at least until June before we are in a situation to progress that particular issue much further?

**Mr Talbot**—Yes. It is a highly complex issue and it will be in June that we will be looking at what options we have.

**Senator COLBECK**—Once that report is received, what is the process after that?

**Mr Mortimer**—The report would then go to the minister, the department would advise the minister on the pros and cons of the different options, the minister will make up his mind and, depending on the nature of the arrangements—and, indeed, how extensive they are—the minister may wish to go to cabinet, but we do not know that at this stage.

**Senator ABETZ**—Minister, I assume this is a report to Mr Burke?

**Senator Sherry**—Yes, it is.

**Senator ABETZ**—Can you take on notice for us the question of how quickly Mr Burke would anticipate that he would be able to respond to the RIS?

**Senator Sherry**—I will take it on notice.

**Senator COLBECK**—Okay. The other issue was preparing the forest industries for climate change, which was an \$8 million program. At the last estimates we were told there was a draft paper only, which was to be submitted to the ministerial council in April. Are there any further developments on that?

**Mr Talbot**—The intention is still to submit it to the ministerial council in April.

**Senator COLBECK**—So there has been no work done on that since our last report, effectively?

**Mr Talbot**—There has certainly been work done on the paper in terms of getting further consultation with other Commonwealth departments and with some state departments as well.

**Dr O'Connell**—This issue has also been to the Forest and Wood Products Council again, and they have provided recommendations to the minister which I think he has endorsed. So there is that process that has occurred, as part of the refinement, I guess, of it.

**Mr Mortimer**—If I can just clarify that, picking up Dr O'Connell's point, the minister has asked that all election commitments by the government should be the subject of consultation with the Forest and Wood Products Council. There was a full discussion of that at the meeting in December, and since then the action has been able to proceed on those initiatives.

**Senator COLBECK**—So how are you going against budgeted expenditure for that \$8 million?

**Mr Mortimer**—Let me step back a bit there. I do not know what the funding profile for that \$8 million is over a number of years. I would have to take that on notice and come back to you. My notes say that \$1.2 million of that \$8 million is provided for expending in 2008-09.

**Senator COLBECK**—Yes. So it does not look as though you are going to have much chance of spending that, unless it is going to be gobbled up in preparing draft submissions.

**Mr Mortimer**—No, no; the preparing of the materials is being funded by the department, Senator. I will take that one on notice.

**Senator COLBECK**—So there is \$1.2 million to be spent this year which is obviously not going to be expended, given that it is getting pretty close to the end. Of course, then you have got the impact of the decision-making process on the out years as well. Just going back to the \$1 million for illegally logged timber—what is the program for expending that?

**Mr Talbot**—I think maybe I will come in on the issue of the finances. Basically, there is \$19 million to be spent across all these issues—except the first one you mentioned, where the \$1 million went to the Industry Skills Council. In the additional estimates statements, we have to spend \$4.9 million of that money across those other programs this financial year.

**Senator COLBECK**—The only one you have got any chance of spending any money on is boosting the export of forest products, and, given the submission level that you have got, I do not think—what component of the \$4.9 million is in that?

**Mr Talbot**—It basically is \$4.9 million for this financial year across—

**Senator COLBECK**—That cannot be right. What you are saying is that you have got a lump of money that you will expend across all of those programs and it does not really matter which program it is allocated to.

**Mr Mortimer**—No, no. If I can just come in there, Senator, it is probably best if we take on notice the reporting of expenditure to date against those programs, if that helps. But I would also observe that there are still four months of the financial year to go and it is difficult—indeed, probably unhelpful—to speculate about what the end-of-year outcome will be.

**Senator COLBECK**—Well, that does not give me any confidence of getting a reasonable answer to the question that I asked at the beginning of the day about where the overall expenditure of the department is going to go.

**Mr Mortimer**—Yes, I understand what you are saying, but until the year is—

**Senator COLBECK**—Glad you understand that!

**Mr Mortimer**—Until the year is finished, it is impossible to say. What has been stepped through here is what stage we are at in terms of the expenditures, and in terms of what happens between now, late February, and the end of June we cannot say.

**Senator COLBECK**—Based on the answers that you have given me to all of these programs this morning, if you have handed all of your \$1 million over to the skills council and that is gone, you had \$1.2 million allocated for Preparing Australia's Forestry Industry for the Future program and you had \$118 million worth of applications for a \$9 million program for the boosting of exports of forest products, but if you take \$2.2 million off your \$4.9 million that leaves only \$2.7 million to spend this year on that particular program, and that is without any allocations being made to the others—or are you just going to say, 'Look, we will spend \$4.9 million this year and balance the rest up later'?

**Mr Mortimer**—No, I do not think that is what we are saying at all. What we are saying is that we do not know at this stage what the final expenditures will be. We have certainly given an indication of the magnitude around some of those numbers. For example, if there is \$118 million being bid for funding for an investment fund, there is a high likelihood that that amount in the budget can be readily expended. On the others, every effort clearly will be made to expense them, and governments always have the option, if they so wish, of doing rephasings from one year to another to ensure that budget funding can be used for the purpose that was intended.

**Senator COLBECK**—I understand that. So you could potentially rephase some funding out of these programs into others with the intention of catching up later on?

**Mr Mortimer**—If that was to happen, it would be for the same purpose.

**Senator COLBECK**—Is there any reason why the webpage has not been upgraded since 16 June 2008?

**Mr Mortimer**—I will take that on notice. I was not aware of that, I have to say. This is on forestry, is it?

**Senator COLBECK**—According to the latest version of the forestry page that I have got, it was last reviewed on 16 June 2008 and that was a printout that was done on 21 February 2009.

**Senator ABETZ**—That would confirm the answer that forestry is going along as normal—underresourced.

**Senator COLBECK**—I think it reflects that there is not much going on at all, quite frankly.

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

**Senator COLBECK**—General attention to the industry.

**Senator ABETZ**—In the few minutes remaining, could officers assist me. Should bushfire management be asked here or under our next bracket of questions, sustainable resource management? I want to follow up on some matters that got some airing in 2007 with the

Forestry and Forest Products Committee and the Natural Resource Policies and Programs Committee. If we can do that after lunch, that would be good.

**Mr Quinlivan**—We will see what we can do. I am not sure what we can do on this, but we will have a look at that over lunch.

**Senator ABETZ**—If it is in the climate change bracket, it is end of story now, whereas if it is under sustainable resource management I can get into it after lunch. I am just trying to get some guidance as to when an appropriate time would be or, if you do determine that it should have been climate change, I would be very much obliged if you could have the relevant officer here after lunch.

**Mr Quinlivan**—We will anticipate that and make sure that we are ready one way or the other.

**Dr O'Connell**—Just to specify, what does this relate to?

**Senator ABETZ**—Bushfire management. There was a ministerial council meeting, which I in fact attended in 2007, where the Victorian and New South Wales governments were encouraged to undertake certain works and they were engaged in self-congratulatory messages. The events that have now transpired indicate that we should be revisiting some of these issues very seriously and, not surprisingly, I have questions in that area. If we could visit that after lunch, I would be much obliged.

**Senator Sherry**—Senator Macdonald asked a question about the date for the introduction of legislation on CPRS. Minister Burke is not responsible for that. That is Senator Wong. We do not have any date at the present time. Of course, Senator Wong will be responding to questions in the climate change area and it can be pursued there if any further information can be given.

#### **Proceedings suspended from 1.00 pm to 2.00 pm**

**CHAIR**—I welcome back the minister and officers from Sustainable Resource Management Division.

**Senator ABETZ**—Chair, I note that we are getting towards the end of February, and 1 March, by most peoples' recognition, depending on whether you go on the equinox or not, represents the beginning of autumn. And the topic I want to pursue is the issue of controlled forest fuel reduction burns. They were put on the federal agenda, at least in 2007 at a ministerial council meeting, and I know that there was a Commonwealth proposal put up encouraging the states to get more actively involved, which the states did not see necessary to pursue. But they then, after five or something bushfire inquiries, saw the importance of referring the matter to the Forestry and Forest Products Committee and the Natural Resource Management Policies and Programs Committee for the development of a paper on the future development of a Forest and Rangeland Fire Management Policy.

I am just wondering where we are at with that. That was, I think, determined in about April 2007. It is a pity that certain warnings at the time were not heeded, but that has unfortunately passed now. But the issue, can I say, is very, very serious. I just want to know what follow-up has now occurred, or is this review or the development of a paper still in its embryonic stage?

Where are we at with that paper? And you will tell me, Mr Quinlivan, that I am in the wrong area.

**Mr Quinlivan**—I will not do that, Senator. You have got us here, I am afraid. No, you are correct. That meeting was actually on 20 April 2007 and your account of the outcome there is correct. It went on to say that there were a number of things that should be looked at in that paper. We do know that paper was listed for discussion at the standing committee next month and the ministerial council a month later, but we have had a request which has been accepted from Victoria that the paper be withdrawn because they are now proceeding to a royal commission on the matter and they do not wish to be having a discussion with ministers at that time.

**Senator ABETZ**—So, once again, this autumn, we will not be having fuel reduction burns because there is a royal commission that, I have no doubt, will find exactly the same as five previous findings dating back to 1939.

**Mr Quinlivan**—Well, I could not draw that conclusion from the fact that this paper is not going to be considered in March. That may or may not affect what Victoria and others states may do.

**Senator ABETZ**—Is it on the agenda to discuss the issue of fuel reduction burns?

**Mr Quinlivan**—Not at the ministerial council, no.

**Senator ABETZ**—No, it is not. And we are now going to hide behind another report. And I am not saying that about the federal level, but unfortunately at the state level that will be undoubtedly the rationale that no burn-offs can be undertaken this autumn—because there is a royal commission underway. When are we going to have a resolution to this issue? And can I say, after the 2006 fires in Tasmania, the state Labor government finally came to its senses and started, in fact, advertising on television that fuel reduction burns were going to take place—something for which, when I was promoting those sorts of ideas, I was heavily criticised. But I note that has now occurred in Tasmania. But when are these states going to learn and take responsibility for their inaction?

**Dr O'Connell**—I understand your perspective there, Senator, but I do think we should make it clear that we are not, and we should not be, suggesting that the withdrawal of the paper or any further action related to the royal commission would mean in itself that Victoria will not undertake fuel reduction burns. We do not know that from our perspective. So that would have to be an open question from our perspective.

**Senator Sherry**—Or any other state or territory, for that matter.

**Senator ABETZ**—I would have hoped that, given the most unfortunate consequences of the New South Wales fires, the Canberra fires, the Tasmanian fires, the fires in Victoria and now the most recent fires in Victoria, this issue of fuel reduction burning would become a top priority issue for the federal government and also all state governments. I admit that I was an absolute policy failure, because I, as minister, tried to get it up as an election issue at the last election. And as is the want with most of these things, was treated with ignore by the media and it never got the traction that it deserved and all the background briefings said that this is just stupid.

But we now have some most unfortunate consequences that some of us were, in fact, secretly hoping and praying would not occur. And I would have thought now is the time for action—not to delay until another royal commission report. Tony Wright, in the *Sunday Age*, has already written the report by repeating what Mr Stretton said into the 1939 fires as to what needed to be done to avoid that sort of catastrophe in the future. And it seems that we are just unable to learn the lessons because of an ideological mindset in state bureaucracies—under both Liberal and Labor state governments. I am not trying to play a partisan card here, but I am trying to play a card of public policy. It is vitally important that we learn these lessons.

The Nairn Report told us about these things, the Stretton report, the coroner's report into the ACT—which the ACT government tried to block—and so it goes on. We know what needs to be done. I want to know: where is it on the federal government's agenda? What action has the federal government taken other than being party to having it removed from the ministerial council?

**Senator Sherry**—The federal government has responded to the Victorian request. It seems a reasonable request, given there is a royal commission. And as I have said, states and territories are not precluded from carrying out burns if they wish.

**Senator ABETZ**—So the federal government will not be seeking to intervene in prescribed burnings under the EPBC Act?

**Senator Sherry**—The matter was to be considered by the ministerial council. I understand the royal commission will consider the issue as part of a range of issues to be examined in the context of the Victorian fires.

**Senator ABETZ**—But will the federal government be seeking to rely on the EPBC Act to dissuade state governments from undertaking any controlled fuel reduction burns in state forests, state reserves, et cetera?

**Mr Quinlivan**—I do not think we are in a position to answer that question.

**Senator ABETZ**—Why not?

**Mr Quinlivan**—That is a matter for the environment portfolio.

**Senator ABETZ**—All right. I ask that tomorrow at the environment portfolio. But you are not aware of any action in that regard?

**Dr O'Connell**—To prevent prescribed—

**Senator ABETZ**—Yes, under the EPBC Act. So that is news to you?

**Senator Sherry**—Sorry, what is news?

**Senator ABETZ**—That the federal government might be trying to restrict states from undertaking fuel reduction burns by relying on the EPBC Act?

**Senator Sherry**—The issue, if it arises under the EPBC Act, is a matter for the Department of the Environment, Water, Heritage and the Arts.

**Senator ABETZ**—That is right, but this is a portfolio area that has had carriage of the issue. I would have thought there may be some cross-pollination and we are not acting as

stove pipes in this government and that there would have been some discussion, interdepartmentally at least.

**Dr O'Connell**—The application of the EPBC Act in that area is a matter for Minister Garrett. I am not aware of Minister Garrett looking to use the EPBC Act to—

**Senator ABETZ**—So if the environment portfolio is seeking to do that, this department is not aware of it?

**Mr Quinlivan**—Certainly the officers at the table here are not and I am pretty sure that—

**Senator ABETZ**—And I am sure you would be right on top of it, Mr Quinlivan, if there was such a move, so thank you for that. Has the federal government pursued the state governments to get an indication as to how much prescribed fuel reduction burning they have undertaken in recent years? I recall that the Western Australian government had nothing to hide and provided us figures from 1985 right through to 2007 in relation to the areas that were burnt—by prescribed burn area by wildfire in their state. That information was sought from New South Wales and Victoria and surprisingly never materialised during my time. Is that being pursued by the federal department to get that out of their state counterparts?

**Mr Quinlivan**—We are not sure of the answer to that question, Senator. We will have to take that on notice.

**Senator ABETZ**—Yes, take that on notice. Minister, could I invite the minister that you represent to ask his state counterparts to provide us with that sort of information? I think it would be most instructive because we had all sorts of statements at the time coming out of Mr Thwaites. At the time he was saying, 'We have a plan to burn so many hectares,' but when you asked, 'How many hectares were burnt?' it was apparent that it was a very small subset of what they had allegedly planned. And just in case there needs to be any further background for staff, there was a *Financial Review* article on 24 April 2007 and other articles around about that time. Also, on 25 April in the *Weekly Times* Mr Thwaites said: 'Victoria was doing as much mitigation work as possible.'

I do not think anybody would agree with that statement today. All I am asking is that something positive comes out of the very, very serious and devastating events in recent weeks as, might I add, Minister, occurred in our home state of Tasmania after the 1967 bushfires. That lesson was learnt, well and truly, and fuel reduction burns were then undertaken on a very sensible and ongoing basis for about 20 years and then it fell out of fashion because a new ideology took over. I think we have to get back to what we learnt from the '67 fires, from the Victorian fires—I inspected the mountain ash there; it was just devastating—and from New South Wales as well.

The fuel management issue in New South Wales and Victoria left a lot to be desired. The most tragic thing is that, at the ministerial council meeting I was at, the people that I crossed swords with were John Thwaites from Victoria and Phil Koperberg from New South Wales. And they were the two states that had the worst record and still do not seem to have learnt. And I say that, as I said earlier, in a non-partisan way. I would encourage the government and the department to really ramp this area up because it is going to be more and more important as the years go by and as our population spreads into the bushland areas of Australia. I will leave it at that and just encourage—

**Senator Sherry**—In response to the question that is contained within that statement, I will pass on the suggestion to the minister and I will take on notice what his response is to your suggestion. If it is in the positive—that states are requested to provide such information—I would further take on notice that the data that is provided by the states, if it is provided, is also provided on notice.

**Senator ABETZ**—Thank you, Minister. And one last question—and I thank the chair and the committee for its forbearance: I have had some concerns about this. Surely the ministerial council could discuss this issue and, at least, come up with some interim measures for dealing in this autumn prior to the royal commission's findings. I would have thought as a minimum they were duty bound to do that rather than just withdraw the whole issue from the ministerial council agenda because there is a royal commission.

**Dr O'Connell**—I certainly do not see any reason why the ministerial council could not have the issues of bushfires and reduction burning on their agenda and discuss it should they wish. I think—

**Senator ABETZ**—Yes, but if I may interrupt: it should not be 'should they wish'. I encourage Minister Burke to proactively encourage it to be placed back on the agenda, at least for interim consideration, until such time as the royal commission findings come out.

**Senator Sherry**—I will pass on the suggestion to Minister Burke. When is the next meeting of the ministerial council?

**Mr Quinlivan**—In April.

**Senator ABETZ**—Which will be smack bang in the middle of autumn, which is when these sorts of burn-offs should be occurring. I encourage the government to treat this issue very seriously because the neglect of the states has now caused the severe problems. I take my hat off to Western Australia, a state under both Liberal and Labor that seems to have had a sensible approach to these issues. As a result the amount of forest and state reserve lost by wildfire burns as a percentage is considerably less. Western Australia, as I think we all know, is relatively dry but they have less devastation by wild fires than Victoria and New South Wales. But, I will leave it at that and I look forward to the answers.

**Senator MILNE**—They might have fewer arsonists.

**Senator ABETZ**—And Senator Milne makes a very good point about arsonists. And, of course, how do you try to deter burglars? You put locks on your premises. How do you deter arsonists? By trying to reduce the fuel in the forests so you do not get the huge infernos that we have experienced. And I would have thought that whether it is from arsonists or lightning strikes, when you are in the face of the fire and you are concerned about conservation, property and human life it does not really make much difference whether it is initiated by an arsonist or a lightning strike. I think we would want to avoid that sort of devastation and that is my point.

**Senator IAN MACDONALD**—Using Victoria as an example, when there was logging in those forests you had a group of people who understood the forests, who would back-burn, who put through fire trails and had big machinery around, who were skilled and adept and who were paid to look after these things. Mr Talbot, has any assessment ever been done which

would give us an indication of how much more the forests are vulnerable now than they used to be when there was logging in them?

**Dr O'Connell**—We will take that on notice, Senator. Certainly there is a fair amount of research work done under the CRC for bush fire reduction or whatever it is called. And it may be that that area has been looked at.

**Senator IAN MACDONALD**—Okay, that would be good. Forestry was shut down in a lot of these areas because we wanted to save the trees. Has anyone ever done a comparison with what trees we lost through logging compared to the horrendous loss of trees, amongst other things, not even thinking about human life and animal life, but just trees alone? That is, the comparison between trees we lost from logging and trees we lost due to the horrendous wildfires. What impact has that had on greenhouse emissions and carbon emissions generally? I am wondering if anyone has done work on the cost of carbon emissions from logging compared to the sorts of carbon emissions we have when these forests are devastated because they are not properly maintained and, as Senator Abetz pointed out, the fuel reduction is not dealt with. Do you know if anyone has done work on that?

**Dr O'Connell**—Again, I suggest we could take that on notice and see what there is in terms of both the bushfire CRC and other areas that have been doing work in this area.

**Senator MILNE**—I want to ask a question about the Native Vegetation Regional Pilot Projects and the assessment thereof. According to your annual report, you expected the pilot projects to have been completed and evaluated.

**Senator Sherry**—We will get the next division in.

**Senator MILNE**—Aren't we on sustainable—

**Dr O'Connell**—We were still holding on to the previous division because of the bushfire—

**Senator Sherry**—Senator Abetz made that special request of officers prior to the lunchbreak.

**Senator MILNE**—Sorry. I thought we had moved on.

**CHAIR**—I thought we had moved on, because I had called Sustainable Resource Management just after the *Hansard* went off.

**Mr Quinlivan**—It seems like we have finished on bushfires so we can move on to the next division now.

**CHAIR**—Let's keep going while everyone is still friendly.

**Senator IAN MACDONALD**—Chairman, I am also confused.

**Dr O'Connell**—This is now natural resource management?

**Senator MILNE**—sustainable resource management.

**Dr O'Connell**—We just finished with climate change.

**Senator IAN MACDONALD**—I am just indicating that I have a thousand questions on NRM.

**CHAIR**—Okay. I am sorry. It seems the whole committee was confused. Never mind. That is not the first time. We are on Sustainable Resource Management and Senator Milne has the call.

**Senator MILNE**—Thank you, Chair. I will just reiterate. I just wanted to have a report on the Native Vegetation Regional Pilot Projects. I understand from your annual report last year that you expected the knowledge and experience from these pilot projects to lead to established guidelines and templates that inform future national programs et cetera. I want to know where the evaluation of those projects is up to, what has been discovered, and have we got the guidelines and templates underway? What is the story?

**Mr Hunter**—I am not sure that we have a knowledge of that here at the table just now. Could we get an annual report page reference and, hopefully, get back to you on that before the day is out, if that is something that falls within the area of Sustainable Resource Management?

**Senator MILNE**—Yes. It is page 39 and 40 under ‘Natural Resources Access and Management’ in the 2007-08 annual report, in which you say that by early this year it would all be finished and evaluated. I was interested to know whether these pilot projects are finished, what are the lessons from them and what is the evaluation—all those kinds of issues.

**Mr Shaw**—I can confirm the pilots have been completed and we are undertaking some reviews of those at the moment. I am sorry I did not understand your question at the beginning.

**Senator MILNE**—So what can you tell me about what you have learnt?

**Mr Shaw**—I am sorry, I do not have that information. I am happy to take it on notice and provide it to the committee, but I do not have it with me here today. I am sorry.

**Senator MILNE**—Guidelines and templates were meant to be developed as a result of them. Are they being developed and for what? Guidelines and templates to do what?

**Mr Shaw**—If I could take that on notice, Senator, I will get back to you.

**Dr O’Connell**—I think some of this work was being undertaken by the Bureau of Rural Sciences on our behalf, so it may be that we have some further information from BRS and we can make sure we capture that when they come on.

**Senator MILNE**—Particularly, I do want to know what has come about, because that pertains to some of the remarks that have been made about managing native vegetation. I am very interested to know what we have learnt from those and what the templates are for, what the guidelines are for, what the BRS are saying about it and anything else that we can find out in relation to that.

**Mr Shaw**—Senator, I will see if I can get that information this afternoon.

**Senator MILNE**—Thank you.

**Senator WILLIAMS**—Mr Shaw, I go to Landcare. Is funding for Landcare guaranteed after 30 June this year?

**Mr Shaw**—Definitely, yes. Under the Caring for our Country program, Landcare funding is confirmed for the first four years of the Caring for our Country program.

**Senator WILLIAMS**—Good. What sort of funding is available for grassroots—just general, as in the past?

**Mr Shaw**—It is very similar to what was available under the previous National Landcare Program—about \$149 million per year.

**Senator WILLIAMS**—Is the current arrangement where CMAs pass on the funding to Landcare satisfactory and working well?

**Mr Shaw**—We are actually reviewing how we might provide grants to Landcare groups, but, as part of our business plan, we have included some requirements that regional bodies work closely with the Landcare networks in two ways: one is in relation to developed grants and the second is to try and ensure that some of the medium sized projects involve a community component, which would involve Landcare networks.

**Senator WILLIAMS**—Good. Chair, could I just ask a question of Minister Sherry? Minister, you would be aware of the amendments in the Senate in relation to the reference to the Liverpool Plains back in December, I think—it might have been November—where mining cannot proceed in areas like Liverpool Plains, which is prime agricultural country. The soil is the same as Liverpool Plains in some three per cent of the land in the world, I think. The government has provided \$1.5 million to assist with a water study. Minister, if that water study proves that the underground aquifers could be upset, disturbed, by mining, would the government use the EPBC Act to prevent mining proceeding?

**Senator Sherry**—I do recall the discussion from last year. The EPBC Act is for Minister Garrett's decision. All I can do is pass on to Minister Burke, who I am representing, whether—

**CHAIR**—Minister, sorry about the conversation going on while you are trying to talk, but a select committee is going to look into this very issue.

**Senator WILLIAMS**—All right.

**Senator Sherry**—Thank you. That is useful. I was not aware of that.

**CHAIR**—Senator Colbeck, do you have a very quick question or two?

**Senator COLBECK**—I have a series of questions on fishing.

**Senator IAN MACDONALD**—We are still on Caring for our Country, aren't we?

**CHAIR**—Yes, we are.

**Senator COLBECK**—Do you want to do Caring for our Country first and then I will make sure I get my slice of the pie.

**CHAIR**—Absolutely.

**Senator IAN MACDONALD**—Is your fishing question about Caring for our Country fishing?

**CHAIR**—We are going to start on Caring for our Country.

**Senator IAN MACDONALD**—Just following up from Senator Williams, the information that has been given to me by Landcare groups in Queensland is that they are being funded through the Caring for our Country grants to the NRM bodies; but, because a lot of the NRM

bodies are actually getting less this year than they have ever got before, they are not passing money on to Landcare groups because they simply do not have it. That contradicts what Mr Shaw—

**Mr Shaw**—Senator, under the business plan, there are small grants up from \$20,000 to \$100,000 which Landcare networks can apply for in their own right. We are also, as I was saying, encouraging regions to work with the Landcare networks to partner in parts of devolved grants and as part of bigger projects that the regions might bid for themselves, but there is the small grants component of Caring for our Country.

**Senator IAN MACDONALD**—Thanks for that. So far as the NRM groups are concerned, they want to work with Landcare but they are simply not getting the funding to do it. There is no special funding coming. They also tell me that business plans for funds came from the government two days before Christmas. The date for submissions was then extended by one month and the assessments will not be done until April. Is that correct?

**Mr Shaw**—That is correct, Senator. In light of the bushfires in Victoria, it was decided to extend the deadline for submitting applications under the business plan to 3 April. It was originally March.

**Senator IAN MACDONALD**—That means the funds will not flow until July.

**Mr Shaw**—We would hope to have the funds out by 1 July.

**Senator IAN MACDONALD**—That means it is not a five-year program as the government promised; it is really a four-year program.

**Mr Shaw**—The first year of the program has been a transitional program and the years two to five investment will be targeted through the business plan.

**Senator IAN MACDONALD**—They all got less in the transitional thing than they were getting before. You would appreciate, from your contact with most of the NRM groups throughout Australia—there are one or two exceptions—that most of them now are struggling and putting off staff, in spite of bodgy statistics. I can say bodgy statistics, because you admitted in your answer to my questions last time that you did not really have any idea and you had to rely on other people to give you those figures. The information I am getting, in Queensland in particular, is that there has been huge staff cuts. At a time when the government are spending \$42 billion to promote employment, these NRM groups are cutting back on staff. Is there any prospect that the NRM groups might be able to get increased funding, at least back to what it used to be, to enable them to continue their contracts of employment with all of their facilitators, et cetera? None of them have any confidence to do that now, because they do not know what money they are going to get.

**Mr Hunter**—The regional bodies will be able to receive funding from more than one source, Senator. There is the guaranteed funding for the regions, which varies from region to region. On average, across regions it is 60 per cent of historic funding, but some regions will get more than that and none less than 50 per cent of that. In addition to that, the regions are able to compete for funding under the business plan process, which would provide them with funds in addition to that guaranteed amount. The response to the business plan and, as you

mentioned before, the assessment of the proposals for the year 2009-10 has not occurred yet, so we do not actually know what the outcome of that is.

**Senator IAN MACDONALD**—But you would accept that, with competitive grants, they do not know whether they are going to get them, so the staff that they had employed—and remember we went through all of this Regional Investment Strategy program under the previous regime, so people had their systems planned out for the next 10 years and had employed staff accordingly. Now they find they are living from year to year now. I think they are going to get their funding from year to year.

**Mr Hunter**—That is not correct. The government has provided information to the regions now about their allocations for the full term of the program so that the regional bodies are able to know what the guaranteed funds are with certainty through the program. The bit that they do not know is the amount that they will be able to successfully compete for through the business plan process.

**Senator IAN MACDONALD**—But you say they are getting 60 per cent on average, on base funding, and that they will know that out for the five years?

**Mr Hunter**—I believe they know it now.

**Mr Shaw**—On 16 February, regions were—

**Senator IAN MACDONALD**—Yes, I will take your word for that, because time is rushed and I have got a million questions. The 40 per cent will depend, from year to year, on whether they get some of the competitive grant money. Is that correct?

**Mr Shaw**—That is correct. And in the current year, in 2008-09, I can advise you that there were 22 regional projects worth \$5.488 million funded under the Caring for our Country open grants. There were also 38 regional projects worth approximately \$4.925 million funded through the Community Coastcare. So already we are seeing that they are quite competitive in these open bids.

**Senator IAN MACDONALD**—Community Coastcare is good if you happen to be an NRM body on the coast—

**Mr Shaw**—Yes, true.

**Senator IAN MACDONALD**—but if you are inland, it is not much use to you. Can you tell me what the assessment process is? That seems to be very unclear to a lot of the NRM groups. How does the matrix for decision making operate? Who is on the panel? There used to be individual panels in the past, and then state panels, and then national panels. What priority programs will the projects be funded under? Why are some works not funded, and what is the feedback transparency of the whole process? Can you quickly go through the assessment process: how it all works, how decisions are made, who assesses them, is there local input in the assessments, all those sort of things.

**Ms Lauder**—In the business plan, we have identified what the assessment criteria will be so that we can be as transparent as possible to all the proponents that will be applying for funding. We have a range of panels that we are currently setting up—I cannot give you the names at the moment because we are currently putting those together—and they include some community panels that have community members from across the country. There will be a

number of those to deal with what we expect will be a very large number of applications that come in. There will also be some expert panels with scientists. As you would note, there are some very large projects that will come in, possibly up to \$20 million, so there is a range of different panel sizes and types that will be assessing these submissions.

**Senator IAN MACDONALD**—As a Queensland senator, naturally I am interested in Queensland, but it applies elsewhere. In Queensland, for example, is there going to be a local panel for, say, Cairns, then a state panel, then a national panel? How is it going to operate?

**Ms Lauder**—Because of our time frames, and we are trying to get some money out the door by July, we will be looking at panels that will be looking at—depending on the number of applications from Queensland—either Queensland as a state or Queensland in conjunction with one other state. But it would not be much bigger than that. And then those recommendations will go to a national panel.

**Senator IAN MACDONALD**—So there would be no local assessments at all?

**Ms Lauder**—No. But we will have panel members from across Queensland on that Queensland panel.

**Senator HEFFERNAN**—Can I just ask a question, so you can put your finger on the answer. I understand there was \$3½ million from the Caring for our Country program for Toorale. Could you explain to me the due process that you went through?

**Mr Shaw**—I understand that was under the National Reserve System.

**Senator HEFFERNAN**—According to the minister, there was \$3½ million Caring for our Country money in there. Is that wrong?

**Mr Hunter**—No, that is correct. The National Reserve System program is part of Caring for our Country. Decisions on that program are made by Minister Garrett and there would be appropriate—

**Senator HEFFERNAN**—Was there a due process?

**Mr Hunter**—That would be a question that Minister Garrett's department would be able to help you with.

**Senator HEFFERNAN**—I will come at it in a different way. You do not know what the due process was?

**Mr Hunter**—As our department was not the department which advised Minister Garrett, I was not involved in that process.

**Senator IAN MACDONALD**—Can I just go back to where I was. I am told that there are no clear guidelines or processes. You are telling me that that is wrong, that there are clear guidelines and processes?

**Ms Lauder**—As far as what the assessment criteria will be for the assessment of the proposals, it has been published in the business plan. As far as details about who is on panels and how the panels will be sitting, that has not been made publicly available at this stage.

**Senator IAN MACDONALD**—I am told that the department says they are using a 'multicriteria analysis approach' which is being developed, and that there were consultation

meetings in Brisbane and Cairns, but those meetings were after the deadline for allocating funds had passed so that was not much use. That suggests to me that the consultation is pretty token.

**Ms Lauder**—That multicriteria analysis is for the reef rescue component of the Caring for our Country. It is not for the broader business plan approach.

**Senator IAN MACDONALD**—Okay. After getting all the panels, the department will make a recommendation to the minister?

**Ms Lauder**—That is right, yes.

**Senator IAN MACDONALD**—Where does that go up to? Which branch does that go through?

**Ms Lauder**—SRM—Sustainable Resource Management.

**Senator IAN MACDONALD**—And you do that jointly with the department of the environment, do you?

**Ms Lauder**—Yes.

**Mr Shaw**—It comes out of the Australian Government Land and Coasts Team, which is a combination of the two departments which manage Caring for our Country.

**Senator IAN MACDONALD**—Yes. But the reef rescue comes out of that Caring for our Country as well, doesn't it?

**Mr Shaw**—That is correct.

**Senator IAN MACDONALD**—The complaint made to me is that there are so many things coming out of what used to be the old Natural Heritage Trust that there is now no confidence in any of the NRM groups, that they are going to get adequate funding for their long-term plans. But you are telling me that that is not correct?

**Mr Shaw**—They have the five-year certainty, which, as I said, was advised on 16 February, about what their base allocation will be for years 2 to 5 of the program. There is a transitional top up in relation to that and, as Mr Hunter said, there is also the ability to bid for additional competitive funding.

**Senator IAN MACDONALD**—I have complaints from nearly every Landcare group in Queensland, complaining about not being able to get funds. What should I tell them? They can apply directly for smaller grants, and take their chances through the NRM body for bigger grants? And for those that did employ coordinators, facilitators, get rid of them and we will see what we give you?

**Mr Shaw**—I think there a few suggestions. I would say you can apply directly for the small grants component. As I said, that is \$20,000 to \$100,000 under the Caring for our Country business plan. I would strongly recommend they also work closely with their regional bodies in putting forward projects that may have a larger potential that could feed into medium-sized projects being managed by the regions themselves. I would encourage them to talk with our sustainable practices Landcare facilitators that are out there. Each one has a state, and I would strongly recommend they talk to them about their applications as well.

**Senator IAN MACDONALD**—I am told that many of the small groups do have to apply annually, and I am also told that the cost of applying for the grant, going through the paperwork and getting the submissions in annually, will sort of take up 20 per cent of their time, if not their funds. Is that an over-exaggeration of the difficulties being faced by groups who are reporting to me?

**Mr Shaw**—We are funding multi-year projects as well as single years, so they would be able to put an application in for two and three years' worth of funding, which would mean they would not need to apply annually for that funding, it would be guaranteed.

**Senator IAN MACDONALD**—To me the assessment from NRM groups right across the state of Queensland is that they are in high confusion as to when they are going to get their money, which staff they can keep on. In fact, they have given me figures about staff losses. I do not want to identify them for fear of retribution, but groups are telling me that their staff numbers, as at the end of December, compared with a year before, are something like less than a half of what they were, simply because they have not got funds to employ people.

**Mr Shaw**—I think at one of our previous hearings we did talk about the linkages or the difficulty in linking Commonwealth funding specifically to job losses. As you know, regional bodies are funded through a number of sources—Commonwealth, state. They have other sources of funding, so in terms of trying to draw that direct link, I think sometimes it is a little bit tenuous between the Commonwealth level of funding and—

**Senator IAN MACDONALD**—Well, it is not according to the NRM groups, particularly in Queensland. In Queensland they get most of their funding from the federal government, they get or very little from the states, and little from elsewhere, so it is nearly all federal money.

**Mr Hunter**—Perhaps what is new here now is that those groups do now have information about the funding they will receive over the full life of Caring for our Country program, so that new information that they have got provides them with a level of certainty.

**Senator IAN MACDONALD**—How new?

**Mr Hunter**—As we mentioned, they were advised of that last week.

**Mr Shaw**—16 February.

**Senator IAN MACDONALD**—Amazing what estimates can do. You were about to say something else? That is good news, if that is right. I think we might have to wait till the next estimates to go through this in some detail.

**ACTING CHAIR**—Senator Macdonald, there might be others who have got some questions.

**Senator IAN MACDONALD**—Yes.

**ACTING CHAIR**—Is there anyone else who has got questions on NRM?

**Senator HEFFERNAN**—AG Land and Coast, we all know what that is, do we?

**Mr Hunter**—Australian Government Land and Coast Team—that is the joint team made up of officers of the department—

**Senator HEFFERNAN**—It says here:

... is a unique cross-departmental team comprising staff from the Australian government Department—Environment, Water, Heritage, Art, Agriculture, Fisheries, Forestry. Staff from both departments work side by side to jointly manage delivery of Caring for our Country and develop and implement environment and resource management policies of joint interest.

Is this correct?

**Mr Hunter**—That is correct.

**Senator HEFFERNAN**—So what advice did the department provide on the purchase of Toorale Station near Bourke by the New South Wales and federal governments?

**Mr Hunter**—I think my answer that I gave to you before about that is the correct one.

**Senator HEFFERNAN**—But I am addressing it to the Secretary.

**Mr Hunter**—Sorry, I misheard you.

**Senator HEFFERNAN**—He is the guru.

**Dr O'Connell**—The National Reserve System program component of Caring for our Country is a component that is decided by Minister Garrett. Therefore, the department—

**Senator HEFFERNAN**—So there is no due process in that process?

**Dr O'Connell**—No, I am not saying there is no due process. The process is one, as we said before, that you would need to deal with the environment department.

**Senator HEFFERNAN**—No, but I mean it cannot be—

**ACTING CHAIR**—Senator Heffernan, if you would just let him finish.

**Senator HEFFERNAN**—Righto.

**Dr O'Connell**—It is one that you would have to discuss with the environment department to get an understanding of the process, but it is one certainly which I know involves commercial in-confidence around the nature of purchases for the reserves system so the information is constrained.

**Senator HEFFERNAN**—I have 28 questions, which I will not ask today.

**Dr O'Connell**—I think tomorrow is the day for the DEWHA estimates.

**Senator HEFFERNAN**—Given the department jointly administers the Caring for our Country program, why were you not informed of the purchase of Toorale Station prior to the government making the announcement?

**Dr O'Connell**—I have just mentioned that there is a component of the program which has significant commercial and confidentiality requirements, so the information is maintained relatively close to—

**Senator HEFFERNAN**—It is only a small amount of the purchase price though.

**Dr O'Connell**—But what I say is still the same. That component of the Caring for our Country goes through an approvals process to Minister Garrett, which runs as a sub-component and which Minister Garrett decides on. You will need to talk with the environment department in tomorrow's estimates.

**Senator HEFFERNAN**—My understanding, just to relieve you lightly, is that Minister Wong did not know about the purchase either until after it was announced, which is somewhat of an idle curiosity, but I will reserve my questions for—and everyone now knows where I am going with them, so they can have the answers ready.

**Senator Sherry**—I will pass the information on to the other committee. It is not this committee's area.

**CHAIR**—Senator Heffernan, you wish to put quite a few on notice, I believe.

**Senator HEFFERNAN**—Maybe I will do it on the advice of the Secretary.

**Dr O'Connell**—If they are all related to the National Reserve System program, then I think it is for the environment estimates.

**Senator HEFFERNAN**—All right.

**CHAIR**—Senator Heffernan, do you have any other questions relevant to the agency before us?

**Senator HEFFERNAN**—So you are saying even though you are jointly in charge of the—according to the description of AG Land and Coast, you are as involved in these processes as any other department, but you do not know the answer and your department does not know the answer. I mean, can you call someone up in the room outside there that might know the answer, 'Hey, you out there, come in here.'

**Dr O'Connell**—As I say, I think you would be best talking to the environment department tomorrow.

**Senator HEFFERNAN**—But surely someone in your department must consult on with AG Land and Coast to make the decision, which is jointly made. Surely they have had a conversation on this issue, or they have been excluded?

**Dr O'Connell**—Sure.

**Mr Shaw**—There are a couple of components in Caring for our Country, the National Reserve System is one and Landcare is the other, where individual ministers—Minister Burke has sole responsibility for the Landcare appropriation, and the NRS appropriation is solely with Minister Garrett, and, therefore, we would not expect to be consulted on it.

**Senator HEFFERNAN**—Yes, there were a number of components. Obviously the New South Wales national parks department came up with the brainwave to buy the bloody thing and forgot about all the sleeper licences up the river to justify the water purchase, which turned it into a complete farce. There are a number of federal government agencies involved in AG Land and Coast—this particular decision, from the questions which I have here, which I will put on notice if I do not get to ask them, appears to indicate there is no sign of a due process other than a tick from a ministerial office somewhere.

**Mr Shaw**—I am not in a position to respond to that because I think, as we have been saying, really it is a matter for the environment portfolio. It is not one for the agricultural portfolio.

**Senator HEFFERNAN**—So how does AG Land and Coast work then if you are not involved in it? It says here, which is why I read it out, that it is a joint thing.

**Mr Shaw**—It is an integrated package. It has incorporated things like the old national Landcare program, but some of the appropriations, such as Landcare, has remained with one minister rather than going to a joint administration.

**Dr O'Connell**—The bulk of the funds are managed with joint decisions by the two ministers. There are components of the funds which are separately decided by Minister Burke or Minister Garrett. The National Reserve System is one of those that is decided by Minister Garrett. The decision process and recommendation process is one that goes therefore through his department.

**Senator HEFFERNAN**—I will not press it here, but just so you know: this place was a bad purchase for the wrong reasons on water, forget the national parks side of it. No-one, not a single solitary soul from any Commonwealth department, set foot on the property before they agreed with New South Wales to purchase it and spend the 13 million, or whatever it was, of Commonwealth money from various sources. And the minister did not even know about it until after it was announced. So I am just wondering what the hell the process was.

**Dr O'Connell**—Those are issues to put to the environment portfolio, which was running the program.

**Senator HEFFERNAN**—Fair enough.

**CHAIR**—We are running well over time. Senator Heffernan, you said that you wish to go to the environment committee—is that right?

**Senator HEFFERNAN**—Yes. I will put my questions on notice here, if that is all right with you, and I will put them on notice over there as well. That way you will tick-tack with the answers.

**Senator Sherry**—I am sure they would be tick-tacking anyway. I do not think that putting them on notice here actually helps, given the response from the officials.

**Senator HEFFERNAN**—I will put them on notice in both, anyhow.

**CHAIR**—We are well and truly over time.

**Senator MILNE**—I want to ask a question in relation to one of the government's six national priority areas—namely, sustainable farm practices—and the huge investment of money that is going into various programs you are overseeing. What level of evaluation do you engage in? How can you show me that farm practices are now more sustainable, having invested those multimillions, than they were before? What indicators do you use to tell me that and where can I go to actually quantify the improvements?

**Mr Shaw**—We are currently reviewing the monitoring, evaluation and reporting framework. That is one aspect of Caring for our Country which we have focused on quite closely. The monitoring of previous programs like NHT has been raised in a number of independent reports, including those of the ANAO, regarding the need to tighten up some of the criteria. Work on the MERI framework is currently underway.

**Senator MILNE**—So you cannot tell me now whether all that money that was invested has resulted in any greater degree of sustainability or not?

**Mr Shaw**—The money invested under the current program?

**Senator MILNE**—There are millions and millions of dollars across all these programs related to natural resource management that you oversee—plus sustainable agriculture, plus managing native vegetation, plus everything. Hundreds and hundreds of millions of dollars are spent on more sustainable production, but I never see an evaluation of where is it more sustainable. On what criteria do you say it is sustainable? You tell me you are reviewing it; what can you tell me now? Can you point me to where agriculture has become more sustainable?

**Mr Hunter**—We need to answer your question in the context of previous programs—such as the Natural Heritage Trust, the National Action Plan on Salinity and Water Quality and Landcare—up to now. They have been the subject of evaluation and examination, including, as Mr Shaw said, that of the Australian National Audit Office. It is true that those evaluations have found it difficult to draw a direct link between investment and natural resource condition outcome. It is a difficult thing to do. My recollection of reading those evaluations was that there were a couple of reasons that they reached that conclusion. First, it is intrinsically difficult to work out, when you press a button on a natural resource condition, whether it has actually had an effect elsewhere, so intrinsically it is a difficult task. Secondly, they also reached the conclusion that there could be better evaluation frameworks put in place by government and departments in administering those programs. As Mr Shaw was just outlining, what we are doing now as part of Caring for our Country is trying to improve that evaluation framework so that we can provide more reliable answers to those questions on the programs which are currently being funded by the department.

**Senator MILNE**—I have one other question in relation to that. I cannot help but think that there is a lot of evaluation which just says: ‘Did the money get spent? Yes. Did we give it out to a wide enough range of people? Yes.’ But no-one asks, ‘Is that catchment more sustainable now than it was before?’ On the Australian Weeds Research Centre, what have we got in relation to weeds now that we have seen the end of Defeating the Weed Menace and the CRC and now that we have this new research program? What is happening with it?

**Mr Shaw**—We do have that. It was an election commitment of \$15.3 million over four years. Regarding the weed centre, since we met last we have established an interim advisory board chaired by John Kerin. It has undertaken some consultations with the other jurisdictions, RDCs and CSIRO looking at a potential business model for the centre. In addition, we have had a call for research grants and that is worth about \$2.5 million in 2008-09.

**Senator MILNE**—On those research grants, have we learnt from the debacle in relation to the last CRC in terms of having to prove a business case in terms of direct commercial outcomes? Have we learnt from that in terms of actually looking at more indirect outcomes of better weed management, or are we just going to go with the straight business model that destroyed the last CRC?

**Mr Shaw**—I think we have taken that into account. In terms of the grants themselves, they were definitely looked at as part of the criteria of examining the proposals.

**Senator MILNE**—Sorry, what was looked at?

**Mr Shaw**—Sorry—in relation to the grants themselves. Are you asking about the centre overall?

**Senator MILNE**—And in relation to the grants themselves so that there is a public interest and a public benefit test, not just a business case and commercial outcome test in a direct sense.

**Mr Shaw**—I understand that was taken into account in terms of the assessment of the individual applications.

**Senator MILNE**—So when are they to be announced?

**Mr Shaw**—I think they have been announced.

**Mr Hunter**—Yes, close to Christmas.

**Senator MILNE**—I will get them off the net if they are publicly available.

**Senator IAN MACDONALD**—Take this on notice in view of the time—can you confirm for me in writing what the total funding for Defeating the Weed Menace was and then point out to me what the replacement program is and what money is involved and over what period of time?

**Mr Shaw**—Yes.

**Senator IAN MACDONALD**—Can I also ask you on notice if you have—and I appreciate you do not do this—any indication of the staff employed in NRM groups and whether your department is able to use the \$42 billion spending package to try and get some funds to create employment projects in parts of Australia which perhaps would not otherwise benefit from the \$42 billion. I am referring to remoter country areas that employ three or four people in these NRM groups, most of which, on my understanding, have now been dismissed. Could you tell me if there is somewhere you could go to in the structure of the \$42 billion package to try and get some money for employment related to NRM. Thirdly—and this is not on notice—can anyone tell me what actual tangible work has been done in relation to the Reef Rescue package, and I do not mean making plans, having conferences or doing assessments. Has any work actually been done in the last 12 months as part of the Reef Rescue package?

**Mr Shaw**—In relation to Reef Rescue, \$30 million was allocated in 2008-09 budget for Reef Rescue. That focused on the reef water quality component.

**Senator IAN MACDONALD**—I know the money has been allocated. People are telling me the money has been allocated but has not been spent or, if it has, there is no tangible evidence—

**CHAIR**—Sorry to interrupt. I urge you to put this on notice, because Senator Colbeck is waiting for a couple of questions as well.

**Senator IAN MACDONALD**—I am just finishing. What I really want to know is have they planted trees along this section of the coastline to stop run-off. What practical things can I see for the money that has been allocated?

**Mr Shaw**—I can tell you that for 2008-09 under the water quality grants \$24.125 million has been paid into the Queensland government's single holding account.

**Senator IAN MACDONALD**—That is the trouble—it goes to the Queensland government's holding account and that is where it stops. So I am asking you on notice—we have not got time now—to actually ask the Queensland government what they spent it on, although you will only get a dodgy answer now. I want to know where I can go and see, somewhere along the coast of Queensland, the money having been spent on something. Can you do that?

**Mr Shaw**—Certainly.

**Senator COLBECK**—On the Landcare grant round that has recently been announced, can you give us information on the value of applications received versus the amount of money that was actually handed out? I am trying to get a sense of the demand out there versus what is available. I have had very similar experiences to that which Senator Macdonald has had—that is, concerns being expressed to me about the future of Landcare across Tasmania. They basically believe they do not have one. I would be interested to know what the application amount was versus the amount that was actually handed out.

**Mr Shaw**—Senator, are you referring to the open grants which Landcare was a component of?

**Senator COLBECK**—There was an announcement on 20 November 2008 of \$8.9 million in Landcare projects. It is that allocation. And I have all the ones that have been granted so I do not need those. I am just interested in what the application level was.

**Mr Shaw**—We received 1,300 applications under open grants. They were not all Landcare and I would need to take that on notice to get a breakdown of the number that related to Landcare out of that total.

**Senator COLBECK**—You are talking about the total funding available under Caring for our Country as well in those 1,300, aren't you? So there would be applications that would be hived off to different streams?

**Mr Shaw**—That is correct.

**Senator COLBECK**—So I do not have to go through the process again later, could you provide us with a comprehensive breakdown of the various streams, allocated funding and the amount that was actually applied for?

**Mr Shaw**—Okay.

**Senator COLBECK**—Thank you. I want to go onto fishing. Going back to the previous estimates, I asked a question on the final cost of the buybacks in the Torres Strait commercial line fishery re-allocation. The information came back that the Commonwealth provided \$7.83 million. The original figure was \$7.5. I was just interested in the difference.

**Mr Pittar**—I am going to have to take that one on notice. The amount of \$7½ million was in fact the Department of Agriculture, Fisheries and Forestry's contribution to the buyback. The total amount of the buyback was \$10½ million, which included also a contribution from the Torres Strait Regional Authority. In terms of the precise difference between 7.3 and 7.5, that is something I am going to have to take on notice.

**Senator COLBECK**—So 7.83 is the amount that we ended up putting in, so more than 7.5 was initially budgeted. That is what I am after. So it was not 7.3; it is 7.83.

**Mr Pittar**—Yes, 7.83.

**Senator COLBECK**—But you still do not know the answer?

**Mr Pittar**—I do not have that detail with me.

**Senator COLBECK**—Okay, I will move on. We talked about progress on the Recreation fishing industry strategy at previous estimates and we were told that an advisory committee was being appointed to review the existing strategy before a new strategy was being developed. I notice the advisory committee was appointed on 5 February. Can we report progress, please?

**Mr Pittar**—Senator, the advisory committee is having its first meeting on Wednesday and Thursday of this week. That is the next stage in that process. It will meet for the first time and consider the issues before it and develop the next steps from there.

**Senator COLBECK**—So effectively nothing has happened. We have a \$2 million spend on that particular project; how much has been spent so far and how much do we project to spend this financial year?

**Mr Pittar**—The budget is \$2 million over three years, with half-a-million dollars in 2008-09, half-a-million in 2009-10 and \$1 million in 2010-11. The advisory committee will be considering that budget at its meeting later this week and considering what activities are possible within the funding envelope for this financial year.

**Senator COLBECK**—But the advisory committee's role is to review the existing strategy before developing a new strategy. They now have an additional responsibility of considering the budget allocations as well.

**Mr Pittar**—There are two elements to what the advisory committee will provide advice to the minister on. One relates to reviewing the existing 1994 national recreational fishing policy. The second task is to develop a strategy which the minister is then able to consider.

**Senator COLBECK**—Has the minister provided any time frames for meeting certain criteria or key points as part of this process? Here we are, 14 months since the election, and—pardon the pun—but I get the sense of drifting.

**Mr Pittar**—The funding parameters that indicate a program over three years are there.

**Senator COLBECK**—A third of which has gone.

**Mr Pittar**—For this year there is half-a-million dollars, as I mentioned. The bulk of the funding for the rec fish industry development strategy occurs in the third year, where \$1 million will be expended. So the committee will have the opportunity to consider what strategies and what initiatives it may wish to recommend and funding is provided in the years for that.

**Senator IAN MACDONALD**—Is this—

**CHAIR**—I am sorry, Senator Macdonald, but we are running out of time. We are well over. I will have to make it the last question. We are 40 minutes over and I have been fair to everyone.

**Senator COLBECK**—Chair, I think we can sensibly work our times out; we are doing okay.

**CHAIR**—No, I am sorry.

**Senator COLBECK**—If the committee wants to make a decision on the times, the committee will make a decision on the times.

**CHAIR**—Excuse me, you are not even a full member and I have given you a fair enough run, Senator Colbeck. With the greatest respect, we have gone 40 minutes over; Senator Milne has questions to ask of Land and Water Australia. She has another thing she has to go to at 3.20. In all fairness your side of politics are the ones asking all the questions; if you get your act together I am very happy to move along.

**Senator IAN MACDONALD**—Is this \$2 million program replacing the previous government's \$15 million program? I just wanted to clarify that that is what you are talking to Senator Colbeck about?

**Mr Pittar**—It is a different program. The previous program, as I understand it, was there to fund infrastructure. This program is not designed to fund infrastructure. They are different programs.

**Senator IAN MACDONALD**—There is a meeting on Wednesday and Thursday. Could you give us the results of that as a question on notice after the event?

**Mr Pittar**—I would be happy to consult with the minister's office on what information it may wish to put forward in that context. The minister is yet to meet with the committee as a whole, and I will suggest to the minister's office that they consider that question.

**Senator IAN MACDONALD**—Give us a report, whatever you can report on that that.

**CHAIR**—On that, Senator Colbeck, AFMA are back later today and I hope you can channel your questions to them. I thank the officers from Sustainable Resource Management Division.

[3.11 pm]

### Land and Water Australia

**CHAIR**—I welcome officers from Land and Water Australia.

**Senator MILNE**—My first question is in relation to the Climate Change Research Strategy for Primary Industries. This committee was very critical of the fact that the research effort on climate change across government was impossible to follow, and there was no sense of who was doing what and how it was being funded. We were all told that CCRSPI was going to be the answer. This was going to do the whole-of-government approach. We were told that this coordination was going to lead to analysis by a steering committee of current research and development efforts for climate mitigation and so on. Can you tell us where CCRSPI is up to, how it is progressing and when the public are going to get a sense of what exactly this research is that is coordinated across all the research agencies?

**Dr Robinson**—In the CCRSPI initiative in this current phase, this financial year, we are trying to establish the long-term structure so that for the next five years we will know exactly how we will govern the arrangements between all RDCs, all states, agencies and CSIRO. We do have a long-term coordinating structure so that we can do that full analysis. In that regard we have an important meeting coming on 5 March to decide who will sign up to that longer term structure and the nature of the government's arrangements to make that work. With respect to the analysis of existing projects, in the first phase last financial year we put together the best database that we could of all existing and recently completely research, and identified some 404 projects. In this year we are trying to update that database and we are hopeful by June that we will not only have the database updated, but also on a whole new database system called the Australian Agriculture and Natural Resources Online, or AANRO, adjusted and rebuilt so it can cope with all the research projects. So I am very hopeful that by June we will be able to download all the primary industries research from across the nation.

**Senator MILNE**—You said you have a meeting in March where people will sign up. Is this states and research institutions? Who is likely? Where are the vulnerabilities in the signing up?

**Dr Robinson**—That meeting will consist of all the RDCs, all the state agencies, the Commonwealth, CSIRO and some representation from universities. So the key aim is to get the RDCs and state agencies across the line at that meeting. But we are also looking at ways to bring in the universities, particularly those universities that focus on agriculture, into the tent to make sure we capture their information, and can coordinate with them the national strategy.

**Senator MILNE**—Let us assume that you do get them all across the line and they do sign up at the March meeting. How do we get the strategy implemented?

**Dr Robinson**—Essentially the structure is for that implementation. Under phase 1 we had a fairly broad high-level plan of what research needs to be conducted, and I think we have shared that with you previously. So when we get this implemented we will be able to have specific theme area strategies—for example, soil carbon or life cycle assessment strategies—where we have a specific coordinator who will coordinate research across the various institutions in that particular area. The proposal at this point is certainly not to control what each organisation will invest in but the coordination of the investments to make each other aware. It really is a coordinating structure.

**Senator MILNE**—How does it feed into the department's climate change group who are advising government on whole-of-government approach in relation to climate change? How is that interaction between CCRSPI and other entities in DAFF, and then the climate change out of Prime Minister and Cabinet, going to occur?

**Dr Robinson**—The climate change group in DAFF is part of the CCRSPI steering committee, and we would hope that would continue into the future so we have a working relationship with them. We also regularly meet with the Department of Climate Change to ensure that we are coordinated in that space as well. I guess we are still waiting to see the announcements of the Australia's Farming Future. A number of the research agencies are waiting on that, too, so that we make sure that those projects that are announced go straight

into the analysis and we do not make investments ahead of those decisions, so we do not have duplicative investments.

**Senator MILNE**—How can I be assured that the decisions that are made about how that money is spent are not duplicating what you already found in your original analysis of where the research is? I note you said there is a database of all the research projects, but who has gone through, now you have documented all of them, and evaluated to see where the gaps are and where the duplication is so that when you do new research projects you are actually building on what people have done before or filling the gaps?

**Dr Robinson**—All the partners have access to that database and we did a high level analysis of what is there. Two points: we know that it is not as complete as we would like it but, secondly, I am assuming—I cannot speak for the department—that the department has that database and used it in their analysis under Australia's Farming Future for the Climate Change Research Program.

**Senator MILNE**—Dr O'Connell, did you use that database in looking at these projects?

**Dr O'Connell**—The relevant people, of course, are in the climate change division, so I would have to take that on notice. But certainly, as Dr Robinson said, we are part of the CCRSPI process. It is not that it is a separate process. We are partners in the exercise, so these things are well coordinated.

**Senator MILNE**—I would like you to take that on notice, because I would like to know what they took away from that analysis that will inform the grants. Dr Robinson, you just said a minute ago there were a couple of conclusions after the analysis that became apparent. What were they?

**Dr Robinson**—I am sorry, Senator, I cannot recall off the top of my head the detail. But, for example, the one I do recall that we shared with the Senate and the committee is that there are about 12 projects on soil carbon around the country out of that 404. But that is the only specific one I remember. I can take that on notice.

**Senator MILNE**—Can you tell the committee, now you have identified there are 12 projects on soil carbon, who now goes to the next step and looks at all of those and brings together the findings to work out where you need to take that research next, rather than just all isolated projects on soil carbon?

**Dr Robinson**—The plan is for CCRSPI to do that in the next stage as part of the signing up for the long-term venture—once we get to that detail and have identified specific theme leaders. That is the plan that we are putting to this meeting on 5 March.

**Senator MILNE**—Let us assume they sign up; how quickly are we going to get this implementation strategy in place?

**Dr Robinson**—Depending how far the theme is advanced—there are more advanced themes—I would hope within six months. There are some potential themes of work that we have identified where there is less activity at the moment and will take a bit more time.

**Senator MILNE**—Who will appoint the theme leaders?

**Dr Robinson**—It is proposed that the steering committee of CCRSPI in the longer term venture will do that.

**Senator MILNE**—And they could come out of a university or whatever? They are not necessarily going to be in a government bureaucracy?

**Dr Robinson**—They are likely to come of the RDCs, the state agencies and/or universities.

**Senator MILNE**—In terms the support for CCRSPI and so on, is it progressing at the rate that is expected, or is it stalled a bit?

**Dr Robinson**—I guess that depends on expectations. I would have hoped we would have been a little bit further down the track, but I believe at the March meeting we will make some important decisions about the long-term CCRSPI venture; they need to be made then, one way or another.

**Senator MILNE**—Thank you.

**Senator WILLIAMS**—Dr Robinson, I have a question about water buyback. This is a right arena?

**Dr O'Connell**—The environment portfolio manages the water buybacks—the water group in the Department of the Environment, Water, Heritage and the Arts

**Senator WILLIAMS**—Yes. Okay. That cuts me out.

**Senator IAN MACDONALD**—Are you involved in any way with the Northern Australian assessment process for water?

**Dr Robinson**—No, we are not.

**Senator IAN MACDONALD**—Are you familiar with it at all?

**Dr Robinson**—Familiar purely as an observer, yes.

**Senator IAN MACDONALD**—It is not something your R&D corporation would be looking at?

**Dr Robinson**—We are certainly investing in Northern Australia through the tropical rivers and coastal knowledge initiative up there.

**Senator IAN MACDONALD**—That is yours, is it?

**Dr Robinson**—Yes. We are the managing agent and a co-investing partner in that one, yes.

**Senator IAN MACDONALD**—How is that project going?

**Dr Robinson**—The Tropical Rivers and Coastal Knowledge project?

**Senator IAN MACDONALD**—Yes.

**Dr Robinson**—It is tracking quite well. A lot of good quality research is starting to come out. We are two years in, and there is a need now to think about the longer term investment, so a four year program will need to be extended, particularly in relation to the challenges of climate change. The first four year tranche of work is just scratching the surface, but I think it is starting to deliver.

**Senator IAN MACDONALD**—Could you just remind me? It was a four-year program funded internally from your—

**Dr Robinson**—Land and Water Australia has been funding tropical rivers work for some time, but the TRaCK initiative is funded with cash from the Department of Environment, Water, Heritage and the Arts, the National Water Commission and us, and there are 15 or 16 other research agency partners all based in the north or who have agents in the north.

**Senator IAN MACDONALD**—And that is a four-year project?

**Dr Robinson**—That is a four-year program of work.

**Senator IAN MACDONALD**—Of which you are now halfway through the four years; is that correct?

**Dr Robinson**—Yes, that is about right.

**Senator IAN MACDONALD**—I do not mean this in a nasty way, but what can we look at? What have you got to show for that so far? Are there reports?

**Dr Robinson**—Yes. The TRaCK program has released a number of reports. I could not name them off the top of my head, but they are available.

**Senator IAN MACDONALD**—I think I have seen the earlier ones. I am just wondering if there have been any recent reports back to you, or from you back to the department.

**Dr Robinson**—Certainly, we get our six monthly program reports, but I think you are referring to the technical or scientific reports. I would have to take on notice the specific ones that have come in over the last six to 12 months.

**Senator IAN MACDONALD**—Yes. Could you do that? They are all available on your website, are they?

**Dr Robinson**—We have a separate TRaCK website. They are available on that.

**Senator IAN MACDONALD**—I suppose I could look that up myself, couldn't I? No, you do it for me if you would not mind. Just tell me what they are.

**Senator SIEWERT**—We have been looking at your budget, and your budget seems to have gone down. Eighteen years ago you were getting \$12 million, and now you are getting core funding of \$13 million. Is there a reason why your funding has collapsed?

**Senator IAN MACDONALD**—Apart from the change of government!

**Dr Robinson**—Core funding, as you have rightly pointed out, has gone from \$12 to \$13 million over that period. There has been extra funding in the intervening years—particularly in the last few years we had additional funding through various government programs which have now been wound up. Our budget is heading back down as a result of those programs winding up.

**Senator SIEWERT**—What gets cut to deal with that? Essentially you have a quite significant decrease in funding. What gets cut?

**Dr Robinson**—None of those additional programs had a set life. For example, the Defeating the Weeds Menace program, which was mentioned earlier, was one of the programs that was funded not from core funding but from additional funding. Staff that we employ are

generally attached to programs. And so we lose staff who are directly attached to those various programs, leaving us with cuts to make to our corporate communications knowledge and adoption area and corporate support area to match the size of the organisation.

**Senator SIEWERT**—Without doing a quick CPI calculation over 18 years, there is a substantial cut in core funding which, I would suggest, is not just made up through cutting some of the areas such as corporate admin and things like that. So what does get the chop, or what are you not doing now that you would have been doing 18 years ago?

**Dr Robinson**—Every five years we review our strategic plan. We know in advance every year what our core funding is. I cannot comment on what was funded 18 years ago, but we are currently developing a new strategic plan which commences in the middle of next year, and we will be working on the basis of a \$13 million budget.

**Dr O'Connell**—I do not want to speak for Land and Water Australia, but it might help really just to see them as similar to many other government agencies that work within the budget. They are given an appropriation that they manage within the priorities that have been set for them or set by them. But certainly, Land and Water Australia has been successful in managing to attract quite a lot of investment from third parties, as well as just their appropriation funding. There is a broader story there than simply looking at their appropriation funding. And certainly, they would not be expected to do what they were doing 18 years ago. The world has moved on a long way since then.

**Senator SIEWERT**—Yes, it has. And we are getting more significant natural resource management problems and climate change problems. I would like to pick up on your comment about picking up third party funding—additional funding. Your budget for 2007-08 was \$39 million; is that correct?

**Dr Robinson**—That is correct.

**Senator SIEWERT**—And this year, it is—

**Dr Robinson**—Thirty-one million, I believe.

**Senator SIEWERT**—You are saying the difference is that some of those programs that we have been talking about have wound up?

**Dr Robinson**—The reduction—and there is a further reduction next year—is largely due to a range of those supplementary programs being wound up. It continues next year to decline because there was some rollover of those funds into this year, but next year it will be smaller again.

**Senator HEFFERNAN**—For those who are asleep down at the department, I am reliably informed by Senator O'Brien that Heath Ledger won the Oscar for supporting actor. So there you go. Dr Robinson, could you outline your highest priority—as you see your task? Is it the land and water typing of the north, or—what do you see as Australia's highest priority?

**Dr Robinson**—That is a good question, Senator. Under the corporation's strategic plan we have chosen to have a fairly diverse but, hopefully, integrated portfolio where we are investing in a range of applied research as well as in blue sky innovation-type research. We are investing in Northern Australia. We have invested in areas like native veg, environmental water, but also water use efficiency. So we have taken the strategy of trying to have a mixed

but diverse portfolio without focusing on one major particular area of work. Having said that, it is clear that we also have a strong and important leadership role to play across the RDCs and other agencies. For example, CCRSPI is an example of that and we are also trying to lead a national soils initiative at the moment. So we have a diverse portfolio, without one standout item.

**Senator HEFFERNAN**—How long will it be until we can, with the background of sound science, say to cynics, on one side of the argument or the other, whether we should develop the north or leave it to go back to boomerangs and didgeridoos? When will we be able to determine the mosaic potential of the north, in terms of water and the right soil types coming together right across the landscape to the north? How long will it be until that can be an informed decision?

**Dr Robinson**—I am not sure I would have the expertise to put a time frame on that but I would say that, in my opinion, it needs significantly more investment than we have at the moment and coordinated collaborative investment in order to achieve it.

**Senator HEFFERNAN**—Could I tempt you just a little bit, without getting you the sack? Would it be fair to say that Australia's future deserves a higher priority on that issue? Dr O'Connell, you just stay out of this.

**Senator Sherry**—You cannot direct the witness not to answer.

**Senator HEFFERNAN**—Yes, but you know what I mean.

**Senator Sherry**—Yes, we know what you are exploring.

**Dr O'Connell**—I was going to suggest that you may be stepping into areas of government decisions on policy.

**Senator HEFFERNAN**—I appreciate that. The minister is astute enough to know what I am flagging. Let us get on with it, for God's sake.

**CHAIR**—Senator Heffernan, do you have any other questions? If you do not—

**Senator HEFFERNAN**—I do, but I will not ask them.

**CHAIR**—Okay, then, you do not. I thank officers from Land and Water Australia and call Australian Fisheries Management Authority back again, please. Senator Colbeck will have the lead. We should assemble the whole ensemble too, if we can.

[3.53 pm]

#### **Australian Fisheries Management Authority**

**Senator WILLIAMS**—Mr Chair, I have got one question to ask. Senator Colbeck, in a very generous way, said I could ask it.

**CHAIR**—Welcome, officers from AFMA. Senator Williams, one quick one.

**Senator WILLIAMS**—I had a constituent contact me—someone might be able to help me here—about the Gaden hatchery in the Snowy Mountains. Does anyone know if that is in the throes of being closed down?

**Mr Hurry**—It is an issue for New South Wales Fisheries.

**Senator WILLIAMS**—Right.

**Mr Hurry**—There is some discussion on Gaden, but it really is a New South Wales issue.

**Senator WILLIAMS**—Do you know if it is a hatchery where they produce breeds of brook and brown trout on a yearly basis? So it is a New South Wales issue, just like the closing of Glen Innes Research Station and other hatcheries?

**Mr Hurry**—I do not know what the logic behind dealing with Gaden hatchery was. It does provide trout fingerlings for the Snowy Mountain fisheries, but it is an issue for the New South Wales government.

**Senator WILLIAMS**—Okay. Thank you.

**Senator COLBECK**—I did ask some quick questions about the commission this morning. I just want to clarify: the final appointments are effectively with the minister to be completed by the end of this month. That is correct? There have been interim appointments made to the end of February?

**Dr O'Connell**—Yes, there are interim appointments to the end of February and I would expect the final appointments to be announced in advance of that.

**Senator COLBECK**—In respect of the term of engagement for part-time commissioners. I notice that Mr Hurry's position is a full-time commissioner's position, and I am not taking any issue with that. The commissioners are part time, which would obviously be employment on an as needed, per diem type situation. Is that correct?

**Mr Hurry**—The remuneration is set by the Remuneration Tribunal and they attend a certain amount of board meetings each year. They also give their time for, I guess, various other roles we have them in.

**Senator COLBECK**—So there is an amount allocated for the other time that they have to expend as part of that process?

**Mr Hurry**—Yes, largely.

**Senator COLBECK**—Okay. So what is the term for the commissioners once they are actually—

**Mr Hurry**—Under the new arrangement, five years.

**Senator COLBECK**—Five year terms?

**Mr Hurry**—Yes.

**Senator COLBECK**—So all of the commissioners will be appointed for five years or will you have a process whereby it allows for rolling appointments—say, 50 per cent might get 2½ years to start with and then the other half will get five?

**Mr Hurry**—No. Under the initial arrangements, my understanding is it is five years.

**Senator COLBECK**—Are there any limits on terms? Say, for example, can a commissioner serve only two terms or something of that nature?

**Mr Hurry**—I am unsure.

**Dr O'Connell**—We will have to take that on notice, I think.

**Mr Hurry**—Yes, we will take it on notice.

**Senator COLBECK**—In respect of their Management Advisory Committee rationalisation, can you bring us up to date on the activities reducing the MACs from 12 to six?

**Dr Rayns**—We are going through that rationalisation process at the moment, as you say. We have had two workshops with the industry and other stakeholders last year just to commence that process and to get their views on those changes, and we are now proceeding. We have just released a consultation paper for the broader industry to consider in relation to that rationalisation. Once we have had feedback on that consultation paper, the commission will then make a decision in terms of moving to the six-MAC structure, which is currently the option before the industry and other stakeholders.

**Senator COLBECK**—So is that six-MAC structure fixed?

**Dr Rayns**—We went through a process of looking at options earlier on. We looked at four, six and alternatives within those in terms of what would meet our requirements and the stakeholder requirements for engagement with AFMA. After those two workshops we come up, in the end, with a six-MAC approach to be brought in over a period of time.

**Mr Hurry**—In answer to your question, it is not final, but the board's view is that it is the best option that is available at the moment. But if some better approach comes back through the broader consultation with industry then we will consider it.

**Senator COLBECK**—You mentioned your stakeholders. Who are the stakeholders that you are consulting with?

**Dr Rayns**—We have spoken with some of the current members and chairs of MACs. There is also the industry itself, particularly groups like the Commonwealth Fisheries Association, our peak body; scientific groups that are on our MACs; conservation NGOs; and recreational fishers.

**Senator COLBECK**—Could you provide us with a list of your consultative group?

**Mr Hurry**—Yes.

**Senator COLBECK**—You can provide us with details of those.

**Dr Rayns**—We can, indeed.

**Senator COLBECK**—So the closing date for this feedback is 20 March?

**Dr Rayns**—I would have to check. It is a four-week consultation process, so that sounds about right.

**Senator COLBECK**—Okay. And those that receive the stakeholder letters would be that list that you are giving us?

**Dr Rayns**—We had a small group of stakeholders at those first two workshops to flesh out the ideas. Now we have gone out to the broader industry and other stakeholders. This later consultation paper we have just sent out has gone to every concession holder in our fisheries, plus other stakeholders who have engagements with AFMA.

**Senator COLBECK**—So that is those that got this letter dated 18 February?

**Dr Rayns**—Yes, sir.

**Senator COLBECK**—So after 20 March, where do we go from there?

**Dr Rayns**—The committee will then consider the submissions and, as Mr Hurry has said, depending on what they say, will either make a recommendation to the commission from management to proceed with the changes we propose or, if there is a view coming back from those submissions that we might want to change the way we are approaching the MAC rationalisation, we would give that consideration and provide advice to the commission accordingly.

**Senator COLBECK**—Do you have a timeline for the process on this? What is the next deadline or the next date that you have after 20 March? Do you have a series of dates in mind to keep the process moving?

**Dr Rayns**—We do. The first meeting of the new commission is in late April and it is likely that they will consider the final report out of the submissions process at that time. We would then hope to bring in the first set of new changes on 1 July this year, subject to the commission's approval.

**Senator COLBECK**—So you are looking to have your process effectively sorted out by 1 July?

**Dr Rayns**—Yes.

**Senator COLBECK**—Okay. What process do you have in place to communicate with those that give you submissions as a result of this document which was sent out on the 18th? Is there a process of meetings that will occur for discussion or will you effectively just deal with the submissions on an individual basis?

**Dr Rayns**—Generally, we deal with the submissions as they come in, but we leave sufficient time so that if material or significant issues arise we can hold subsequent discussions with groups like the Commonwealth Fisheries Association and others who may provide us with some advice that may mean we want to rethink some of what we are doing. We have given time between the close of submissions and having to submit information to the commission to hold extra meetings if we need to.

**Senator COLBECK**—When you provide me with that stakeholder information, I would be interested in both the initial stakeholder group and also those who received the letter, if you could take that as part of it.

**Dr Rayns**—Yes.

**Senator COLBECK**—How is the eLodgement service process going?

**Mr Hurry**—Reasonably good at this stage. We are looking for a start date for most of our suite of e-projects on 1 July.

**Senator COLBECK**—That is the date the fishers will be able to make their lodgements online?

**Mr Hurry**—The first part of the log system will go live in the northern prawn season, which should be 1 April. That will be the new part of the system. But we have run e-logs in the northern prawn system under an older arrangement for probably 18 months to two years

now. We have actually redeveloped it and the new lot will start to roll out. But we have a suite of e-projects. There is e-licensing and there is a better method of quota trading that we will bring live on 1 July.

**Senator COLBECK**—Okay. Do you have any specific information on those particular e-projects?

**Mr Hurry**—Yes, we do. We have been using it in the process of informing industry and I am quite happy to share that with you.

**Senator COLBECK**—I would appreciate that. Thanks very much. What has your feedback been on the eLodgement service, and what is your anticipated take-up—or is it a mandatory process?

**Mr Hurry**—On the estimations we did, we were looking for about an 80 per cent take-up on the system. But as we get into this and it becomes better tested, we would move it across most fisheries. I suspect we would be looking for a mandatory take-up on this, I would think, as we move forward because the benefits of this are getting as many as you can on an electronic log system so we can pull some of the paper based systems out of the organisation. That is where we are trying to head. But we are also conscious that some of the vessels we have in the fisheries do not have the electronics to allow them to use some of these technologies. So we know we will have to probably keep a small set on more paper based reporting, but the more we can get over the more efficiencies we gain as an organisation.

**Senator COLBECK**—How much have you spent on the system at the moment?

**Mr Hurry**—I would have to take that on notice and get you the figures, but I think on e-log it is probably about \$1.5 million.

**Senator COLBECK**—I would be interested in getting a sense of the costs of your other suite of projects as well. That would be good. What are your anticipated cost savings?

**Mr Hurry**—It depends on the take-up. I am happy to share what figures we have on that with you, but I would have to take the figures on this on notice.

**Senator COLBECK**—Let us say an 80 per cent take-up, which is what you indicated you were aiming for. What sort of efficiencies would that bring you?

**Mr Hurry**—Let me take that one on notice for you and I will get the correct figures for you.

**Senator COLBECK**—Okay. What was the commission's involvement with the relocation of the fishing vessel *Taruman* from Hobart.

**Mr Hurry**—We managed it. We managed the contract to the company who acquired the *Taruman*, then the *Taruman* left Australia under their ownership and direction.

**Senator COLBECK**—It did not get that far, did it?

**Mr Hurry**—Yes, it got to India and it has been broken up.

**Senator COLBECK**—It did get to India?

**Mr Hurry**—Yes, and we have some photographs if you would—

**Senator COLBECK**—Okay. What about the process where she escaped as she left Hobart?

**Mr Venslovas**—The vessel had a bit of a mishap when it was initially leaving Hobart. There was a problem with the solenoid in the engine and it had to return to the wharf to be repaired prior to undertaking its final voyage. That was a delay of about 24 to 48 hours.

**Senator COLBECK**—It nearly blew across the river and ran aground on the eastern shore, didn't it? It was more than a little bit of a problem. On a windy day, it escaped and was heading towards Howrah, according to the reports in the local media.

**Mr Venslovas**—There was a pilot accompanying the vessel all the time. From my understanding, the pilot indicated that there were no problems of the vessel drifting around at all.

**Senator COLBECK**—Well, you might have been lucky with the wind direction. From the reports from a witness that I am aware of, the wind changed and blew it back away from the eastern shore.

**Senator Sherry**—All the way to India, by the sound of it.

**Senator COLBECK**—Well, it was actually picked up by another vessel that was leaving at the same time and turned around and came back, Senator Sherry, but it was assisted by a wind change before it managed to get to Bellerive. I will leave that. I just want to broaden the horizons and bring in the rest of the ensemble at this stage. I want to go back to the fisheries research program. We were told at the previous estimates that \$1.1 million had been allocated to BRS. There was an allocation of \$1.87 million for this year. Where is the rest of that being allocated?

**Mr Pittar**—I am going to have to take that question on notice, I am afraid.

**Senator COLBECK**—So we have no idea where \$770,000 is going to be allocated this financial year?

**Mr Pittar**—As I look, I do actually have some information on that. The fisheries research program during 2008-09 will see \$1.3 million allocated to BRS for the reducing uncertainty in stock status. There was an amount of contingency in relation to the \$1.1 million. So the \$1.1 million had been allocated as part of the original work program and there is an additional amount there as a contingency which is currently being considered.

There are other elements under the fisheries research program. ABARE is receiving in the order of \$99,000 for performance measures in fisheries, and CSIRO is receiving three lots of funding in the order of \$87,000 to estimate total allowable catches for the northern prawn fishery for major prawn species. The second element is in the order of \$23½ thousand for management strategies, for multi-species longline fisheries and a further \$53,000 for south-west Pacific swordfish stock assessment.

**Senator COLBECK**—So we are still a few hundred thousand dollars underspent as far as the program allocation for this year is concerned? So there is nothing out to tender? There are no proposals that we are waiting for a decision on?

**Mr Pittar**—As I mentioned, there is a contingency amount for reducing uncertainty in stocks.

**Senator COLBECK**—Yes. You allocated, as we agreed at the previous estimates, \$1.1 million to the BRS, and so you have obviously given them another \$200,000. When was that allocated?

**Mr Pittar**—Sorry. That is just under \$300,000. It is \$200,995, so around \$300,000 is in the contingency.

**Senator COLBECK**—Sorry, how much?

**Mr Pittar**—Around \$300,000 is in the contingency for reducing uncertainty in stock status.

**Senator COLBECK**—So that has now gone to \$1.4 million?

**Mr Pittar**—Just under \$1.4 million, yes, \$1,300,995.

**Dr O'Connell**—I think the objective there is to reduce the number of fish species that are currently listed as uncertain. In other words—

**Senator COLBECK**—I understand the sentiment of the program. I was really just trying to get to the allocation of the funding. We had allocated \$1.1 million as of the previous estimates and effectively an initial \$300,000 has been allocated to BRS since estimates last year.

**Mr Pittar**—That has not as yet been allocated. That is being held as a contingency. BRS is considering that at the moment.

**Senator SIEWERT**—Whether they are going to do it or not?

**Senator COLBECK**—Whether they need it or not?

**Mr Pittar**—Whether they need it or not.

**Senator COLBECK**—So there is still a couple of hundred thousand dollars floating in the ether out of that.

**Mr Pittar**—I believe that brings it up to the total amount that you mentioned earlier.

**Senator COLBECK**—Do you mean \$1.87 million? Based on the figures that I had, I had \$770 million—

**Mr Pittar**—Perhaps, Senator, we can come to you with a precise amount as to—

**Senator COLBECK**—Even on my roughest numbers there is still some money short there.

**Mr Pittar**—I am getting a little bit short as I am doing the column as well. If we can come back to you on the detail there, we will.

**Senator COLBECK**—I am pleased we are coming together.

**Senator IAN MACDONALD**—I have two very quick questions on international things. Can someone, perhaps on notice, give me details of what voyages the *Oceanic Viking* did in this current financial year in the Southern Ocean on fisheries matters, and perhaps if you have got it then also on other matters besides fisheries and fisheries protection. I am not asking you

about the future, of course, and what it is going to do, but is it possible to just tell us what it has done to date?

**Mr Venslovas**—I have got the figures for the calendar year. In the calendar year 2008 the *Oceanic Viking* did four patrols to the Southern Ocean, and in 2009 we have done one patrol so far.

**Senator IAN MACDONALD**—And are those patrols of a regular number of days? Was it about 20 days?

**Mr Venslovas**—It was 40 days each.

**Senator IAN MACDONALD**—Okay, and there is still no sign of pirates?

**Mr Venslovas**—There is no sign of any IUU vessels inside the Australian or French zones. There is still the odd IUU vessel fishing in CCAMLR waters, but certainly not inside Australian waters.

**Senator IAN MACDONALD**—Could you perhaps just on notice though give me the allocation of time for the *Oceanic Viking* to fisheries and to other matters, both in calendar year 2008 and up-to-date as far as you have them? I have another issue, very quickly, if I can just impose on Senator Colbeck for a second and then I will depart, for Mr Kalish—and you are listed to appear later in another section of the department, but it is here that I want to ask you this anyhow—you gave me a very good report on the IOTC after the last estimates. You talked about the internal performance review focusing on the effectiveness of the commission to fulfil its mandate. There was a meeting held in Kobe in January 2008. The first meeting of the review panel was held in February 2008. I am just wondering if you could give me an update, perhaps on notice, about the progress. You have given me a very detailed answer on notice from the last estimates, which is good. I am just wondering if there has been any further progress or if we are just stalled—or rather if the international community is stalled not us?

**Dr Kalish**—The performance review has been completed and has been distributed to IOTC members, and there was a second meeting of the performance review panel in January 2009, so last month. There are several key findings and I can identify them—the location of gaps and weaknesses in the legal framework of the IOTC, and this relates to its effectiveness and efficiency in the inclusion of fishing entities under the control of that commission, notably the fishing entity of Chinese Taipei; a range of weaknesses in the workings of the commission in general in terms of efficiency in relation to administration and finance; and uncertainties associated with data and stock assessments. Given that many of the countries in the Indian Ocean rim are developing countries, there is certainly uncertainty in the data that are provided, and there are difficulties in identifying an effective way of addressing that uncertainty.

**Senator IAN MACDONALD**—So we know what is wrong.

**Dr Kalish**—We know there is a problem.

**Senator IAN MACDONALD**—I suspect nothing is new out of that, but there are no solutions as yet?

**Dr Kalish**—That problem is particularly difficult. Another issue is the problem with monitoring, control and surveillance. Again, since we are dealing with many developing countries, many of those states do not have the capacity to enforce or conduct surveillance of the waters.

**Senator IAN MACDONALD**—You mentioned that. I am sorry to cut you off, but our time is limited and I have butted in on Senator Colbeck. Let me paraphrase for you, without putting words in your mouth, we know all the problems but there is nothing going forward trying to address those problems?

**Dr Kalish**—We are meeting again at the end of March and early April for the annual meeting, for the 13th annual meeting of the Indian Ocean Tuna Commission and at that time members will address the outcomes of the performance review and hopefully accept the recommendations of the performance review.

**Senator IAN MACDONALD**—What were the recommendations? I guess that is what I was asking you?

**Dr Kalish**—I have identified the weaknesses and there is a suite of recommendations. The report will be available on the IOTC website as well.

**Senator IAN MACDONALD**—It is not available yet?

**Dr Kalish**—I do not believe it is on the website yet. It will be available after the—

**Senator IAN MACDONALD**—Is it appropriate for me to ask you on notice to let me have those recommendations?

**Dr Kalish**—We can certainly make available a copy of the report, I believe. I do not know if that is a problem.

**Senator IAN MACDONALD**—Yes, okay, we will leave it there. Thanks.

**Senator COLBECK**—I turn to the promoting of Australian produce. We have had the guidelines developed which we talked about last time.

**Mr Hunter**—Excuse me, Senator, that is actually a program administered in the Agricultural Productivity Division, which will appear later.

**Senator COLBECK**—So the Seafood Industry Productivity and Innovation Program is in the same bag, is it?

**Mr Hunter**—That is a subset of that, so that will be the right place to ask your questions on that.

**Senator COLBECK**—Alright, we will pester you then at that stage. That saves us a few moments.

**Senator SIEWERT**—I want to go to the Securing our Fishing Future package. Can you tell me what percentage of the funding was used to actually buy out fishing effort, actual fishing effort, versus latent effort? Have you done an analysis of that?

**Mr Pittar**—I do not believe that the buyback distinguished between latent effort and other effort per se. It was essentially directed at buying back Commonwealth fishing concessions without necessarily making that distinction.

**Senator SIEWERT**—Okay. So you do not think, or you know?

**Mr Pittar**—I am unsure. If there is any difference we will come back to you on notice.

**Senator SIEWERT**—That would be appreciated, thank you. I turn now specifically to the northern prawn trawl fishery, and, as I understand it, there was a commitment through that process of moving to inter-transferable quotas in return for the significant buyback of entitlements. I am wondering, has this occurred? As part of this process has that commitment been followed through in terms of moving to those ITQs?

**Dr Rayns**—The answer to that is yes. We are currently finishing a cost-benefit analysis of ITQ options for that fishery and the commission will be considering those options probably in the middle of this year. That will come through the commission for a decision.

**Senator SIEWERT**—So you are carrying out the cost-benefit analysis?

**Dr Rayns**—It is being done independently. It was a commissioned project to get that work done in cooperation with the fishing industry and the management advisory committee for that fishery.

**Senator SIEWERT**—And who is carrying that out?

**Dr Rayns**—It is a group at the ANU. I am not quite sure of their title, but they are an ANU based group with some assistance from the CSIRO and a number of other bodies.

**Senator SIEWERT**—Okay, thank you. So that will be reporting shortly and then the decision will be made mid-year?

**Dr Rayns**—Yes, the commission is likely to make a decision on that in either its June or August meetings this year.

**Senator SIEWERT**—I understand that there is a review of the whole of the package. That is correct, isn't it?

**Mr Hunter**—Yes, the Australian National Audit Office is undertaking a full review of the administration of the package. It is due to report in April or May.

**Senator SIEWERT**—And that is the only review that is being undertaken—the Audit Office one. I am not questioning the fact that they will do a good job, but is that the only review being undertaken?

**Mr Pittar**—That is the only review that is being undertaken at the moment. We are looking at options for a fuller review at the moment, but that is not active at the moment.

**Senator SIEWERT**—And the options you are looking at, when do you expect to be making decisions around any further reviews that may be undertaken?

**Mr Pittar**—I cannot give you a time frame on that at this stage.

**Senator SIEWERT**—Okay. The Audit Office would not be checking, necessarily, about the outcomes of the review in terms of how it has actually shifted fishing effort, et cetera, would they?

**Mr Pittar**—The ANAO is undertaking a performance audit.

**Senator SIEWERT**—Yes.

**Mr Pittar**—The issue about performance and outcome is one which is impacted upon by time frames. These things take a little time to sort of wash through the system so that an appropriate evaluation can be made post buyback of what the impacts actually are. So that takes a number of years so there is a basis for comparison as to what the impacts of the program are.

**Mr Hunter**—And you would expect, for example, the Bureau of Rural Sciences surveys to be capable of detecting changes in the overall fisheries performance.

**Senator SIEWERT**—Yes, okay. So you will be making that decision later on in the year. I just want to clarify that. Your decisions about a review will be taken later in the year.

**Mr Pittar**—I guess there are a number of factors to take into account: there is the ANAO audit; as Mr Hunter said, there is the question of what the BRS stock assessment report might say, which is an annual event; and we need to then think about where, in that field, some further assessment of the Securing Our Fishing Future program itself might need to be undertaken.

**Senator SIEWERT**—Okay.

**Mr Hunter**—Perhaps it is worth while mentioning the Bass Strait Scallop Fishery. There has been a survey undertaken in relation to that to understand where the stock currently lies, its current state—and there will be decisions that need to be made on that during the first half of this year.

**Senator COLBECK**—How long does the closure have left to go in that Bass Strait Scallop Fishery.

**Mr Hurry**—We have done a survey this year and we will probably open the fishery on 1 July. We are just going through the research assessment group meeting next week. The management advisory committee meets in the middle of March and will make some decisions on it then.

**Senator COLBECK**—Does that extend the full period of closure that was initially announced?

**Mr Hurry**—Yes, it does. The closure was until the end of June 2009, but it depended on the stock assessments. We ran some surveys this year and it looks pretty good.

**Senator SIEWERT**—Just finally on that, then. I am sorry to harp on trying to push you for a date, but would you expect to be undertaking some sort of further review outside the ANAO report by the end of the year?

**Mr Pittar**—I think it is still too early for us to be able to say that. We need to work that program through. We need to see what the ANAO has to say and consider that in the context of the BRS annual fish stocks assessment as well.

**Senator SIEWERT**—This next question is a bit of a change of tack, but it is associated with adjustment packages. With the marine regional planning process that is being undertaken is there any consideration being given to other adjustment packages to go hand in hand with any of that marine regional planning?

**Mr Pittar**—The marine bioregional planning process is being handled out of the Department of Environment, Water, Heritage and the Arts. It would probably be more appropriate to direct that question to DEWHA.

**Senator SIEWERT**—I have a long list of questions for them tomorrow. However, I was looking at the fisheries angle and looking at if there were to be any necessary adjustments to fishing then surely it would be in association with you—your agency?

**Mr Pittar**—The question of buybacks or changes in capacity would be considered in the context of the approach for marine bioregional planning.

**Senator SIEWERT**—Okay. So it would be part of that overall package of money that was delivered for that? Is that what you are saying?

**Mr Pittar**—Well, what I am saying is that DEWHA has the lead on that. We are happy to work with DEWHA on that but ultimately DEWHA has primary carriage and I am really not in a position to comment further on that.

**Senator SIEWERT**—Judging by what they say tomorrow, I may have some questions on notice for you.

**Mr Pittar**—Okay.

**Senator COLBECK**—What is happening with the Western Deepwater Trawl Fishery and North West Slope Trawl Fishery boundary readjustment?

**Dr Rayns**—I will answer that. We are holding meetings with both the Western Australian Department of Fisheries and also their peak industry body, WAFIC, next month to go through the issues of concern to the industry. What we are doing at the moment is looking at that boundary to make sure it actually aligns with the 200-metre isobath, which was the agreed boundary between Commonwealth and state fisheries. At this stage we have not taken any action. We want to have that engagement with both the government and industry people first before we decide what the next steps are.

**Senator COLBECK**—So have you been given copies of all the submissions that have been gathered up as part of the process that is going on in WA?

**Dr Rayns**—We probably do not have access to all those submissions. I understand that the WA Department of Fisheries actually called for those submissions so they would have those rather than ourselves.

**Senator COLBECK**—Okay.

**Dr Rayns**—We are aware of the general—

**Senator COLBECK**—You would have received a submission from WAFIC, themselves, though?

**Dr Rayns**—We did, indeed, yes.

**Senator COLBECK**—So what are the timelines?

**Dr Rayns**—Next month, March, as I said, we are meeting with both the industry association and the government, and we will take the next steps from there. There are a number of, I guess, issues of concern on both sides in terms of that boundary and at this stage

we have made it clear that we have not made any decision. We want to have that engagement first before we proceed further.

**Senator COLBECK**—Okay. Thank you.

**CHAIR**—I think we will adjourn now for a quick afternoon break.

**Proceedings suspended from 4.08 pm to 4.20 pm**

**CHAIR**—Welcome back. I now welcome officers from trade and market access.

**Senator COLBECK**—What can you inform us of where we are at with issues regarding the access of red meat into Russia?

**Ms Anderson**—Basically, for almost a year now, there have been ongoing difficulties in red meat access to Russia. At the moment, there are 18 meat establishments—that is game meat and red meat establishments—suspended from exporting to the Russian federation.

**Senator COLBECK**—How many are game and how many are red meat?

**Ms Anderson**—I would have to double-check. AQIS would be able to tell you exactly. I would have to check that, sorry. I will not hazard a guess.

**Senator COLBECK**—A larger proportion of red meat?

**Ms Anderson**—Most is red meat, yes.

**Senator COLBECK**—Okay.

**Mr Morris**—Actually, I have the answer here. There are five wild game establishments and 13 red meat establishments.

**Senator COLBECK**—And by ‘wild game’, we mean kangaroo?

**Ms Anderson**—Yes.

**Senator COLBECK**—No other products—no possum or anything of that nature?

**Ms Anderson**—Not that I am aware of, no.

**Senator COLBECK**—So what are our activities in trying to resolve the impasse?

**Ms Anderson**—There have been several bilateral meetings. Basically, they involve AQIS officers directly. There has been contact also by our post in Brussels, initially, who went to Moscow to discuss it with Russian officials. There has also been contact more recently. We sent an officer to Moscow, a senior veterinary officer, to try to make some headway on the issue. He arrived there in late October for about a three- to four-month posting. The minister has met with the Ambassador to the Russian federation last year to raise the issue and, essentially, it has been an ongoing subject of to-ing and fro-ing between us and our embassy in Moscow.

**Senator COLBECK**—What are the drivers for the problem in the first place?

**Ms Anderson**—Mainly these issues have been raised on a technical level. Microbial contamination in meat is what has been advised.

**Senator COLBECK**—That is an allegation against product coming out of Australia and into Russia?

**Ms Anderson**—That is correct, yes. There are some contamination issues as well, but the predominant number of those 18 are due to microbial contamination.

**Senator COLBECK**—That has been measured, or we have had advice as to actual shipments that have been impacted, or it is something a little broader than that?

**Ms Anderson**—We have received advice from the Russians on microbial counts and things like that. I am not an expert in that area. So, yes, we have received that. I should add to what has been done in response. AQIS has prepared or provided establishment reports for each of the establishments to explain the systems in place and those sorts of things. So the Russians have had those reports for quite some time.

**Dr O'Connell**—We might just also bring in some of the AQIS people who are closely involved with this issue so that they can explain some of the technical issues.

**Mr Read**—Sorry, Senator, what was the last question?

**Senator COLBECK**—I was essentially trying to get a sense of what the drivers have been for the problems, whether there are specific shipments that have been measured and that allegations have been made against or is it something that is broader? I understand that it does impact on a number of countries.

**Mr Read**—What transpired over 2008, particularly from the Russian veterinary authorities, is essentially, in their words, sending a very clear message about what they expect in performance of establishments across a range of commodities exporting to Russia, and the implications of that are not only for Australia. It is actually for all countries exporting into Russia. How they have measured some of that performance has been by audit testing, where they have made a large investment in analytical capacity in that country. So they have identified performance of meat products against their prescribed norms. Some of the issues you might hear from the industry relate to coliform counts and other readings of bacterial levels and, equally, in terms of their reviews of the systems supporting exports into that country. They have done a lot of inspections in countries such as the United States, Canada, New Zealand and so forth, and they are here at present. Through those inspections, they are demonstrating good knowledge of good practices and systems and HACCP, and they are expecting countries to be very strong in their understanding of what the requirements for exports to their country are.

**Senator COLBECK**—So they have given us details of their process and their requirements and, from what you are saying, they are looking for a high standard. They understand what it is that they are actually looking for quite clearly, and they have a strong understanding of processes to achieve that.

**Mr Read**—Correct.

**Senator COLBECK**—So what assistance are we giving to and, I suppose more importantly, what is required from our suppliers with respect to meeting those requirements and how do their processes stand up?

**Mr Read**—There are, in my view, two approaches to improving access into that country. The first is in terms of government to government, to illustrate memoranda of understanding, which then provide a platform for ongoing bilateral discussions so that you ensure that, as two

parties, you are regularly communicating, but, equally, putting in place the mechanisms for dealing with some of the problems that occur. So that is a first important step, and that is one that we have on the table now and we are seeking to progress as quickly as we can with our Russian counterparts. The second is working with our industry to clearly articulate to them what the expectations of the Russian authorities are, and also working with industry to develop initiatives to give them the capacity to more consistently meet those requirements, because some of these standards upon entry into that country are extremely high.

**Senator COLBECK**—I was going to ask where they sit in the hierarchy of level of difficulty in achievement, but you have intimated—

**Mr Read**—It is very high, and it is not just that they are applying it to this country. They are applying it to all countries, and we do have quite a good international network of understanding where those pressure points around the world are actually happening.

**Senator COLBECK**—So in comparison to some of our other trading partners, with respect to similar products, they are asking for an extremely high level of quality assurance, effectively.

**Mr Read**—Yes.

**Senator COLBECK**—What is the reality of our producers meeting those standards?

**Mr Read**—Very good. We have very good plants in this country. We are audited substantially by a range of importing authorities. We run very tight verification programs from AQIS across those plants. So in terms of food safety, these are superb plants. The expectations, as I said, of Russia are extremely high, and what we need to do is ensure we can calibrate our performance into a very low margin of error to ensure we consistently meet those requirements.

**Senator COLBECK**—Are there any issues outside the processing plant, such as management in chain of transport, that potentially impact on those standards? Are they things we are looking at?

**Mr Read**—The two areas that cause some difficulty are the certification of product to Russia. It causes a bit of difficulty because we are required to actually issue certificates before it leaves this country. In terms of the supply chain, it is probably a 20 to 30 day delay then until entry into one of the Russian ports, depending on its location. Through the natural trading world there is often product sold before it arrives in Russia, so the owner of the product changes. That then requires a reissue of certificates and letters of authenticity of signatures that appear on that documentation. So all that delays and complicates the export of product to that country. We also are working very closely with the game meat industry, the kangaroo industry, to ensure that our upstream supply chain is very tight to ensure that some of the performances measures that are applied, particularly by Russian, are met. That is what we are currently working on with the industry as well.

**Senator COLBECK**—What do you mean by ‘upstream supply issues’?

**Mr Read**—From the harvesting of the animals to the remote chillers, the time in the chillers, the transport of those carcasses back to the plant—that sort of process.

**Senator COLBECK**—In respect of competition within Russia for these products, what are the levels of demand for the product?

**Mr Read**—Again, there are better experts than me to talk about that. But in Russia at the moment, there is clearly a policy around national development and capacity building. There has been, in the last 12 months, a significant drop off of product exported to Russia through a range of the border actions that have occurred. I suspect that that pressure would be applied in some of the prices now demanded in that particular country. So, from our perspective, from a trading perspective, from what I have heard, there is still a lot of potential for exporting product into that market.

**Senator COLBECK**—Are there any quota allocations into Russia for Australian product?

**Mr Read**—I do not think so. There is quota from their side, I think, but no.

**Senator COLBECK**—So it is effectively an open supply market, but it has got very high requirements with respect to product quality.

**Mr Read**—Yes. I will confirm that. Quota into Russia is something that I am not familiar; it is certainly something I have not heard talked about. What I have heard as being the issue is your last statement around the performance requirements.

**Mr Morris**—There may be some tariffs.

**Senator COLBECK**—Yes, that was going to be on the next point: are there tariffs and what are the levels of tariff into the country?

**Mr Morris**—We know there are tariffs certainly on cattle going in there, but I am not quite sure of the levels on meat.

**Ms Anderson**—I am sure there are tariffs on beef as well, but we would just have to check that for you, Senator.

**Senator COLBECK**—What are the specific kangaroo meat markets?

**Mr Read**—The European Union and Russia would be the biggest markets.

**Senator COLBECK**—Russia is one of the biggest markets?

**Mr Read**—By far the biggest market.

**Senator COLBECK**—So what has been the impact on trade?

**Mr Read**—It has been significant to those plants suspended by Russia.

**Senator COLBECK**—Have all of the plants in Australia been suspended?

**Mr Read**—Five kangaroo plants have been suspended.

**Senator COLBECK**—How many would be export certified and supplying product to that market?

**Mr Read**—Seven, eight.

**Dr Schipp**—There are nine export-registered kangaroo establishments and, of those, five are suspended for Russia.

**Senator COLBECK**—Can you give me the locations generally where they are?

**Dr Schipp**—There are two in South Australia, two in Queensland, and one other.

**Senator COLBECK**—How do those five fit into the overall locational mix of the nine? Where are the four plants that are not restricted, given that there is one we still do not know the location of. There are two in Queensland, two in South Australia and one in an unknown location. Where are the other four?

**Dr Schipp**—Brisbane and Sydney are the remaining locations.

**Senator COLBECK**—I might move on from there. Does country of original labelling come under this area?

**Mr Morris**—Yes.

**Senator COLBECK**—With the announcement of the strengthening of the food labelling laws—simplification and strengthening of the food labelling laws—and the announcement of a new Grown in Australia label, who has been engaged to undertake the developmental work on the new label?

**Mr Morris**—Sorry, I thought you were going to talk about country of origin labelling of other countries, which is this area. The country of origin labelling for domestic purposes would be, I think, one of the other areas.

**Senator COLBECK**—As long as someone is happy to talk to me about that.

**Dr O'Connell**—It is not this division, just to let the chair know that we are moving out of this division on that basis.

**Senator COLBECK**—So which division should it be in, because if we start doing that the chair will get confused again, and we cannot have that—and I am sure there are other questions in this area.

**Dr O'Connell**—Product Integrity Division, Senator.

**Senator COLBECK**—Product integrity.

**Dr O'Connell**—Yes.

**Senator COLBECK**—If Senator Milne has got some questions on market access, I will let her ask them.

**Senator MILNE**—We have raised in this committee before the issue of carbon footprints and food miles and the potential of the EU to use food miles as a non-trade tariff barrier. So I just wondered we were up to in Australia in addressing this issue of actually establishing what our carbon footprint is in relation to our export primary products into various markets, including the EU.

**Dr O'Connell**—That is Climate Change division, I am afraid, Senator. That would have been the place to ask that one. We can take that on notice and give you an account.

**Senator MILNE**—Okay. The next question I have got is in relation to the Australian-US Free Trade Agreement. Are there any concerns about President Obama's statements about the Buy American campaign as part of his recent stimulus package? Is anyone doing any analysis of what that might mean for some Australian exports?

**Mr Ross**—Our initial assessment indicates that there are not direct implications for agriculture, but we are looking further into it to determine if there are any specific areas that might directly impact on that sector.

**Senator MILNE**—The other thing I wanted to ask under this area was this: earlier in the day the department indicated that the minister and some officials had to been to some high-level food security meeting in Europe. What are the ramifications of the talks with FAO around food security for trade and market access?

**Mr Hunter**—The meeting we referred to that the minister attended was a special meeting of the Food and Agriculture Organisation of the United Nations held in November last year at its headquarters in Rome. At that meeting it considered a series of reforms to the organisation in order for it to deliver on its outcomes more clearly. It also was an opportunity for the minister to do a couple things: firstly, to have a series of high-level meetings with FAO officials about the work that it is conducting in the area of food security and, secondly, to outline the priorities that Australia is giving to that topic at the conference proceedings. A particular area of interest that the minister pursued is the relationship between climate change and food security, in terms of both the direct impact of climate change and the impact of climate change mitigation policies on food security. He also outlined the priorities Australia has taken in the context of food security: firstly, through its contributions to international multilateral efforts to alleviate food security issues; secondly, through the work that we do through international multilateral organisations around agricultural research and development; and, thirdly, through the work that Australia does also to promote the removal of trade barriers and distortions, and the impact that they can have on food security.

**Senator MILNE**—My final question in this section relates to the ongoing negotiations around a free trade agreement with China. What is your assessment about the implications of that for the vegetable industry, in particular, in Australia?

**Ms Anderson**—Senator Milne, at this stage I could not answer that question. The negotiations are still well and truly underway but we have not actually started talking tin tacks about any particular issues that would impact directly on horticulture.

**Senator MILNE**—Okay. What is your assessment currently, then, of the impact of cheap Chinese fresh food imports—frozen vegetables, I am referring to—on the prices that growers get in Australia, particularly in the processing sector?

**Ms Anderson**—I would say that, in terms of our agricultural trade balance with China, we export \$3 billion worth of agricultural product to China and import products worth around half a billion dollars, so our trade balance is not doing too badly in that sense.

**Senator HEFFERNAN**—Farmers are going broke. It does not worry you.

**CHAIR**—Just carry on with your answer, Ms Anderson.

**Ms Anderson**—Sorry. Going to your particular question, Senator Milne, would you mind repeating it?

**Senator MILNE**—My issue is that Australian vegetable growers are almost being denied access to vegetable processors now because the processors can import cheap frozen vegetables from China much more cheaply than the Australian growers can deliver to the

factory, because the Chinese vegetables are subsidised by poor environmental practices, very low wages and, frequently, human rights abuses. Australian farmers cannot compete against that, so I am just interested to know what your assessment is on the impact of this on Australian agriculture.

**Senator HEFFERNAN**—They are not interested. No-one cares. It is not their job; they do not care.

**Ms Anderson**—There has not been any recent specific analysis that I am aware of, but others at the table may be aware.

**Senator MILNE**—Is it anybody's intention to actually have a look at what is going on now, before we get into any further discussions on free trade agreements with China? Because the impact on local growers is very substantial.

**Mr Morris**—I think issues about free trade agreements are largely for the Department of Foreign Affairs and Trade. Before each free trade agreement is entered into a study is done on the net costs and benefits to both countries from entering into a free trade agreement. That is looking at the overall benefits for all sectors in Australia—not just for vegetables but for all sectors—from those agreements, and an FTA is entered into by the Australian government in the context of the likely benefits from those agreements. So it is the same for China in that the decision to enter into it was based on a balancing of the potential benefits and costs, and the decision to finalise it and sign it will be also based on the potential benefits from and costs of the agreement.

**Senator MILNE**—Have we got anywhere looking at what the benefits to primary industry would be from a free trade agreement with China? We fully understand the resource sector, but I am asking about agriculture.

**Dr O'Connell**—I think Ms Anderson was pointing out that the farm-trade balance between China and Australia is, on the whole, beneficial to Australia.

**Ms Anderson**—I can also add that we will be discussing issues regularly with the horticultural industry itself. So they will have the ability to provide a submission to the foreign affairs department about, firstly, their pro-active concerns, in the sense of what access benefits they may wish to achieve through an FTA, and, secondly, any defensive interests that they may have. So, in the normal course of events, there are discussions with industry groups throughout the course of an FTA negotiation. That industry information is primarily the source of information we have, as well as analysis of our own, in terms of existing barriers to trade that may exist.

**Senator HEFFERNAN**—So do you compare notes on the food safety side of this? Is there a random check in terms of the import of frozen vegetables? Some it is grown on sewage, and there are all sorts of weird conditions in the backblocks of China, where they pay them threepence halfpenny a month. As I am instructed, we randomly check the health aspects of that. We learned from the milk violation—

**Dr O'Connell**—The issue around the food safety testing is one that we can have AQIS talk to you about.

**Senator HEFFERNAN**—I realise you do not care about that in this department; it is not your job. It is not that you do not care, but it is not your job. The implications are pretty serious for us. We are on the other side of the equation. I would have thought you would tie one to the other.

**Dr O'Connell**—The checking of food safety is a role that AQIS has.

**Senator HEFFERNAN**—I am busting to get to it.

**Senator Sherry**—We will get to them earlier if you desist from your interjections.

**CHAIR**—I am sorry, Minister. Let Dr O'Connell answer, Senator Heffernan. In all fairness, Senator Heffernan, your timing is perfect because it does wake a few of us up. Senator Milne, please continue.

**Senator MILNE**—Thank you. Do you go back and have a look at the assessment you make on the free trade agreement benefits and disbenefits, if you like, a few years in, to actually see whether the assumptions you made had any basis in fact for what has occurred? That is my first question. What review is there about the claims made, as opposed to the on-the-ground truth? In particular, with the US-Australia Free Trade Agreement, what were the claimed benefits for Australia and have they been delivered in primary industry?

**Mr Morris**—Again, the benefits are across all sectors. We do go back and have a look at how the trade is going with each of those countries and review progress over time. In the case of Thailand, there have been quite large increases in agricultural exports to Thailand since the signing of that agreement. In the US it has been a bit more static for agriculture, partly because of our droughts in Australia and partly because one of our major exports to the US, beef, has been diverted into the North Asian markets because of the opportunities in those markets for our meat exports as a result of the US not having the same access that it used to have due to BSE in that market. And so there are often a number of factors that are driving outcomes in that market, or in all markets. In the case of the US, as I said, looking at the raw trade figures, there has not been the growth because of those factors. But in the case of, say, Thailand, there has been quite a dramatic increase.

**Senator MILNE**—But in terms of the claims that were made at the time the US free trade agreement was made, does anyone actually go back and assess the claims against the reality?

**Mr Morris**—Probably, in a broad sense, that would be a question for DFAT rather than for us, because a lot of those claims are the claims made generally.

**Senator MILNE**—Yes. But DFAT make claims based on somebody's advice. They are not going to just make up a sector in primary industry that is supposedly going to benefit or not benefit, surely.

**Dr O'Connell**—I think the point Mr Morris is making is that the benefits are across the economy. So they are engaged in services and manufacturing and other areas.

**Senator MILNE**—I appreciate that. But we are trying to ensure there is sustainability in agriculture and trying to support as many of the primary industry sectors as we can. Whilst you can do net figures on energy or anything else you like, if we put a district or a whole area out of production because you get a huge increase in iron ore exports or something, that does not help feed anyone. That is the point that we are trying to make.

**Mr Morris**—A couple of claims that were made at the time in terms of the benefits were the removal of the in-quota tariff on beef, and so for every tonne of beef we send over to the US we get a benefit from that as a result of the FTA. Similarly on lamb, there was a removal of the tariff there, and, again, for every tonne of lamb we send over we get benefits from that. So those—

**Senator McGAURAN**—Which is offset by the farm gate policy, which they just renewed.

**Mr Morris**—I do not quite understand the comment.

**CHAIR**—Mr Morris, you were halfway through an answer. Could you answer Senator Milne's last question, then we will go quickly to Senator McGauran, because we are way behind. Senator Heffernan also has one.

**Mr Morris**—They were just two of the examples that I was going to give of some of the obvious benefits that occur for every tonne of product we export over there in terms of beef and lamb.

**Senator McGAURAN**—I am seeking a status report with regard to stone fruit access into Taiwan.

**Mr Morris**—Thanks, Senator. Since we last met, there has been a meeting of the Quarantine Advisory Committee. That was in Taiwan late last year. It decided that there needed to be trials conducted to verify that the cold disinfestation treatment for stone fruit and cherries would work, as per the research that we had done. Those trials took place from early December through to early January. Representatives from Taiwan came over to observe those trials. They were conducted by the New South Wales Department of Agriculture. The results of those trials were compiled shortly after the trials were completed in early January, and they have been submitted to Taiwan for analysis. The next step is for Taiwan to analyse the results of those trials and to respond to us.

**Senator HEFFERNAN**—Are we back to where we were 10 years ago with our trade arrangements, given that we have just had a reintroduction of subsidies in Europe on milk? The European Union lady was very strong on that. In other words, she did that to us. Haven't we walked backwards?

**Mr Morris**—I think both the trade minister and the agriculture minister have come out quite strongly expressing concerns about that.

**Senator HEFFERNAN**—Yes, I know. I realise all of that, but aren't we going backwards?

**Mr Morris**—It definitely was a step in the wrong direction, and we have made that point very clear publicly.

**Senator HEFFERNAN**—Thanks very much. I do not know what we are going to do about it. The US have also renewed the Farm Bill.

**Mr Morris**—They have renewed the Farm Bill. That is right.

**Senator HEFFERNAN**—So all this garbage that goes on about the net export-import parity does not take account of the fact that, while it is all right for Europe, if they are doing it a bit tough, to bung on a subsidy of \$1,500 a tonne or whatever, and the US can just invoke

the Farm Bill, our farmers will get told to get off their backsides and work harder and do it for half. And you think that is a good outcome?

**Mr Hunter**—Senator, even with those distortions in international trade, you cannot escape the fact that Australia—

**Senator HEFFERNAN**—Yes, but Senator Milne makes a good point. Just because iron ore spiked—which has now halved—why would we not look at the strategic and national interest of the global food task with a different view to just a simple equation, as Ms Anderson said there, on the balance of payments?

**Mr Hunter**—My point was that we are a country which exports 66 per cent, 70 per cent, of its agricultural produce. Even with all those distortions occurring, that is a pretty good reminder of where our interests lie.

**Senator HEFFERNAN**—Yes, but we—

**Dr O’Connell**—Which we pursue in these discussions.

**Senator HEFFERNAN**—Yes, I understand that, but that is a separate issue for the department too—as is, for instance, the fact that the vegies are not really health checked. We import fish that is rejected in Europe.

**Dr O’Connell**—The vegies being checked is a separate issue from FDAs.

**Senator HEFFERNAN**—I realise that.

**Dr O’Connell**—And one we will come to under AQIS.

**Senator HEFFERNAN**—I realise that, but it is an unequal market because of that.

**CHAIR**—Senator Heffernan, we are well over time.

**Senator HEFFERNAN**—We will get to it somewhere else.

**CHAIR**—Thank you very much to the officers.

[4.56 pm]

#### **Quarantine and Biosecurity Policy Unit**

**Senator HEFFERNAN**—Ms Freeman, would it be fair to say that you are aware that there is a fair bit of agitation and alarm at a farm level at the prospect of recommendation 59 of the Beale report?

**Ms Freeman**—Yes, I am aware of that.

**Senator HEFFERNAN**—I have a copy here of the letter that you sent to the New South Wales Farmers. Its task has been wound up. The panel had extensive discussions with stakeholders. How many stakeholders did they discuss it with?

**Ms Freeman**—They had over 170 meetings in total on a whole range of issues.

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

**Ms Freeman**—I was in charge of the secretariat for the review.

**Senator HEFFERNAN**—And you had access to all the written submissions?

**Ms Freeman**—Yes, I did.

**Senator HEFFERNAN**—And you were present at all the stakeholder consultations?

**Ms Freeman**—No, I was not.

**Senator HEFFERNAN**—Which ones were you present at?

**Ms Freeman**—The majority of them.

**Senator HEFFERNAN**—Oral or written?

**Ms Freeman**—The written submissions that are available up on the website. They are publicly available documents. The panel also held approximately 170 meetings with individuals and organisations.

**Senator HEFFERNAN**—So you were across the detail of the submissions?

**Ms Freeman**—Yes, I was.

**Senator HEFFERNAN**—Where was the seed sown in the Beale process for the proposition that we should allow the importation of live foot and mouth?

**Ms Freeman**—I was obviously not a member of the panel.

**Senator HEFFERNAN**—But you have just told me you were across the detail of all the—

**Dr O'Connell**—Senator, I think we probably should just make it clear what Ms Freeman's role was. The issues you are going to, I think, are about what is the thinking of the panel. The panel does not represent the various independent—

**Senator HEFFERNAN**—No, these are secretarial questions. You may not want to answer them, mind you. I am just interested in whose submission it was to sow the seed.

**Dr O'Connell**—I think that will be an issue—

**Senator HEFFERNAN**—You would know the answer. You do not have to give it, but if you do not want to give it say so.

**Ms Freeman**—All the stakeholder views that they wish to be made public are up in their written submissions on the web. They are all accessible to anyone.

**Senator HEFFERNAN**—Well, no—

**Ms Freeman**—They are accessible to anyone.

**Senator HEFFERNAN**—Good luck to you, but I am asking you here.

**Ms Freeman**—Yes.

**Senator HEFFERNAN**—I do not want to go looking on the web.

**Ms Freeman**—Yes, I am aware of that.

**Senator HEFFERNAN**—So what is the answer?

**Dr O'Connell**—Can I again just suggest that you are going to the thinking of the panel and Ms Freeman is not the panel. This is an independent review.

**Senator HEFFERNAN**—No, I am not going to the thinking of the panel at all. I am going to who made the submission that said we should bring in live foot and mouth, which has alarmed all farmers in Australia.

**Dr O'Connell**—You said what was the seed of the panel's thinking.

**Senator HEFFERNAN**—No. Who sowed the seed with the submission to the panel? I was talking about the submitters to the panel, nothing to do with the panel.

**Dr O'Connell**—I think we could probably—

**Senator HEFFERNAN**—Because if the panel did not have a seed sown and they took it upon themselves, they were completely out of order.

**Dr O'Connell**—We could take that on notice.

**Senator HEFFERNAN**—Could you come back this afternoon with the answer, thanks?

**Ms Freeman**—Senator, just to clarify, no written submission actually raised this matter explicitly with the panel.

**Senator HEFFERNAN**—So it came out of the panel?

**Ms Freeman**—I did not say that. I am just saying—

**Senator HEFFERNAN**—If it did not come from a submission—

**Ms Freeman**—You will have to ask the panel.

**Senator HEFFERNAN**—You have given me the answer I wanted. It came from the thinking and the deliberations of the panel. It did not come from a submission.

**Dr O'Connell**—I might point out that Ms Freeman said there were some 170 public meetings.

**Ms Freeman**—There are 220 submissions on the web and there were 170 meetings.

**Senator HEFFERNAN**—Let me tell you, I am sure that you and Ms Freeman and everyone else knows that the sensitive issue in those submissions is the live importation, and I am sure, Dr O'Connell, you would have gone and given that a bit of thought because I am sure that you knew it was going to come up here. And there is a note to the minister; you might read it before you answer. Can I pre-empt a bit of this. We know from the history of the outbreaks of foot-and-mouth in what I would call modern society that they have mostly come from accidents, laboratory accidents, and I mean the most recent one, the English experience. Would it be fair to say, Dr O'Connell, that if we agreed to recommendation 59—and we will get to that even if it takes two days—

**Senator Sherry**—Before we attempt to take two days, could I just make a couple of points.

**Senator HEFFERNAN**—Good; you have read the note.

**Senator Sherry**—There is no application before the government.

**Senator HEFFERNAN**—I understand that.

**Senator Sherry**—There are no plans to bring in or import live—

**Senator HEFFERNAN**—I understand all that—

**Senator Sherry**—Hang on.

**CHAIR**—Senator Heffernan, I ask you to hear the minister out.

**Senator Sherry**—I am just responding to the questions.

**Senator HEFFERNAN**—But there is a recommendation.

**Senator Sherry**—As far as the government is concerned, there are no plans to import live FMD viruses in Australia. On the matter of who suggested it in a particular submission, if indeed any submission suggested it—

**Senator HEFFERNAN**—Well, no-one did, apparently.

**Senator Sherry**—we are taking it on notice and we will analyse the submissions to see if anyone specifically suggested it. Your approach to the witness is bordering on unreasonable badgering.

**Senator HEFFERNAN**—I am sure she is not a sook.

**Senator Sherry**—I make the point that the witness served an administrative role.

**Senator HEFFERNAN**—Yes, I appreciate that.

**Senator Sherry**—And there was a panel that had responsibility for policy development.

**Senator HEFFERNAN**—I appreciate that.

**Senator Sherry**—I think they are important points to make.

**Senator HEFFERNAN**—Thank you very much, Minister. Yes, that is fair enough. I appreciate that it is a recommendation. I am not pursuing what the government thinks because, as I am sure Dr O'Connell would agree, if we went through the English experience or even the newcastle disease experience, which was an escape from the laboratory, there would be between \$9 billion and \$14 billion worth of damage done to the farming economy in Australia. The minute it got out of the laboratory there would be a cease of trade in those commodities and there would be the possibility of a huge class action against the government, wouldn't there?

**Dr O'Connell**—I think you are getting into hypothetical territory. I think the basic point is there is no application to import and there are no plans to import. So I think that is the basic position.

**Senator HEFFERNAN**—I appreciate that. I want to go to the question of the security of the laboratory—and I understand someone from the laboratory is going to be here later, if they are not here already—and the engineering security of the building, whether there are movements between modules and whether they have to block up, shall I say, separation in the structure with filler. But if there was an outbreak and the one in—

**Senator Sherry**—There cannot be an outbreak if there is no importation, and no application—

**Senator HEFFERNAN**—I appreciate that.

**Senator Sherry**—and no plan. So how can you come to the extraordinary hypothetical in the questioning about facilities and their robustness and safeness and regulation and supervision—

**Senator HEFFERNAN**—Well, in the event of.

**Senator Sherry**—when there is no application?

**Senator HEFFERNAN**—Yes, very good, Minister. If that is the case would you like your minister to say that we will not be importing foot-and-mouth into Australia or that we will do what Bob Hawke did and implement a moratorium for 10 years on the importation? When Bob Hawke put in a moratorium, in the period of the moratorium the science got better and we now know that we do not have to bring it in. You may not know, Dr O’Connell, but your people will know that to do all the things with positive control samples you do not need the live foot-and-mouth sample these days. And there is modern communications. It used to take six weeks to get the English cricket team to England, now they go overnight—and so it would be with sample going to wherever offshore we decide to do it. You would agree, though, that there would be the possibility of a huge class action in the event of—with this recommendation that people put in the bill report which at this time I understand, from the great evidence of Ms Freeman, did not come from a submission.

**Dr O’Connell**—There are a couple of points. One is that we understand from Ms Freeman’s points that there is no written submission. I do not know what happened in terms of the meetings that the Beale panel had with others, so that would be a separate issue to chase down. Second, I think we have made it clear that you are entering into the area of hypotheticals, where you are asking us to think past a point where we as the bureaucracy, and certainly from the government’s perspective, have not gone. There is no application. There is no plan to import.

**Senator HEFFERNAN**—I appreciate all of that.

**Dr O’Connell**—So we cannot make all those steps forward to where we would get to liabilities.

**Senator HEFFERNAN**—But this is a government study. I applaud the minister, Tony Burke; he is a keen young fellow, asks a lot of questions and gets about, and I have no objection to any of that. But this is a government study which recommends, in recommendation 59, that we import because there is a body of science and a group of scientists who think it is a great idea because they like to play with fire. They do not need to play with fire under the new age science. The recommendation is to bring it in. There is a sensitivity about saying we will not as a government bring it in because you never say never, but Australia’s farmers are terrified of this and so are a lot of scientists and well-meaning vets and the New South Wales Farmers and people like Peter Carter et cetera who you will all be familiar with.

**Dr O’Connell**—I might just make a point. I think it is probably worth being clear about the recommendation. The recommendation, as I read it, does not say ‘bring it in’. The recommendation says ‘permit the import of positive control samples’. It does not say bring them in. It would be a separate issue to both plan and apply.

**Senator HEFFERNAN**—But my understanding is that that begins the journey where you have to culture the live virus.

**Dr O’Connell**—But that, I think, depends then on a whole range of things: one, there being a plan to do it, apply it and then go through the processes—

**Senator HEFFERNAN**—Let me just take you to the report.

**CHAIR**—Sorry, Dr O’Connell. Mr Heffernan, I know that you have got a lot of questions. Would you just let the officers answer your question before you go on to the next one. Dr O’Connell?

**Dr O’Connell**—I think I have probably completed that. Going back to the issue of potential class actions, which I think was where you were taking this before, that would depend of course on a whole set of legal questions, which are not—

**Senator HEFFERNAN**—It would. But in the case of the UK, several freak things happened, and it was all human and not deliberate. There was a storm, there was a flush of sewerage, there was a broken pipe, the truck came in, the truck went down to the local pub, people got out of the truck and walked home—and so it spread. You would not believe it. The newcastle disease thing happened. There was that untidy set-up at Badgerys Creek where there was no washing and cleaning, just a human failure thing. The reason we are terrified of this is because there is no need to bring it in—absolutely no need. It is the same as having an onshore quarantine station—bring the elephants into Taronga Park and if one of them happens to have foot-and-mouth in the quarantine you immediately shut our trade.

**Dr O’Connell**—And there is no plan or application to bring these in, Senator. So I think we are getting ahead of ourselves here.

**Senator HEFFERNAN**—Well, better to be pre-warned and pre-armed. The bill report lists on pages 68 and 69 the argument for the importation of live foot-and-mouth into Animal Health Laboratories Australia as the need for positive control samples. Do you agree with that? Experimentation: do you agree with that? Vaccine production: do you agree with that?

**Dr O’Connell**—Are you asking me to agree whether that is their view?

**Senator HEFFERNAN**—Whether that is what it says, yes.

**Dr O’Connell**—Yes, I think I could agree to that, subject to reading it. I am looking for the question, Senator.

**Senator HEFFERNAN**—Was any attempt made to obtain verification of these reasons from another source, or did it just come out of the panel, because it did not come from a submission?

**Dr O’Connell**—I think I have already gone through that.

**Senator HEFFERNAN**—I think Australia’s farmers are entitled to know.

**Dr O’Connell**—I think that is a question to put to the panel.

**Senator HEFFERNAN**—How do we get the panel here? Can we get them here? We want to know. This is the most dangerous, exotic, animal disease on the planet and here we are playing around with a government report. I am aware that the minister is aware of the sensitivity of it—sensibly aware of the sensitivity of it. I am aware of that.

**Senator Sherry**—It is a report to government by some individuals at arms-length to government, which the government will respond to. It is not an unusual process. Your depth of concern is appreciated because you have reiterated that on a number of occasions during the course of your questioning.

**Senator HEFFERNAN**—Thank you very much for your patience, Minister.

**Senator COLBECK**—By the same token, the government has not given in-principle support to the recommendation, which is the basis of the concern.

**Senator HEFFERNAN**—Which is why everyone is tearing their hair out.

**CHAIR**—That is right.

**Senator COLBECK**—If you have any hair to tear out.

**Senator HEFFERNAN**—Yes, well, some of us have.

**Senator COLBECK**—So the response has already come in the sense that the government has given in-principle support to recommendation 59 which is—

**Dr O'Connell**—I think the government has supported the thrust of the report. It is quite clear that the government will come back and look at each of the individual recommendations and respond to those. The critical point is there is no plan or application to import FMD virus and—

**Senator WILLIAMS**—Still on the *Land* newspaper, it says that the government has accepted, in principle, all recommendations from the Beale report. Minister Burke is quoted as saying:

The principle here is that we make science-based decisions.

It would be irresponsible to rule out ever allowing in live virus samples of foot and mouth disease.

If there is an outbreak, live virus samples allow scientists to make the fastest and most accurate diagnosis of the virus strain, to determine the best vaccine to use.

The government has clearly said they will accept in principle all recommendations from the Beale report, and here is the minister's statement saying they would not rule out not importing it. My big concern is that, just like when the calicivirus was brought to Australia—as Senator Heffernan has said, they like playing with fire—if it gets out it will be the ruination of rural Australia. What I would like to hear from Minister Sherry representing Minister Burke is: can you give this committee a guarantee that the government will not import foot-and-mouth disease?

**Senator Sherry**—I have already indicated, on a number of occasions, in conjunction with the witnesses, what the government's approach has been.

**Senator WILLIAMS**—Which is?

**Senator Sherry**—I am not going to repeat it over and over again.

**Senator WILLIAMS**—Thanks for that.

**Senator Sherry**—I have already given a response to Senator Heffernan, and I appreciate his depth of concern.

**Senator HEFFERNAN**—Do you know who Mr Lascelles is? He wrote a letter to the *Land*—he is the former chief of the division of animal health, CSIRO—and he sets out the argument as to why there is absolutely no need scientifically to bring in the live virus. Are you familiar with that?

**Dr O'Connell**—If there is—

**Senator HEFFERNAN**—While you are it looking up, he says:

Around 2001 was the introduction of methodology in which insect virus, so-called baculovirus, could be genetically engineered with appropriate bits of the gene sequence—

and I guess this is something to do with gene technology—

of a particular infectious agent such as FMD to manufacture specific proteins of diagnostic importance.

If that is actually true—I am sorry to burden you, Minister, with this.

**Senator Sherry**—It is not a burden. I mean, it is my responsibility to be here representing the minister and representing the government; I do not feel burdened by it.

**Senator HEFFERNAN**—That is good. I will unload the burden. Someone who did not make a submission, so that could only leave the panel, has recommended in recommendation 59, which did not come from a submission, that the panel itself recommend—and the panel does not have the science background to make the recommendation, so I think the panel is flawed for a start if they made the recommendation—that we import the virus against the background of the science that says we do not have to. Now, I think it is fair for Australia's farmers and the taxpayers of Australia to know who the person was who recommended—he is a member of the panel, and I can read out who the panel members are and some of them have got a serious—

**Senator Sherry**—Senator Heffernan, we are right back where we started about 15 minutes ago.

**Senator HEFFERNAN**—No, we are not.

**Senator Sherry**—We have already covered this ground.

**Senator HEFFERNAN**—No, we have not.

**Senator Sherry**—You wanted to know who the person was.

**Senator HEFFERNAN**—No, through the chairman, I will ask the indulgence of the chairman and the committee for a briefing by the panel.

**Dr O'Connell**—Senator, it may help to quote from the report.

**Senator HEFFERNAN**—This is the most serious exotic disease on the planet which at the sweep of a hand and a stroke of the pen is going to cost Australia and Australian farmers \$14 billion the day it gets here.

**Senator Sherry**—To assist you, Senator Heffernan, the suggestion you had, to request that the committee seek a meeting with the panel, may be the appropriate course to follow. You are trying to get to a number of individuals on a panel who are not present to answer questions, and requesting a meeting seems to me to be the correct process.

**Senator HEFFERNAN**—I concur, Minister. Ms Freeman, in your letter you state:

The panel had extensive discussions with stakeholders, including those in the science community and agricultural industry, with all input receiving careful consideration.

Was there a view put to the panel that we should not import foot-and-mouth?

**Ms Freeman**—You would have to put that question to the panel, Senator.

**Senator HEFFERNAN**—Could you provide to me the submissions, to save me downloading them?

**Ms Freeman**—Yes.

**Senator Sherry**—I think we can expect a certain degree of initiative from modern communications, Senator Heffernan.

**Senator HEFFERNAN**—Not from me.

**Senator Sherry**—No, I understand not from you. That point is well taken.

**Senator HEFFERNAN**—I am very old-fashioned.

**Senator Sherry**—Yes, so am I, but fortunately I have very skilled staff who are there to assist us in this regard, and I do not think it is too much to point out that one of your staff members, I am sure, is able to access the internet and could download copies of the documents for you. I do not think that is unreasonable. That is why we have got significant staff and skilled staff components.

**Senator HEFFERNAN**—Every submission and every piece of correspondence is available on the net?

**Ms Freeman**—With the exception, Senator, of when the issues paper was published. The panel gave stakeholders—

**Senator HEFFERNAN**—Are there non-published submissions?

**CHAIR**—I am sorry, Ms Freeman. Senator Heffernan, if you just give the officers a chance to answer I think we might cut to the chase a bit quicker. Senator Freeman—you just got promoted, Ms Freeman.

**Senator Sherry**—She is doing such a good effort she deserves a promotion.

**Ms Freeman**—Just to be clear, when the panel put out its issues paper it gave stakeholders the opportunity of putting in their submissions in-confidence. Approximately two dozen of those were lodged. They were self-selected by stakeholders as in-confidence. But I think the other point to make, which Dr O'Connell has made, is that the panel had over 170 meetings. There were a lot of discussions with a lot of people.

**Senator HEFFERNAN**—With the advice of the minister, I will change my tack. When we are briefed by the panel, if the government agrees, will you allow us to see all submissions in camera, including the ones that have been made confidential?

**Ms Freeman**—That is a matter for the panel.

**Senator HEFFERNAN**—Fair enough. It is not a matter for the government?

**Senator Sherry**—No. I recall a number of processes across government, both now and when your party was in power, where provision was made for in-confidence submissions. You have to respect that. Unless the individual organisations want to release—

**Senator HEFFERNAN**—That is fair enough. Who is to know what sensitivities may surround some of the submissions. They might be from ASIO for all I know, or high security

sections of government. We do not want to bring the government down, but I have to say that this committee has a reputation for looking after the interests of the issue rather than playing the politics. We are not in the business of playing politics with people's livelihoods. So out of today—

**Senator Sherry**—I am sure you would not do that, Senator Heffernan—play the politics—but I think we do have to respect that when there is an examination of an issue, no matter who is in government, if it is made clear at the beginning, the commencement, that there is the ability to provide in-confidence material, that that should be respected.

**Senator HEFFERNAN**—Thank you very much for that, Minister, and I hope that was not tongue-in-cheek, because we have a well-documented record of this committee—

**CHAIR**—I am certainly sure it was not, Senator Heffernan. Any more questions?

**Senator HEFFERNAN**—I have one about page 168 of the Beale report. The reasons given for the logic behind whoever this mystery member of the panel is says that we should bring it in, is that positive control samples are required. I note that the scientists, including the former chief of the CSIRO Animal Health, have positively proved inaccurate that that is a requirement; you do not have to do that. Experimentation is the second reason, which obviously can be carried out overseas. The third one is vaccine production, and, obviously, in the UK, Merck, or whoever it is, they are bulking that up.

**Mr Delane**—We understand the focus on foot-and-mouth disease, and clearly animal industry stakeholders can get very excited about that. But read in its totality, section 7.4.10 of the Beale review, which is about research and infrastructure support risk management, actually covers much broader issues than just foot-and-mouth disease. It does refer to the fact that live foot-and-mouth disease virus was mentioned as a specific example, but in the context of this country needing much better diagnostic capacity for serious exotic pests and diseases, which anyone who is involved in animal or plant—

**Senator HEFFERNAN**—I agree with that, and with modern communication—you can slip over to Beijing and be back the day after. I think, and I am sure the government also thinks, that we ought to have an arrangement with that mob in Thailand or wherever it is for that. What I am here for today is to try to put logic in place, where we will find a reason that is not internationally sensitive so we can say: 'We're not bringing in foot-and-mouth. End of section.' That is all I want you to say. And to find a way that we can do that without upsetting whoever it is that we are going to upset.

**Mr Delane**—I think the minister has clearly made some public statements in this area, and the Beale review and the minister's endorsement—

**Senator HEFFERNAN**—Yes, I know.

**Mr Delane**—and the government's in-principle endorsement of that is very clearly around a science based risk and risk return. So we are dealing with hypotheticals as to whether, or in what circumstances, foot-and-mouth virus might need to be brought into this country at some future date.

**Senator HEFFERNAN**—All right. Now, you have raised it. What are those circumstances?

**Mr Delane**—I think the other senator made some mention of particular circumstances, including an outbreak of foot-and-mouth disease in this country.

**Senator HEFFERNAN**—But there is absolutely no need to bring in live foot-and-mouth if there is an outbreak of foot-and-mouth.

**Mr Delane**—I understand—

**Senator HEFFERNAN**—What are the circumstances—you just said it—that we may have to bring it in? What are those circumstances?

**Dr O'Connell**—Again, I do not want to step into hypotheticals, and, again, I go back to the—

**Senator HEFFERNAN**—He raised it.

**Dr O'Connell**—We do not have an application to import. We have no plans—

**Senator HEFFERNAN**—If that is the case, then the answer to what Mr Delane so generously said is that you could say at the moment you cannot think of any circumstances. Does that let you off the hook?

**Mr Delane**—I cannot currently think of any circumstances.

**Senator HEFFERNAN**—Righto. Can I go to the laboratory? Are we able to ask questions about the animal laboratory here? In the engineering, shall I say, of the laboratory—

**Dr Carroll**—The arrangement we have for the laboratory is the CSIRO manage the laboratory, it is a co-funded facility.

**Senator HEFFERNAN**—So should I ask them the question then?

**Dr Carroll**—It is CSIRO who have the detail.

**Senator HEFFERNAN**—There you go; saved you a lot of trouble. And they might be put on notice now that I want to ask some questions about cracks in the construction and the resealing of those.

**Senator Sherry**—Perhaps the secretariat of the committee could indicate that to the CSIRO?

**Senator HEFFERNAN**—Word travels.

**Dr Carroll**—I understand that they are appearing in front of their own—

**Senator HEFFERNAN**—Whoever it is, it is the first time they are going to appear at estimates and they are wondering why. No doubt they now know why. I think I will have a rest.

**CHAIR**—That is fantastic.

**Senator WILLIAMS**—Perhaps I should direct this to the minister: what is the government's timetable of responding formally to the Beale review? Minister, would you know?

**Senator Sherry**—I do not know the precise date. Do you have any idea?

**Dr O'Connell**—No. That is in the government's decision-making process.

**Senator Sherry**—I will have to take that on notice.

**Senator MILNE**—I just want to ask the policy unit about what input they have had into the negotiation of an open skies agreement with New Zealand? I read about that in the paper this week, that we will be streamlining our air passenger services and so on. I am rather concerned about that in the light of some of the biosecurity and quarantine issues. So I just wondered what input you have had, and what you can tell the committee about your concerns of risks, or assessment of risks et cetera.

**Mr Delane**—Perhaps we can hold that question to the AQIS section. We are dealing with the policy unit at the moment, but Mr Tim Chapman and others will help you with that question in the AQIS section.

**Senator MILNE**—All right.

**Senator McGAURAN**—I just want to revisit Senator Williams' concern—for my own clarification and for the record—about the Beale report's recommendation to bring in, for research purposes, a quantity of foot-and-mouth.

**Dr O'Connell**—I think we should correct a misapprehension. The Beale report does not recommend bringing in foot-and-mouth.

**Senator McGAURAN**—Was it the CSIRO panel?

**Dr O'Connell**—No. The recommendation is to allow that it be permitted that live viruses be brought in. It does not recommend that foot-and-mouth virus be brought in; it is a different thing altogether. And as I said, there is no plan, and there is no application—

**Senator McGAURAN**—But you are splitting hairs there; a live virus.

**Senator Sherry**—No. I think the secretary has explained. I do not want to be harsh, Senator McGauran, but I am not sure you were here earlier when we had a significant discussion on this. You may have been analysing the contributions from your monitor in your room, so I do not want to be unfair about it.

**Senator McGAURAN**—Constantly on.

**Senator Sherry**—We have had a considerable discussion about this.

**CHAIR**—We have, Senator McGauran; it has gone on and on and on.

**Senator McGAURAN**—You may well have, but I have listened to the conversation, certainly for the last half hour, and I just want you, Minister, to rule out—

**Senator Sherry**—That question was put earlier.

**Senator McGAURAN**—I know, it has been put by several of the committee members, and the verification is obvious to the rural sector.

**Senator Sherry**—I think you are the second senator to pose that question.

**Senator McGAURAN**—Yes.

**Senator Sherry**—And as I have indicated to the previous—

**Senator McGAURAN**—This is verification—

**CHAIR**—Senator McGauran, you have asked the minister a question. At least let him answer.

**Senator Sherry**—And I refer you to my previous comments, the comments and responses I gave earlier and those which the departmental officials have made.

**Senator McGAURAN**—All right. It is simply not clear to those of us on this side of the table what the intentions of the government are—particularly as my colleague, Senator Williams, quoted the minister in the *Land* newspaper not ruling out the principle. It is just not clear. Can you rule it out? Make it clear now. Have you any instructions from the minister? To use the words ‘There is no proposal’ is simply not clear enough; it has to be ruled out.

**Senator Sherry**—I am happy to take your question on notice.

**Senator McGAURAN**—Thank you.

**Senator WILLIAMS**—Just on the same subject—I am not talking about importing—Minister, does the government have a good relationship with the actual laboratory in Thailand that does a lot of research in foot-and-mouth disease. It has a virus from Myanmar, and neighbouring countries such as Cambodia. Does the Australian government work with that laboratory in Thailand?

**Senator Sherry**—That is something the officers would—

**Senator WILLIAMS**—Does someone in the department know? Pak Chung regional reference laboratory.

**Dr Carroll**—We have, through the Australian Animal Health Lab, a very good network of laboratories, including in those countries, for working on these and other diseases. We are currently, and have been for some time, developing proposals to look at doing offshore work involving FMD and other diseases. So we do have very good relationships with a range of laboratories involved in that area.

**Senator WILLIAMS**—So if there was a scare in Australia, no doubt that laboratory would be glad to assist us?

**Dr Carroll**—There is a wide variety of foot-and-mouth disease viruses. Each of the laboratories may have differing expertise and different serotypes. That is why we have a range of relationships with a range of laboratories which have various areas of expertise. We do that rather than say, ‘That is the one laboratory we will work with.’ It just cannot work quite that way.

**Senator COLBECK**—Can I just quickly follow on with respect to the relationship we have with overseas laboratories. Do we have active exchanges with those, where we send people out so that they can actually gain experience in working with the viruses?

**Dr Carroll**—The Australian Animal Health Laboratory does that sort of work. They frequently get involved with overseas laboratories. We have a series of agreements in place with laboratories and with vaccine manufacturers with respect to the foot-and-mouth disease virus. It is a very complex network. Yes, we do have people going overseas. Part of the work we are doing at the moment—and, as I said, we have been doing for the last couple of years—is on how to build upon that, strengthen those relationships and strengthen that work.

**Senator COLBECK**—In the process of actually identifying an outbreak in the horrific circumstance that it did occur, where we went to gain access to the information on the strain and the appropriate vaccine would depend on which strain it was?

**Dr Carroll**—You will probably need to get expert advice from AAHL on that, but my understanding is that they would probably use one of the world reference labs. It depends on whether there has been any shift at all in the virus et cetera. Foot-and-mouth diseases, like many other viruses, are not totally stable. So it is not as if it would be the same one we have had for the last 20 years. You get bits of shift, but they would probably use a couple of laboratories and go through a couple of things just to confirm exactly what type we have. Then, of course, you would have to assess that against the vaccine bank strains to ensure you had the coverage. That is why we monitor the FMD situation around the world quite carefully and constantly.

**CHAIR**—Senator Colbeck, do you have any more questions for policy before we move onto inspection?

**Senator COLBECK**—No.

**Senator HEFFERNAN**—I have a few questions, finally. I am trying to nail down who personalised it and said we should. You have told us that no-one made a submission saying we should. Is that agreed?

**CHAIR**—Three or four times.

**Senator HEFFERNAN**—No? So either the panel had an oral interchange secretly with someone that we do not know about or it was someone on the panel.

**Dr O'Connell**—Senator, the panel meeting secretly, as you say, is not the only potential source. We mentioned that the panel had 120-odd—

**Ms Freeman**—170 meetings.

**Dr O'Connell**—170-odd meetings, so there was an enormous range of stakeholder meetings.

**Senator HEFFERNAN**—But no-one in that lot submitted that we should bring in—

**Dr O'Connell**—In those meetings, I do not know. We would have to check with the panel.

**Senator HEFFERNAN**—My read-out from Ms Freeman was that no-one has a submission saying we should not put—

**Dr O'Connell**—No-one made a written submission.

**Ms Freeman**—No-one made a written submission.

**Senator HEFFERNAN**—So there may have been an oral submission which was confidential?

**Ms Freeman**—You would have to ask the panel.

**Dr O'Connell**—Or this may have come up in one of the 170 meetings. I think we still need to just be open to—

**Senator HEFFERNAN**—I think the minister's proposition that we get a proper briefing might be the way to go.

**CHAIR**—I think I offered about that an hour ago.

**Senator HEFFERNAN**—Can I just say that—

**Senator Sherry**—I think we have reached that point about 10 times today.

**Senator HEFFERNAN**—It is a drowning, repetitive process for worn-out farmers, wool classers and welders that takes a while.

**CHAIR**—And pilots. Have you got pilots?

**Senator Sherry**—I understand the necessity of repetition, having done estimates from your side of the table for 12 years. I do understand occasionally that you need to make a point.

**Senator McGAURAN**—Are you done?

**Senator HEFFERNAN**—Listen, Minister. You might be about to learn something here.

**Senator Sherry**—I am being very cooperative. Senator McGauran has posed a question about cooperation.

**Senator HEFFERNAN**—No. Do not take the bait.

**Senator Sherry**—Senator McGauran has only asked one question in this area.

**Senator HEFFERNAN**—They are very good questions.

**Senator Sherry**—In his usual and incisive way, he just picked the issue and came in. I have suggested a process for a way forward and I am trying to accommodate, in order to save a bit of time for the committee, because the suggestion was made about 20 minutes ago.

**Senator HEFFERNAN**—Now you are being repetitive. The words read:

Newer diagnostic tests based on nucleic acids, genetic material, and PCR, the Polymerase Chain Reaction—

this is a long way from welding—

are highly sensitive and now in routine use globally for all infectious agents including, of course, foot-and-mouth disease. As a result, there is now even less scientific justification than there ever was for the importation of live foot-and-mouth viruses to use as positive control samples as recommended in the Beale report, the synthesis of appropriate non-infection—

my God, that is a long word—

in a machine in a laboratory is entirely safe and surely in routine use at Animal Health Laboratories Australia or elsewhere.

The person who is the author of those words is the former chief of the Division of Animal Health in CSIRO. I would have thought that he would have known what he was talking about. As you said, Mr Delane, you cannot think of any reason why we would want to. Australia's farmers do not want you to come up with a reason why you think we want to. We just want the government to get the message that it is not worth the risk and we do not need to do it. If you did bring in the live virus, then to test the live virus you would have to actually infect something.

**CHAIR**—Senator Heffernan, there was not a question in there. I will go to Senator Williams.

**Senator WILLIAMS**—Dr O’Connell might be able to help me. What is the status of the outbreak of the potato cyst nematode at Thorpdale in Victoria? Are you—or is anyone—familiar with that?

**Mr Liehne**—Perhaps if we could hold that to the product integrity section, I am sure we could address that.

**Senator WILLIAMS**—We will leave it to then. Fine. I am very flexible, as you know.

**CHAIR**—Senator Milne, did you have one more question for policy?

**Senator MILNE**—No. I want to just go to AQIS.

**CHAIR**—Senator Williams, is that the end of your questioning?

**Senator WILLIAMS**—Yes, it is.

**Senator HEFFERNAN**—Could I ask a question—

**CHAIR**—No. Do not take the bait.

**Senator HEFFERNAN**—I just want an answer.

**CHAIR**—No, you do not. You are just taking the bait. Thank you very much.

**Mr Delane**—Chair, Mr Mark Schipp needs to provide clarification on some information provided earlier.

**CHAIR**—Of course.

**Dr Schipp**—Previously there was a discussion on the number of suspended and operating game establishments. I would just like to provide some clarification around that. There are in fact 10 export game establishments in Australia. Of those, five are suspended; three of those are in Queensland and two are in South Australia. The five operating establishments are in New South Wales and Queensland.

**CHAIR**—Thank you, Mr Schipp.

[5.39 pm]

#### **Australian Quarantine Inspection Service**

**Senator MILNE**—I want to follow up on a question I asked a minute ago about the new open skies agreement with New Zealand. What consultation or input has AQIS had, what risks have been identified and what action will be taken to mitigate those risks?

**Dr Parker**—I am not sure there is actually a policy of open skies, but the involvement of AQIS in that has been through the Passenger Facilitation Taskforce. That task force is chaired by Customs and has representatives from other government departments, including Immigration and Transport. About December, that was changed into a committee. It is now called the passenger facilitation committee. That committee deals with issues to do with trans-Tasman passenger facilitation. It is an issue that has been under consideration, and AQIS has had involvement in that.

**Senator MILNE**—It is only a media report that I am referring to. It basically says that New Zealand will be treated the same way as any Australian state, so it will become a domestic destination in all senses of the word. I want to know what additional risks you have identified that that poses.

**Dr Parker**—There are a range of risks, some of which are outside our portfolio responsibility. I am sure that Customs and Immigration would be happy to answer from their perspective.

**Senator MILNE**—I am talking, in particular, about risks for quarantine.

**Dr Parker**—Sure. From a quarantine perspective, although New Zealand is on a similar quarantine status to us we would have particular concerns around didymo, for example, which would be one of the issues that we would need to ensure was being covered off in any trans-Tasman agreement.

**Senator MILNE**—How would you envisage that might work if we change to regarding New Zealand as a domestic destination?

**Dr Parker**—Again, we are into a fairly hypothetical situation. I am certainly not aware that those negotiations have proceeded beyond discussions that are led by Customs through that trans-Tasman working group, which forms part of the Passenger Facilitation Committee.

**Senator MILNE**—This committee took a keen interest in didymo and tried to strengthen the quarantine arrangements in relation to it. I am aware of the changed passenger cards and so on in response to that and am pleased that that has occurred. I just wondered whether very many cases of contaminated fishing gear and that sort of thing have been picked up since there has been the increase public awareness campaign, and increased quarantine vigilance, if you like, in relation to that area.

**Dr Parker**—I would not have the exact figures on the numbers of fishing gear or other freshwater recreational material that is coming across the border. I can look into whether we are able to get that for you. I am not sure we keep it exactly by category, but certainly any of that material is intervened with and it is looked at and seen whether it is actually a risk of bringing didymo into this country.

**Senator MILNE**—So you cannot give me a sense of whether you are picking up contaminated material on a regular basis or not?

**Dr Parker**—There are over two and a half million passengers a year coming from New Zealand. The simple answer to that is yes, we are picking up material because we are looking at that sort of material.

**Senator MILNE**—I would appreciate anything that you can tell me about that. It only takes one, and the impact of didymo getting into our alpine systems, as you are well aware, is very serious.

**Dr Parker**—I will take that on notice and provide what I can.

**Senator MILNE**—Thank you for that. I wanted to move onto the question of imported flowers. There has been quite a bit in the papers recently saying that there is a biosecurity threat because imported flowers are not being treated according to AQIS requirements. Can

you just update this committee as to what the situation is and whether, in fact, imported flowers have been found to be able to be propagated, as has been reported.

**Mr Chapman**—This is a bit of a perennial issue. There has been a number of allegations made over the last few years that quarantine requirements are not being met. In most cases we have not been provided with any detail in those allegations, such as how the flowers might have been propagated or where they came from. What I can tell you is that over the last three years we have tested 33 per cent of incoming consignments of cut flowers. Only one per cent of those had any problems. Where problems were identified, people are no longer able to bring in those cut flowers. So it was removed.

**Senator HEFFERNAN**—So do you test for propagation?

**Mr Chapman**—We test for propagation, yes.

**CHAIR**—Senator Heffernan!

**Senator HEFFERNAN**—No, I am assisting—

**CHAIR**—Senator Milne has the call.

**Mr Chapman**—Moreover, in the three weeks leading up to Valentines Day this year we did test 100 per cent of incoming cut flower consignments. That was over 60 consignments using the tests that we have agreed with Biosecurity Australia to manage the quarantine risk. They all passed. So in other words none of them were able to be propagated.

**Senator MILNE**—The Queensland and Victorian peak flower growing bodies say they have had between 80 and 100 per cent success in propagating from imported roses and chrysanthemums recently.

**Senator MILNE**—So are you saying that—

**Senator HEFFERNAN**—They are lying.

**Senator MILNE**—they are not telling the truth? Or are you saying that they have not provided you or offered to provide you with the evidence? Why would they be claiming this if it were not true.

**Senator HEFFERNAN**—Hear, hear!

**Senator MILNE**—Have you actually gone and seen the material for yourself?

**Mr Chapman**—In relation to roses, as far as I am aware, we have not been provided with detail either as to the origin of the flowers or the propagation techniques which were used. In relation to chrysanthemums, I am aware that some testing was done in Western Australia using some advanced micropropagation techniques, and I understand that they were able to propagate flowers in those circumstances with chrysanthemums.

**Senator MILNE**—So what have we done about that?

**Mr Chapman**—An issue there is the process for how propagation is tested. The tests that we use on advice we have received from BA is designed to prevent, if you like, accidental or casual propagation. My understanding is that the propagation that occurred in Perth was using laboratory techniques—so advanced propagation techniques. The important issue there is that if somebody wants to import flowers for propagation, there are defined protocols for doing so.

These flowers were imported as cut flowers not for propagation, which is why the key quarantine risk is, if you like, accidental propagation or the person who got given the flowers on Valentines Day sticking them in some propagation mix and hoping for the best.

**Senator HEFFERNAN**—But if you were a likeable rogue that is precisely what you would do.

**Senator MILNE**—Especially if they had sentimental value.

**Mr Chapman**—The point is that the testing we have done recently and the testing—

**Senator HEFFERNAN**—Is mainstream testing for a normal situation, but if you were a person that wanted to get a new species in, you would use a laboratory.

**Dr O'Connell**—I think what Mr Chapman is trying to point out is the risk that has been assessed that is being pursued, which is not the compliance risk that you are looking at.

**Senator HEFFERNAN**—I accept that. But this is the mugs versus the higher engineered side of the operation. I mean, the mugs cannot propagate them, but the smarties can.

**CHAIR**—Talking about mugs and likeable rogues, Senator Milne has the floor.

**Senator MILNE**—I hope that is not an inference in the *Hansard* to me!

**CHAIR**—Not at all, Senator Milne, I wouldn't dare do that.

**Senator SIEWERT**—We all knew what he meant.

**Senator MILNE**—Yes. The serious allegation is that imported flowers coming from countries such as India, Columbia, Zimbabwe, Ecuador and China are not treated according to the AQIS requirements. Is there any basis for that claim? Has Biosecurity Australia or anyone gone in recent times and had a look to see whether they are actually treating those flowers according to AQIS requirements ?

**Mr Chapman**—As I said, in the three weeks preceding Valentines Day this year we tested 100 per cent of consignments. That was 60 consignments in all. We tested them according to the protocols that we have agreed that are necessary to meet the biosecurity risk. All flowers were clearly treated, because none of them could be propagated by those propagation methods.

**Senator MILNE**—Yes, but that is on entry here. I am asking does anyone actually go and have a look in those countries to see what they are actually doing?

**Mr Liehne**—Most flowers when they arrive in Australia are either treated on arrival, where they are dipped in glyphosate for 20 minutes to within five centimetres of the flower head. So the entire stalk is dipped in glyphosate for 20 minutes. If they are treated offshore, it is usually through an approved scheme and that approved scheme is audited prior to agreement for the offshore treatment for those propagated flowers.

**Senator HEFFERNAN**—Is the offshore treatment audited?

**Mr Liehne**—It is audited in—

**Senator HEFFERNAN**—You say usually, what happens to the unusual?

**Mr Liehne**—No, we would audit the proposed scheme before we would agree to it being used. Subsequently, all the flowers are subject to testing on arrival to ensure that the flowers have been appropriately devitalised. As Mr Chapman said, we randomly test a third of all of the consignments coming in, and of those less than one per cent fail. Where we get a failure, we would then deregister the offshore facility. If it were an onshore facility, we would also deregister that facility for providing those treatments.

**Senator HEFFERNAN**—So you test them after they are dipped?

**Mr Liehne**—Yes, that is right.

**Senator HEFFERNAN**—How do you test them?

**Mr Liehne**—The normal procedure is to take sufficient stems to get 10 replicates of stem material with at least three nodes. They are put into a culture medium. They are grown for four to six weeks and, if there is any callous formation or root formation which indicates that they are starting to strike, at that point we decide that they were not treated properly and they fail.

**Senator HEFFERNAN**—Do you actually test the Roundup that they have been dipped in?

**Mr Liehne**—No, we do not have access to that material. That is done commercially.

**CHAIR**—Senator Milne, have you finished your questions?

**Senator MILNE**—I just wanted to finish by saying—

**CHAIR**—You do not have to finish, Senator Milne. Take your time.

**Senator MILNE**—The president of the Flower Association argues that the decision six years ago by the Howard government to outsource quarantine procedures to accredited agencies in developing countries was flawed. What is your response to that?

**Mr Liehne**—We have no evidence that that system is not working. The evidence that we have from all of the testing that we do randomly suggests that all of the material coming in, or the vast majority of it, is in fact treated appropriately and is not propagatable by the normal techniques that we use to test. Where we do find failures there is an immediate feedback loop to deregister those treatment facilities to make sure that the treatments are applied appropriately.

**Senator MILNE**—So you do not believe there is any substance in these complaints?

**Mr Liehne**—With respect to the complaints that have been made previously, whenever we get complaints of this sort we certainly investigate to ensure that there is no deliberate breach of quarantine requirements. To date we have not been able to substantiate any of the claims that have been made.

**Senator MILNE**—Thank you.

**Senator HEFFERNAN**—But have you gone looking for them, or are you just expecting the evidence to turn up in the post? Do you go looking? Are you proactive?

**Mr Liehne**—We certainly have a red-line system where people can put in complaints to us about potential breaches of the Quarantine Act, and they are actively investigated.

**Senator HEFFERNAN**—You do not have anyone overseas?

**Mr Liehne**—We do audits of facilities from time to time, but generally—

**Senator HEFFERNAN**—Do you give them a month's notice that you are coming?

**Mr Liehne**—I cannot answer on the audit schedule for those.

**CHAIR**—Senator Heffernan, your colleague has been waiting patiently. We are now 10 minutes behind schedule. Senator Williams?

**Senator WILLIAMS**— I have a list of questions here. We will put them on notice and we will get the answers from the department.

**CHAIR**—Thank you, Senator Williams. Senator McGauran, do you have answer questions you wish to put on notice?

**Senator McGAURAN**—No.

**CHAIR**—Senator Colbeck?

**Senator COLBECK**—Yes, on notice.

**CHAIR**—Okay.

**Senator HEFFERNAN**—Can I put some questions on notice? You have set up a new authority. Do you want to answer some quick questions on that?

**Dr O'Connell**—I think we should take them on notice, as the chair is suggesting.

**CHAIR**—Your colleagues have put them on notice. You have had a good run. I think that the least you could do, with the greatest respect, is to get back in the line! Senator O'Brian do you have any questions?

**Senator O'BRIEN**—No, I won't put them on notice.

**CHAIR**—I thank the officers from AQIS.

[5.55 pm]

#### **Biosecurity Australia**

**CHAIR**—I welcome officers from Biosecurity Australia. We will go to questions.

**Senator WILLIAMS**—Who could answer this question: how is the Australian Animal Health Laboratory at Geelong funded?

**Dr O'Connell**—I think that is for a different estimates. AAHL is part of the CSIRO organisation, so it would need to be at that estimates.

**Senator WILLIAMS**—I get caught on this every time, bowling to the wrong batsman.

**CHAIR**—Do you have any other questions then, Senator Williams? If you do not, I will ask Senator Colbeck.

**Senator WILLIAMS**—Dr O'Connell, who do you recommend I ask those questions to?

**Dr O'Connell**—The CSIRO, so that would be under the science portfolio.

**Senator MILNE**—I want to ask about the Tasmanian devil disease and any updates you might want to provide to us.

**Dr O'Connell**—Again, that one is not Biosecurity Australia.

**Senator MILNE**—Are not we up to product integrity? Sorry, I will wait till product integrity. I thought we were there, sorry. I am ahead of myself.

**Dr O'Connell**—All-right.

**Senator McGAURAN**—I am not sure this is Biosecurity either—and I hope this question was not asked while I was watching the monitor in my room—but I just wanted a status report on the WTO challenge of New Zealand against Australia's quarantine rules on importation of apples.

**Dr O'Connell**—That would be trade and market access division.

**Senator McGAURAN**—Yes, I know.

**Dr O'Connell**—They would probably still have—

**Senator McGAURAN**—Was that question asked?

**Dr O'Connell**—No, but we probably still have the relevant officer who can answer if you want to do that.

**CHAIR**—No worries. While we are waiting on that, Senator McGauran, do you have any other questions?

**Senator McGAURAN**—Not offhand.

**Dr O'Connell**—While Mr Morris is getting his notes together, it is probably worth saying that we expect that this dispute is going on a bit longer than has previously been expected in the panel. The WTO panel ruling is now not expected until early next year. We were expecting it this year, which seems unlikely now.

**Mr Morris**—Fortunately our expert has disappeared for the moment. We are just looking through our brief on it—but, certainly, we are actively progressing that case. As I understand the situation at the moment, a number of experts have been selected and questions have been asked of those experts from the panel and at this stage we are waiting to get the replies from the experts. Those are due on 10 March. Those expert replies will then be considered by both the Australian side and the New Zealand side, and we have a chance to comment on those by 9 April and then an opportunity for written rebuttals on each other's comments by 21 April. So at this stage that is where we are at. We are not expecting a panel ruling at this stage until early 2010.

**Senator McGAURAN**—What has been the budgeted cost? How much is all this going to cost Australia?

**Mr Morris**—All WTO disputes are handled through the Department of Foreign Affairs and Trade, although other agencies are also involved—such as Attorney-Generals and ourselves—so the actual cost would involve costs from a number of agencies. I obviously do not have the costs of all of those agencies with me.

**Dr O'Connell**—We could take that on notice and see if we can get a consolidated view.

**Senator McGAURAN**—Given that we are going to be rebutting each other around about April, is there an actual hearing?

**Dr O'Connell**—I think the next panel session is—

**Mr Morris**—There has already been one panel hearing. The second panel hearing is scheduled at the moment for 1 July and 2 July this year.

**Senator McGAURAN**—And then they will deliberate for some six months or more?

**Mr Morris**—That is right. The timetable has shifted quite a bit over the course of this inquiry, so it could very well shift again. But they are the current scheduled dates at the moment.

**Senator HEFFERNAN**—Is China fire blight free?

**Mr Morris**—That is probably a question for Biosecurity Australia, I think.

**Dr Roberts**—Sorry, can you repeat your question?

**Senator HEFFERNAN**—Is China fire blight free? We are talking about Chinese apples.

**Dr Roberts**—Yes, it is free.

**Senator HEFFERNAN**—How do you know that?

**Dr Roberts**—By survey work they have done and by the absence of reports over many years.

**Senator HEFFERNAN**—Have we been over there?

**Dr Roberts**—Yes, several times. We also trade in pears, and have for some time, from China, which is a fire blight host. So this has been the focus of those activities.

**Senator HEFFERNAN**—Where are we up to with the Chinese apples?

**Dr Roberts**—There is a draft risk analysis out for comment. The period closes in a few weeks time. When we see those comments, Biosecurity Australia will take them into account in preparing the final risk analysis report.

**Senator WILLIAMS**—Do you handle the import risk assessments of Chinese products—that sort of area?

**Dr Roberts**—We have been just talking about Chinese apples. That is apples from China to be exported to Australia, so there is an active risk analysis underway at the moment.

**Senator HEFFERNAN**—Foot and mouth will live in frozen meat for six months. What are the diseases that would live in frozen vegetables?

**Dr Roberts**—It is difficult to be definitive.

**Senator HEFFERNAN**—There are some?

**Dr Roberts**—There are literally probably 20,000 different diseases. A lot of the virus diseases will survive freezing.

**Senator HEFFERNAN**—So do we give consideration to that in these random tests of frozen vegetables from places like China and everywhere else?

**Dr Roberts**—We do to some extent. Most of those frozen vegies have undergone some blanching process as well, so there is a processing component and in-use component as well.

**Senator HEFFERNAN**—Dr Roberts, do you actually think, though, that there is a thorough process for imported frozen vegetables? Are you happy with the process? Do you know what it is?

**Dr Roberts**—We have been importing frozen vegetables for many, many years.

**Senator HEFFERNAN**—I realise that.

**Dr Roberts**—It has been looked at at various times for various products. There is longstanding trade in frozen vegetables and no history of plant-person disease introductions via that route. But as new processed products come online they are quite often referred to BA for advice about risks that might be associated with them.

**Senator HEFFERNAN**—Do you randomly test imported frozen vegetables?

**Dr Roberts**—There is a food program which I am not qualified to comment on, but, in terms of plant-person diseases, I am not aware of any specific testing for that case.

**Senator HEFFERNAN**—Dr O’Connell, I was just interested, if there a testing regime on the pests and insects side of it, when that sample is taken do we take a sample on the human health side of it? Is there a testing regime on the human health side of things?

**Dr O’Connell**—There is a testing regime on the human health side of imports and I think our AQIS colleagues undertake that to FSANZ—Food Standards Australia and New Zealand—standards. AQIS act as an agent, effectively, for that purpose.

**Senator HEFFERNAN**—You can take this on notice if you like. On the human health side of it, what are the selection criteria for the random test? Is it geographic? Is it by the tonne?

**Dr O’Connell**—Mr Read is here just in time.

**Senator HEFFERNAN**—Bad luck! In terms of the testing for health of imported, say, frozen vegies, do we do it by geography, by the tonne or by the ship? How do we test?

**Mr Read**—Random surveillance with horticulture. Again, it depends on the nature of the food. The nature of the food can be either classified as a risk food or a low-risk food. The low-risk food would be the horticultural product and that would be surveyed through a five per cent random sample against the sampling plan.

**Senator HEFFERNAN**—I recall some earlier sampling and there were actually geographic areas that got permanently excluded by the sampling. I think that was prawns or something going into Japan from Asia. Do you have a full cover of the geography as well as the farming background?

**Mr Read**—The regime of five per cent of horticulture would apply to all product presented for import into this country, notwithstanding where it is from. I will put a question mark next to New Zealand—I do not think New Zealand is in this category, but all other countries in the world importing frozen horticultural product to Australia, where it is classified as a low-risk product, would be subject to five per cent surveillance.

**Senator HEFFERNAN**—Senator Milne read out a list of vegies which has been given a bit of publicity lately. So would you say, ‘We’d better test some product from China or Paraguay or wherever it comes from’? Or would you say, ‘We had just better test whatever turns up at the wharf; it doesn’t matter where it’s from’? Would it be possible for some

geographic areas to be permanently excluded by chance or do you cover off all the geography?

**Mr Read**—You might recall that perhaps three years ago we had the same discussion on this subject. It was also around horticultural product. You will probably recall also that we said we did a very detailed surveillance program at that time, which is on our website. We ran 88 screening tests on 100 samples—8,800 tests all up. As a consequence of that, from a range of countries there were no issues highlighted, or very minimal issues were highlighted, during that surveillance that would lead you to a conclusion that there should be any particular targeting regime of any country with regard to horticulture.

**Senator HEFFERNAN**—On another subject, it often happens, especially if you have a place like at Airdmillan, which is at the bottom of the gulf, that your cattle can be swept 30 or 40 miles out to sea. In view of the recent rain events in the northern parts of Australia, are there increased animal health risks after a serious rain event like that? If our stock can go that way, can other stock come back this way and land? You may not be aware of it.

**Dr O'Connell**—No, I understand the point.

**Senator HEFFERNAN**—A previous owner of Airdmillan, a place up in the gulf, actually spotted some of their cattle 40 mile out to sea. I just wondered whether island-hopping—

**Mr Read**—Were they alive?

**Senator HEFFERNAN**—Yes, they were. It was a pretty sad event, I have to tell you.

**Dr O'Connell**—I am just not quite sure what it is you are suggesting.

**Senator HEFFERNAN**—I just wonder whether, after a huge rain event, if there are any things that can be activated, because it is fairly catastrophic. It looks spectacular on the television, but there are on-the-ground effects of all of that and a lot of starving cattle. Take it on notice.

**Senator McGAURAN**—I am wondering if there have been any ramifications or ripples of any sort in relation to Australia's ability to export its horses—namely racehorses—after the EI scare.

**Dr Martin**—Following the equine influenza outbreak, some countries did impose a temporary ban, and we had to renegotiate conditions for export because our status had changed. We could no longer certify freedom from equine influenza. All those markets, or the major markets, were all regained, often with additional measures such as testing for equine influenza. Following our declaration of freedom from equine influenza, several of those countries have removed those requirements, and so we are still in some discussions with other countries.

**Senator McGAURAN**—Which countries put up that first hurdle and have since removed it, and which countries are you still in discussions with?

**Dr Martin**—For example, Singapore—we received a recent notification that they had taken off the testing requirement for equine influenza. That was only last week. So most countries that we export to, our Asian trading partners, put on additional measures. Countries like the US did not impose any additional measures. New Zealand, of course, stopped trade.

They have put out now a new import health standard to allow horses to move between Australia and New Zealand. But there were some markets like Thailand which did not take horses following the equine influenza outbreak and wanted to wait until we had regained freedom. So my understanding is we are still in discussion with Thailand.

**Senator McGAURAN**—Thank you.

**CHAIR**—It sounds like we might need a horse disease response bill. Sorry about that, Senator McGauran! If there are no further questions for Biosecurity Australia, I thank the officers and call Product Integrity Animal and Plant Health. We have 15 minutes to the tea break. I welcome officers from the Product Integrity, Animal and Plant Health Division. Senator Colbeck.

**Senator COLBECK**—Thanks very much. I just want to start with some questions on the government's plans with respect to Grown in Australia. What work has been undertaken so far for developing the new Grown in Australia label?

**Mr Souness**—The department is currently monitoring the voluntary 'grown in Australia' logo—

**Senator COLBECK**—The Australian Grown label?

**Mr Souness**—Yes, under the Australian Made Campaign Ltd, the minister agreed to the department monitoring the uptake of that logo, including consumer awareness, for 12 months, which will help form the considerations and advice to the minister. So that 12 months is up in April, and the department after that period will provide advice to the minister.

**Senator COLBECK**—Do you have any preliminary observations as far as uptake is concerned and how broad the uptake has been?

**Mr Souness**—That monitoring work has been undertaken in the Agricultural Productivity Division. They are receiving regular advice from Australian Made Campaign Ltd on the uptake. I think the most recent group to come on board were the major retailers. Coles, Woolworths and Aldi have agreed to use the stylised kangaroo in the triangle on a lot of their product. You might have noticed in recent advertising for horticultural products, fresh fruit and vegetables that they are increasingly using that logo. But that division, I think, is coming up soon and they might be able to give you more details on that.

**Senator COLBECK**—So, effectively, rather than a consultative process it has been a monitoring process of the existing regime at this stage?

**Mr Souness**—There has been monitoring of the Australian Grown initiative as a voluntary initiative to collect information about the way industry responds to the opportunity to use that logo, and also consumer awareness. The department has had some discussions with other relevant agencies, including ACCC, on the sort of options for including an Australian Grown or a 'grown in' type safe-harbour defence in the Trade Practices Act as well, and that will form part of the advice to the minister after the 12 months of monitoring.

**Senator COLBECK**—So you define the Australian Grown label as voluntary. What sort of definition would be provided for a Trade Practices Act type process? It would be something that—

**Mr Souness**—If a ‘grown in Australia’ or a ‘grown in’—name your country— provision was included in the Trade Practices Act, currently it would still be voluntary. It is the provisions in the Food Standards Code administered by Food Standards Australia New Zealand that makes country-of-origin labelling mandatory.

**Senator COLBECK**—So what discussions have you had with FSANZ through the Department of Health and Ageing with respect to that?

**Mr Souness**—The department is aware of the government’s commitment and there have been some early discussions, but we believe that the first issue to be contemplated is the amendments to the Trade Practices Act. There would then have to be consideration of any consequential amendments to the Food Standards Code, depending on how far the government wanted to go in contemplating a mandatory scheme, or a voluntary scheme with mandatory rules around it.

**Senator COLBECK**—So what work has been done on the development of potential parameters for a Trade Practices Act piece of legislation?

**Mr Souness**—At this stage we have had discussions with ACCC about the scope for including a ‘grown in’ provision in the Trade Practices Act. They can only comment up to a certain extent, because in fact the department of innovation and industry was responsible for the policy aspects of the Trade Practices Act covering country-of-origin labelling. So the next stage would be for consultation with that department and perhaps with the minister responsible for that provision in the Trade Practices Act.

**Senator COLBECK**—So there has been no work done yet on working out, within Agriculture, what the parameters might be for developing such legislation, or have you received advice as to what information you might need to gather?

**Mr Souness**—There have been discussions. The starting point for considering parameters would be the existing rules around the Australian Grown logo. Certainly that would have to form the starting point of any rules that you might want to consider implementing or introducing into the Trade Practices Act; otherwise, you would undermine the Australian Grown initiative. So the rules that were endorsed by the ACCC when that scheme was implemented would by necessity have to be the starting point for consideration of parameters.

**Senator COLBECK**—So have you had any consultations with any industry groups, interested parties, Horticulture Australia, AUSVEG or someone like that that might inform that?

**Mr Souness**—Not AUSVEG. No, we have not had discussions with industry. I think that is premature at this stage. The department has had discussions with Australian Made Campaign Ltd in terms of that monitoring, but that is the extent of our consultations with industry at this stage. That would probably be the next stage in terms of developing those parameters that you were referring to earlier, if the government chose to go down that path.

**Senator COLBECK**—You must have had some conversations with industry at some point, because surely that is the driver for the policy in the first place.

**Mr Souness**—There were discussions with industry, and industry participated in the development of the Australian Grown initiative.

**Senator COLBECK**—I understand that.

**Mr Souness**—And those comments are well understood by the department, but in terms of the next stage there have been no discussions with industry that I am aware of.

**Senator COLBECK**—So whose role has it been to do the negotiating with Treasury, and Industry and Innovation about the amendments to the Trade Practices Act?

**Mr Souness**—The department has had preliminary discussions with that department in terms of the options that might be available and the advice from that department will form the advice that the department provides to the minister in terms of the options for the way forward.

**Senator COLBECK**—We are obviously still at a very early stage in the overall process—your 12-month monitoring process does not expire until April. The concepts really have not been developed, apart from the fact that they will be based on the Australian-grown label, which I agree is a reasonable starting point given the process that that has been through. The issues with respect to the compulsory nature of it will depend entirely on what FSANZ does.

**Mr Souness**—To a point, senator. As I said, any provision covering country of origin in the Trade Practices Act on its own does not make it a mandatory labelling requirement. It simply makes the rules mandatory if you choose to make such a claim on your product. The Food Standards Code provisions call up requirements for all packaged foods and a large portion of unpackaged foods covering ‘product of’ and ‘made in’ claims at this stage that rely on those safe harbour defences in the TPA. There would be a two-stage process, most likely, where in the first stage the department would provide advice to the minister on the outcome of the monitoring of the Australian grown and probably seek formal policy advice from the Department of Innovation, Industry, Science and Research on TPA amendments. The next stage would be to look at consequential amendments necessary to the Food Standards Code, depending on the outcomes the government wanted to achieve with this labelling initiative.

**Senator COLBECK**—So the initial process, the amendment of the Trade Practices Act, effectively sets the parameters for the use of a claim about country of origin—from whatever country, I presume.

**Mr Souness**—Yes.

**Senator COLBECK**—Which leaves it up to the manufacturers to apply that or not to apply it. So if they are making a claim they have to do it in accordance with a certain set of rules that are legislated under the Trade Practices Act. That does not necessarily mean that they have to put that on their label.

**Mr Souness**—Yes.

**Senator COLBECK**—So even if the government were to make alterations to the Trade Practices Act that does not necessarily mean that labelling will be clearer with respect to its country of origin unless a company makes that specific claim.

**Mr Souness**—I am not a lawyer, but I think that is a reasonable assessment. The next stage, if it were to be made a mandatory requirement, would be to seek amendment to the Food Standards Code.

**Senator COLBECK**—It would be that second stage that would provide for a mandatory provision for labelling of product to identify its source.

**Mr Souness**—Yes, that is correct.

**Senator COLBECK**—Or country of origin, if we go back to the initial process. So once we get to the initial time frame, which is April, are there any time frames for the next stage?

**Mr Souness**—No, senator, there is nothing dictated except we would be seeking to expedite our advice to the minister and then our timelines would be set by the minister's decision.

**Senator COLBECK**—So how long after April? Within the next month or so? How long is it going to take to pull all the data together?

**Mr Souness**—That work is being undertaken by the Agricultural Productivity Division, which I think is coming up. I probably would prefer to leave it up to them in terms of the finer detail of that monitoring work.

**Senator COLBECK**—I shall pester them later.

**Senator WILLIAMS**—I might change topics here and ask Ms Ransom about the status of the outbreak of the potato cyst nematode at Thorpdale in Victoria. Are you familiar with it?

**Ms Ransom**—The infestation at Thorpdale was detected in October last year during a routine surveillance activity of a seed crop as part of the certification program. The area was put under quarantine by the State of Victoria and there has been a program of intensive surveys on that affected property, adjacent properties and properties that we call contact properties where there may have been some sharing of equipment or some operating processes.

**Senator WILLIAMS**—What was the cause of the outbreak? Do you know?

**Ms Ransom**—It is very difficult to say definitively. We believe it may have been there for some time. There is some tracing to a previous owner of the property who it is believed may have brought in contaminated material from another outbreak in Victoria—an area of known infestation—but the current ownership has been in place for 10 years. We believe that the contamination may have occurred some time before that.

**Senator WILLIAMS**—Does the quarantine area still exist there?

**Ms Ransom**—It does.

**Senator McGAURAN**—Is this quarantine area shrinking or under review? Are they winning the war?

**Ms Ransom**—The quarantine area is in place according to existing legislation. States and territories all have legislation in place to manage affected areas. There has been, in the last two years, activity to develop a national potato cyst nematode management plan. One of the actions in that is to look at the science underpinning the management of infested areas, and that includes issues like surveillance in the event of detection, movement restrictions, tracing and so forth.

**Senator WILLIAMS**—What protocols are in place to protect the potato seed stock? For example, in the Northern Tablelands where I live in northern New South Wales, particularly in the Guyra area, they are concerned with the transport of seed around the nation that could spread the disease. What protocol is put in place to protect that?

**Ms Ransom**—Every state and territory has its own legislation in place, as I said, in relation to existing outbreaks of potato cyst nematode. For areas where PCN has never been identified there is an additional activity—certainly the Victorian Seed Certification Program—to test seed crops for PCN on a nationally agreed protocol and that forms the basis of certification.

**CHAIR**—It is 6.30. We will take a dinner break and resume at 7.30 on the dot.

**Proceedings suspended from 6.30 pm to 7.29 pm**

**CHAIR**—I welcome back officers from Product Integrity, Animal and Plant Health—PIAPH. I think we were halfway through questioning from Senator McGauran.

**Senator McGAURAN**—I was going to drill a little deeper into my colleague's revelation with regard to cyst nematode in Thorpdale. I know you said there were several properties under quarantine. What does that quarantine entail? Perhaps you can go through the whole background briefly. Does it entail eradication of the product or the crop, or just checking? What is your assessment to date of the eradication of nematode?

**Ms Ransom**—Potato cyst nematode in Australia has been found once in WA a long time ago—the late eighties or early nineties. That is under eradication and the Western Australian government is conducting a lot of surveys to prove that eradication has been successful. The original outbreak in Victoria happened in the early nineties. There have been detections in, I think, three or four areas in Victoria.

With the outbreak in Thorpdale, the emergency response mechanism under the Emergency Plant Pest Response Deed was considered, but there was national consensus that potato cyst nematode under Victorian conditions cannot be eradicated. The current program is based on what we call official control. It is keeping the known infestations where they are and under active management, which means under legislation, and the measures that are imposed by the state are put in place to prevent the movement of any disease from known infested areas. That is done under Victorian state legislation. There are elements of buffer zones for interstate trade. The Victorians regulate movement of machinery and material off infested properties. They regulate the processes of managing potatoes for processing and for interstate and intrastate movement, because there are areas in Victoria where the Victorian government does not want PCN to turn up. So there are intra and interstate regulations.

**Senator McGAURAN**—How many properties are involved?

**Ms Ransom**—In Thorpdale it is one property that I am aware of. Three paddocks have been confirmed as having potato cyst nematode in them. Adjacent paddocks have been surveyed intensively—soil sampled—and there are no further infestations, so neighbouring properties are okay. The property that I mentioned before was owned by a previous owner.

**Senator McGAURAN**—You say there is no chance of eradicating it on that property. It just has to be managed.

**Ms Ransom**—The problem with potato cyst nematode is that it can be managed down to extremely low levels—levels below detection—but you cannot ever be confident that the disease is eradicated in heavier soils. In Western Australia, because of their sandy soils, there is a belief that eradication is possible, so that is the basis for the intensive surveillance that has been done by the state government there.

**Senator McGAURAN**—What is your assessment today of that one property?

**Ms Ransom**—In Victoria?

**Senator McGAURAN**—Yes.

**Ms Ransom**—The levels of infestation are extremely low. There are opportunities, through the use of resistant varieties, for the levels to be even lower, because resistant varieties cause the nematode to infest and then they do not multiply on that crop. With effective management and quarantines to prevent the movement of soil, it will be possible to get the cysts down to a very low level.

**Senator McGAURAN**—So there is a long-term program to, hopefully, eventually lift the quarantine.

**Ms Ransom**—The intention of the national management plan for PCN is to ensure that infested paddocks can continue to grow potatoes under certain conditions, using resistant varieties and crop rotations—because it is recognised that potatoes are a very important crop. They generate a lot of income for the grower and from a biosecurity perspective it is much better to give the grower options to continue growing a crop but in a biosecure way—in a safe way—that does not spread the disease. That process of management is what will be included in the management plan.

**Senator McGAURAN**—Has this done any great damage to Thorpdale's reputation as a potato-growing area? They have been growing them as long as the Irish have.

**Ms Ransom**—I could not comment on that. Really, the role of the regulators and the national plant health framework is to return the area to a productive state as quickly as possible but taking into account the need to make sure that the disease does not spread further.

**Senator McGAURAN**—What is the effect of the disease on the potatoes?

**Ms Ransom**—It is a root disease and over a period of time it accumulates to cause the crop to become unthrifty. There is a direct relationship between the amount of potato cyst nematode in the soil and the yield reduction. The more nematodes you have, the more you are going to reduce your yield.

**Senator McGAURAN**—So it is a yield killer. That is a real problem for Thorpdale in the Gippsland area. On another subject, what is the status of the eradication program with citrus canker in Emerald in the great state of Queensland? We all made a visit up there, if you remember, Senator Heffernan. Has it now been declared eradicated?

**Ms Ransom**—Yes, it has. We notified the international community, through the International Plant Protection Convention, of eradication on 23 January 2009.

**Senator McGAURAN**—That is fantastic.

**Senator HEFFERNAN**—Is the importer still in the country? You do not have to answer that.

**Ms Ransom**—Thank you.

**CHAIR**—We will move to Australian Wool Innovation.

[7.39 pm]

### **Australian Wool Innovation**

**CHAIR**—I welcome board members and an officer of Australian Wool Innovation.

**Senator HEFFERNAN**—Mr Merriman, as a precursor to tonight's proceedings, and given the interesting time we had the last time the full board was here, would you like to make a brief opening statement on where we are and what has happened since the last estimates hearing?

**Mr Merriman**—As you probably know, a lot has changed since last time I was here.

**Senator HEFFERNAN**—You might choose to inform the committee on your background in the wool industry. You are from a pretty famous stud. You were a pretty wild and famous footy player some time ago, but you come from a very strong superfine wool background. You might like to start there and then go on so that we have some authenticity.

**Senator Sherry**—And your particular football code!

**Mr Merriman**—I do not know whether you want the history of Wally Merriman, but I will be very quick. We farm sheep at Yass and Boorowa and we have been in the merino game all our life. I got on the board of AWI some four years ago because I considered that the industry needed marketing. In those days you had a situation where the two companies of the industry were split. One was a company called Woolmark and the other one was AWI, and AWI had the funds. I could see, even at that stage, that we were never going to be able to market under that system and I campaigned to get myself on the board of AWI. I will bring you through quickly to the election last November. We had a major turnout of shareholders to vote, and they voted in four new board members. If you couple that with the two new board members that were voted in the year before, we have almost a completely new board. That is some background.

**Senator HEFFERNAN**—Subsequent to the new board and the obvious distress that has been in the industry, you have now made some changes to the executive arrangements, I presume, of Australian Wool Innovation. You might like to take us through that.

**Mr Merriman**—Following the election, I called an early board meeting in January, which we have never had before. At the board meeting that we had just before the election of the last board, we were given advice from our officers that we were looking at an \$8 million to \$10 million shortfall in our funding through levy payments because of the declining amount of the wool clip and the declining price. This was coupled with a loss in licensee income. So when the board met after the election, we had to quickly establish where the company was at financially and take some quite urgent action to address the matter. We had a situation where we were looking at an income of something like \$53 million, and it was costing almost \$22 million to open and close the doors. In the view of the board, this was definitely

unsustainable. We have had to get to work and try and make some savings and do some cuts to try and keep money for marketing dollars. Would you like me to go on and say what we have done?

**Senator HEFFERNAN**—Yes. I think that would be a good idea.

**Mr Merriman**—With that knowledge, we commissioned Mr Ken Boundy, who was a former board member, to appoint a small committee to look at our business model and, as we presumed, radically overhaul it, which is what that committee has done. They worked all through Christmas and new year to get us ahead of the game. The recommendation of that committee has been reviewed by the board with staff input. I must say the staff had major input into this. It was terrific to see the staff come forward and point out things that they thought could be made better. That report has been reviewed by the board and signed off and it is sitting there now as an approved document for our new CEO. Similarly, the marketing program has been signed off by senior staff and reviewed, and it is sitting there now for the new CEO.

**Senator HEFFERNAN**—Could you inform the committee on who your deputy chair is? Are you about to make an announcement on a new CEO?

**Mr Merriman**—Our deputy chair is Roger Fletcher. He is an apology today. He intended to come. He is off in Italy trying to sell some wool. We have been lucky enough to get Mr Chick Olsson's services for tonight as chairman of the committee. I am sorry; what was the second part?

**Senator HEFFERNAN**—Are you about to appoint a new chief executive?

**Mr Merriman**—Certainly. The new chief executive has been signed off by the board. We are just waiting for contracts and things to be done and I would anticipate some time in the morning or tomorrow we will be able to announce the new CEO.

**Senator HEFFERNAN**—I note from press reports that you have made some radical changes to not only staffing levels but also administrative costs. One of the criticisms the last time the board was here was that a lot of the authority of the board had been handed over to people on the payroll. But you have made some serious changes to your media arrangements.

**Mr Merriman**—Media?

**Senator HEFFERNAN**—Media, yes. Wilkinson Media are no longer on the payroll, are they?

**Mr Merriman**—No. They were a consultant. It is an in-house matter, but to my knowledge the answer is no. Our media manager is here. He could answer that.

**Mr Barry**—The answer is no, and they have not been for some time.

**Senator HEFFERNAN**—We also read that a lot of the top secret innovative solutions for the so-called 2010 date have fallen into a bucket of custard. Would you like to take us through the 'super glue solution' and a few of those issues? I think \$5 million might have been spent on the super glue solution.

**Mr Merriman**—They were the two projects known as FST1 and FST2—in some cases referred to as a silver bullet. Yes, unfortunately they did fall over. An unfortunate consequence

of that is that people in the industry had been told that they would be successful and based some of their plans on that. If we take a lesson out of that, it is that we should not go out and start talking about projects before they have come to fruition.

**Senator HEFFERNAN**—In terms of marketing, most wool growers that I know—and I declare an interest here—are pretty disappointed with where the market is. There has been some criticism from isolated pockets in the wool industry that that is because we do not put enough into research and marketing. Obviously our greatest purchaser of wool and processor of wool would be China. How is our relationship with the Chinese wool processors?

**Mr Merriman**—Good, I presume. I can ask the staff here that deal with them all the time. There is not much wool in China. I think people are going hand to mouth. As soon as things kick a bit, I think we will get—

**Senator HEFFERNAN**—Which is a reflection not only in wool but across the whole commodity—

**Mr Merriman**—That is correct. It is difficult with whatever we are trying to sell these days.

**Senator HEFFERNAN**—Wheat and sugar, yes.

**Mr Merriman**—It is difficult.

**Senator HEFFERNAN**—Would it be fair to say that at the present time, short of pain relief and genetic breeding, we have got a long way to go to find a solution? In fact, I have talked to the boss of PETA in the United States and he thinks that we should change the diet of sheep so they do not poo themselves and they do not dirty their backsides. It is a bit hard to explain to a sheep that is running in a 20,000-acre paddock how to change the diet. And of course they are of the view that we really should not have farm animals and we should not eat meat and we should plait our armpits and smoke pot. Would it be fair to say, though, from your experience, coming from a family that has had 70 or 80 years perhaps of fine-wool growing experience with one of Australia's leading studs, that there is absolutely no doubt that Australia's farmers are concerned with the welfare of their animals and do desperately seek a solution?

**Mr Merriman**—Yes, I certainly agree with that. Farmers have a vested interest to look after their animals, apart from the affection that they have for their stock. If their animals are not in good health, they do not give them a profit. So there is an inbuilt vested interest there to look after the stock. AWI's job is to research for a viable alternative to mulesing. That is what we do. To that end, we have a product called Eclipse that has had some uptake and has now been taken up by a commercial producer, which is good. Our part of the equation finishes there. Our job is to do the research, get it to a commercial stage, and then let the project be taken on commercially.

It is disappointing that FST1 and FST2 have fallen over, but that is the nature of research. It does not always work. We also have ongoing work into dermal techniques, plus the effort into bare-breech breeding, which has been taken up by some producers.

**Senator HEFFERNAN**—Mr Olsson, from your time and experience on the board, and with the new board member, Mr Laurence Modiano, who obviously is from Europe—

**Mr Olsson**—Yes.

**Senator HEFFERNAN**—and is well hooked into the European processing industry, could you highlight to this committee some of the benefits that having him on the board has brought to Australian Wool Innovation?

**Mr Olsson**—I would be delighted to. There has always in Australia been a wide gap between processors and wool growers. They have always been seen as those people who have tried to buy wool as cheaply as possible. That has been the perception. Having Laurence Modiano there has reinforced to me certainly, as well as probably most of the other members of the board, that processors need a large wool flock. They need volumes, and they have never been more alarmed than now to see our sheep numbers dropping away at the moment. I believe there are approximately 75 million to 80 million sheep, which is the lowest number nearly in 80 years. It is nice to have a man with such an international reputation come over and say that they want to work with us to increase the value of wool, to work with us on innovation through the mills to make sure that innovation is matching consumer demand. Certainly the man got the most votes seen for a long time in wool industry history, so obviously his family is highly respected and are completely empathetic with our wool-growing community.

**Senator HEFFERNAN**—You would agree that the solution to where we are is a strong working partnership between the growers, the in-betweeners, I suppose, the agents, onsellors and the manufacturers.

**Mr Olsson**—I think we are set up to start kicking some goals for wool. We do not need to change very much. It was quite clear in 2000 that, when this industry decided to cease all marketing in the terrible name of ‘generic promotion’, you quickly saw the downfall of demand. It is incredible on the graph: it is a slippery slide. Since that happened, we have been bumping along from year to year, with quite high prices and quite high volumes. We have to start working together and start telling consumers about our wonderful fibre. We have forgotten to do it. When we do that, I can guarantee that what we have to offer is probably the most wonderful fibre known to mankind.

**Senator HEFFERNAN**—Mr Merriman, I take it that, as part of the business plan, you will be looking to target promotion, and the quality and the environmental friendliness of a sustainable fibre such as wool, in a strong working relationship with the end processors.

**Mr Merriman**—Yes, that is correct. The company has already started doing that. We have just had a very successful promotion in Japan, China and Korea. The bones of this promotion came out of the test marketing project that was funded by AWI some four or five years ago. I will ask Stuart McCullough in a minute to give you the exact details of this project. We identified five major retailers in Japan. We gave seed funding, and they were leveraged dollars—I think we leveraged \$1 of ours to \$5 of theirs. Wool apparel sales had been down 17 per cent. Within that box, in this project, the apparel sales from those five retailers, with our marketing, went up 21 per cent, so there was almost a 40 per cent turnaround. That works in Japan and we are looking to roll that model out further, but if you would like more detail Stuart McCullough can take you through it.

**Senator HEFFERNAN**—Would you like to do that now?

**Mr McCullough**—To highlight what Director Olsson and Chairman Merriman said, there is no doubt that we can indicate a sharp fall in the revenues of the Woolmark licensees since the abolition of any marketing. What was set up in 2000 was an R&D company, which was AWI, and a marketing company that had no funds to market. Essentially, there were two businesses: one that did not have the autonomy to market and the other one that could not market because they had no cash. The two companies came back together in October 2007 and that gave us the ability to not only research, develop and work with our retailers but to also invest some funds in marketing.

A test marketing program was done in the United States with some success, but the recent success of the Japan wool marketing program, Korean wool marketing program and China wool marketing program has been quite interesting in terms of the curve or the swing from the mean that Wally talked about, where we had a 17 per cent reduction in apparel sales in those regions. However, we are indicating a 21, 22 per cent growth in those lines that we have been supporting. The premise of this was that we invested a dollar for four of theirs, and in some cases it was higher; it almost got up to one to five or one to 4.7.

One of the most successful of these apparel marketing programs was a group called Onward Kashiyama Group, the biggest garment manufacturer in Japan. As part of their program, they decided that they would return to the Australian land management certification system a piece of the revenue that they earned from that particular marketing program. So only a few days ago \$160,000 was handed over to that group which formed part of this. That is a perfect scenario: we are leveraging our dollars; we are getting consumption when we do co-op marketing with them; we are also lifting the profile of the Woolmark; we are also lifting potentially licensee sales; and we have got a return to Australia in terms of land care and sustainability.

**Senator HEFFERNAN**—Under the new order of things, and having people like Laurence on your board, are you confident, Mr Merriman, that you will be able to get like partnerships in other markets such as Europe?

**Mr Merriman**—That is the challenge for Laurence Modiano. He is well connected there. We are looking for him now to try and roll out this model. If we had the funds, we would roll it out certainly more through Asia, because we know it works there. We have the rest of the world to try and do it with, and it will be his task now to try and identify retailers who will strike a similar relationship to the Asian retailers and try and roll something out in Europe.

**Mr McCullough**—Can I just add to that that retailers these days are keen to build brand equity in their logo, whether it is a horse or whatever. Once upon a time, co-op labelling—where you might have the Woolmark and the Polo Ralph Lauren horse—was quite common. These days they prefer to invest money into building brand equity in their logo and selling garments, so co-op marketing works particularly well in Asia. We believe that there are innovative customers in Europe and North America where we can apply the same model, but not all of them.

**Senator HEFFERNAN**—Given that some of the mulesing alternatives have turned to custard—there is probably a more colourful term I could use but I will not—are you confident

that the processors, certainly in Asia, will be patient with the industry as we find either a genetic solution or—

**Mr McCullough**—Once upon a time in these businesses, corporate and social responsibility officers never existed. Now every retailer has a corporate and social responsibility department, generally filled with paralegals and lawyers. In terms of standards, ranking them from one to 10, in some of those Nordic regions they would be up at an eight or a nine in terms of corporate and social responsibility. In Asia, they might be a one or a two, in North America a five or a six, but they all covet to be better at what they do.

**Senator HEFFERNAN**—I understand in the top end of the market in Europe, in your scaling, that one of your board members, Meredith Shiel, has been offered some work in that corporate responsibility field because they are impressed with her approach to it.

**Mr McCullough**—Yes, Meredith is constantly requested to speak in overseas welfare events.

**Senator HEFFERNAN**—From a farmer's perspective—and Wally would know this only too well—for a crossbred sheep you might net \$100 for the lamb, \$15 for the wool. The old game of having 5,000 wethers running at five to the acre does not pay any more. A lot of the welfare of the sheep industry is about the meat as much as the wool. Would you like to give a perspective on what would be a break-even price for wool growers.

**Mr McCullough**—To break even?

**Senator HEFFERNAN**—Compared to the market. The market is up the shit, as you know, and so is the iron ore market and a lot of other markets.

**Senator Sherry**—Is it really appropriate to use that sort of language?

**Senator HEFFERNAN**—It is sort of bush language.

**Senator Sherry**—Bush language or not, I am fairly confident it is against the Senate standing orders and we are guided by Senate standing orders.

**Senator HEFFERNAN**—I appreciate that and I am happy to withdraw it. You will be pleased to know, Minister, that Hansard are very diligent and they delete a lot of the stuff that is not appropriate.

**Mr Merriman**—Each breeding operation will have different price points, but it is generally considered that a 1,000c indicator is a good point where people will retain their interest in Merino growing. We saw that some six to seven months ago. We had a period there where we had a 1,000c indicator.

**Senator HEFFERNAN**—It was pretty brief, yes.

**Mr Merriman**—People did not realise it, but that was quite an amazing price because that was when the dollar was almost at parity.

**Senator HEFFERNAN**—It was, yes.

**Mr Merriman**—If we had that 1,000c indicator now, we would be 40 per cent ahead of what we are getting.

**Senator HEFFERNAN**—The indicator now is 720c or 730c?

**Mr Merriman**—It is 725c or something. I would like to take you through the market and show you what has happened. Our early-stage processors bought that wool some seven months ago at a 17-year high price in US dollars. The wool world trades in US dollars. They have now had that wool shipped to them, they have processed it, it is now in yarn in top form and the retail market has collapsed. There is nothing pulling it through. I do not want to be an apologist for exporters, but it is a significant problem with our market at the moment. They have a large stock of high-value wool, selling into a market that demands cuts, and they have the added fact that they cannot get credit. It is probably a wonder that any wool is selling at all.

**Senator HEFFERNAN**—In terms of the battle with the people that plait their armpits and smoke pot, mulesing is one thing but it will progress to castration, shearing in the cold—all of those sorts of things. Have you had any indications from the likes of PETA as to what is the next card they are going to play?

**Mr Merriman**—No. I do not deal with PETA. I just have a focus on selling wool.

**Senator HEFFERNAN**—Hear, hear!

**Mr Merriman**—What we do with mulesing or not or what happens or what might have happened is just unfortunate. We have to get on and sell the wool. That is why people take the mulesing option, because if they do not, the CSIRO figures will show you that 3½ million sheep will die a slow and painful death from fly strike. No grower is going to let that happen. That is why mulesing was first brought out as a welfare treatment. We are trying to get a replacement for it, a viable alternative, but it is proving difficult.

**Senator HEFFERNAN**—I have spoken to the head of PETA in New York and I compared the process of mulesing to circumcision. He emailed me back that he had been circumcised, but it was not in a paddock with a pair of shears, and he thought it was a more humane process. But the principle behind it is still the same. While we are desperately seeking a solution, with pain relief as an interim measure, I would hope that the wool industry—and I am sure that the Asian wool industry will be patient in the meantime—finds either a genetic solution or a mechanical solution. As you say, it is a shame that the magic bullet has turned out to be firing blanks.

**Senator McGAURAN**—PETA must have approached—

**Mr Merriman**—No. They have written letters asking our stance on mulesing, and we have said that nothing has changed; we continue to try and fund a viable alternative. I am sure everyone knows that we have no legislative power in this area. Our job is to research a viable alternative, and that is what we do. We are not the spokesmen for the industry and we have no legislative power over the practice of mulesing.

**Senator McGAURAN**—I like your approach. PETA is so mad, of course, that you would not know what their next move was going to be.

**Senator HEFFERNAN**—We do not want to engage PETA and we do not want to go through the process, but there are animal husbandry techniques that are in the best interest of the animal, whether it is an internal drench, an injection under the skin or a ring on the nuts or whatever.

**CHAIR**—Senator Heffernan, as an ex-truckie I reckon I can mix it with you, and probably do even better, but with all due respect there are people out there that probably do not like the truckie talk or the bush talk. That is twice in the last five minutes, and you have had to be questioned. You certainly do not upset or offend me, but I would ask you to focus on your language.

**Senator HEFFERNAN**—Castration techniques: does that sound better?

**CHAIR**—That is fine.

**Senator HEFFERNAN**—Farmers would like to know there is a solution, and there is a new emphasis by the board on research. As the chairman has said, you do not advertise you have a solution until you have tested the fact that you have a solution; otherwise you raise expectations and then let people down. My congratulations, anyhow, to the new board. There has been some public criticism in the press in latter days of the need for more emphasis on promotion and marketing, and I wish you well.

**Senator McGAURAN**—Have you been in contact with the fashion houses—

**CHAIR**—Sorry, Senator McGauran.

**Senator HEFFERNAN**—I think Senator Concetta Fierravanti-Wells is busting to ask you a few questions.

**CHAIR**—On that, in all fairness, everyone will have their turn.

**Senator McGAURAN**—I was enjoying cutting across him.

**Senator HEFFERNAN**—You are allowed to.

**CHAIR**—Everyone will get a fair chance and with your indulgence, Senator McGauran, do you have many questions?

**Senator McGAURAN**—Just one on the same issue. Have you been in contact with the fashion houses that PETA had claimed were lining up to ban Australian wool?

**Mr Merriman**—Yes, I can tell you about that, but Stuart is closer to it than I am so I will get him to respond.

**Mr McCullough**—We have a network of staff around the world that are in constant contact with retailers, brands and even designer-level types of companies. We had a recent trip to Italy that was prompted by Count Paolo Zegna's requests. We saw four companies there that represented 50 million kilograms, about 20 per cent of the Australian consumption, in four days on this exact topic. We do not encourage it but there are companies out there around the world that are interested in this topic and, when they are, we engage our network and talk to them about our plans and how we work vigorously towards solving the problem.

**Senator McGAURAN**—Hugo Boss was the most prominent—

**Mr McCullough**—Hugo Boss was one that we saw.

**Senator McGAURAN**—They were the most prominent in taking up the PETA cause, or seemingly so. That is what PETA would have you be told. It was completely different. What is Hugo Boss's position?

**Mr McCullough**—Hugo Boss's position was quite public. They openly told us that because they were guaranteed, hand on heart, that this would all be fixed, they made that decision. We told them that we work hard towards every date and we have spent \$19 million on this topic. We continue to spend money. The board has increased funding to find a solution to this. We left them on very good terms, to the point where they asked us to contribute to their corporate and social responsibility website.

**Senator HEFFERNAN**—That is where Meredith Shiel has been invited in—

**Mr McCullough**—Exactly. Precisely.

**Senator HEFFERNAN**—to be part of the team. I have to say, with regret—and we have been through this; we will not go through it again—some undertakings were taken by a previous regime of Australian Wool Innovation which were pie in the sky and let everyone down.

**CHAIR**—On that then, Senator Fierravanti-Wells.

**Senator FIERRAVANTI-WELLS**—Thank you, Chair. Mr Merriman, your strategic plan that was put in place by the previous board of which you were also a member, is that plan still in force? Do you aim to achieve the targets that you set out in that strategic plan, or do you plan to revise your strategic plan?

**Mr Merriman**—It certainly is revised, and I spoke of the business model that Ken Boundy and his committee has brought forward to us. As I said before, we have an income of some \$53 million and \$22 million outgoings, and it is just unsustainable. So, yes, there has been great change, particularly in overhead reduction, but we maintain that we have to market and we will be taking costs of other areas to put into marketing within our tighter budget.

**Senator FIERRAVANTI-WELLS**—Perhaps I might take you through the targets that were in the previous strategic plan and then you can tell me whether those have changed.

**Mr Merriman**—With your permission, I would have to refer to the acting CEO.

**Senator FIERRAVANTI-WELLS**—Thank you. I appreciate that. You did say in your plan that you would create an additional 20 million kilograms per annum demand for Australian wool, working primarily with the top 200 international retail and brand partners. Can you update us? Is that still the target or has that changed?

**Mr Merriman**—I will defer to James on the kilograms, I think that is probably ambitious, but certainly working with the international partners, yes, that is an ongoing thing.

**Mr Barry**—Just as a bit of background, my normal role is GM finance. I have been acting in this capacity for eight weeks and my expectation is that this role will finish shortly, so I am not an expert in this area. But I will say that those targets remain unchanged in terms of those three commitments: the commitment to 20 million kilos; reduce the cost of production by 40c; and, obviously, alternatives to mulesing. Those were the three key targets and they remain unchanged.

**Senator FIERRAVANTI-WELLS**—We have now got about 80 million sheep and that is projected to decrease to about 72 million in 2013. Increasing this demand presupposes there

will be sufficient flock to sustain the growth. What is the size of the current Merino breeding ewe flock?

**Mr Merriman**—It is generally recognised as about half the ewe flock.

**Senator FIERRAVANTI-WELLS**—What, about 40 million, 42 million?

**Mr Merriman**—I would say about 40 million. I sell rams for a living and I can tell you that, in my business and everyone else's business, this boat is going down like that and it is going to take a long time to bring it back up. The amount of crossbred rams we had this year was more than last year. You have got to start firstly by putting a Merino ram out before we can get more wool in the world. The graph is still going down.

**Mr Olsson**—I can take that on notice. I can get the actual figures for you.

**Senator FIERRAVANTI-WELLS**—Yes, I would appreciate that. I am happy for you to take it on notice if you cannot provide it. Of those, say, 40 million or 42 million ewes, how many will be used for Merino breeding and how many will be used with meat-bred for breeding?

**Mr Merriman**—It is the 40 million that is left, isn't it?

**Mr Olsson**—Once again, Chair, I think we can take that on notice, because we are getting statistical information coming through our forecasting committee as we speak.

**Senator FIERRAVANTI-WELLS**—Okay.

**Senator HEFFERNAN**—Just to clarify the question that it is on notice. This will be whether there is a terminal sire or a—

**Mr Olsson**—Or a Merino ram over the top of it.

**Mr Merriman**—Yes, that is there. It would be dated. It would be more like 12 months ago.

**Senator FIERRAVANTI-WELLS**—You are saying that you are going to increase the amount of wool that we are going to sell, but we have a decreasing flock and also a decreasing breeding flock. How are you going to achieve the demand which Mr Barry says is still a target within the three-year period? That is why I specifically asked that question.

**Mr McCullough**—You are only using two things. You are talking about supply and demand, and demand creation is what is referred to there in the strategic plan. We aim to create demand. We have got two issues in this industry. One is alternative fibre use in the Northern Hemisphere and the other is alternative land use here in Australia. The alternative land use will continue if we do not create demand for this product and sell more of it. That is a demand thing. With demand will come increased prices. When the price of wool goes up, production of wool goes up.

**Mr Olsson**—Your question is a good one because it has been a confusing question. How can you increase demand when sheep numbers are plummeting? The idea of Australian Wool Innovation is to be an innovative company and part of our R&D process has been inventing new innovative Merino products. The terminology should have been clearer; we are probably talking about 20 million kilos of new demand. That is, we can increase demand in sportswear, activewear and from the military, and work in areas where Merino wool can replace existing

crossbred wools or other markets overseas. New innovation to really show the qualities of Merino wool is probably what we are talking about.

**Mr Merriman**—I can take that further. We see our growth areas as the outdoor sportswear area, next-to-the-skin sportswear, and also the health area. There are huge gains to be made for wool in the health area. You sleep better in a woollen blanket. There is also babywear. There is a lot of scientific research out there which we are collating now to back up our manufacturers with the science of the health aspects of wool.

**Senator HEFFERNAN**—Woollen socks on your feet stink less.

**Mr Merriman**—Socks, too, Bill.

**Senator FIERRAVANTI-WELLS**—In terms of your targeting the international retail and brand partners, have we actually seen an increase in orders in any of these firms?

**Mr Merriman**—The orders do not come to us.

**Senator FIERRAVANTI-WELLS**—But, surely, Mr Merriman, as one of the peak bodies or so-called peak bodies in the wool industry, you would be aware of the statistics in the industry. I mean, if one of your aims is to increase and to work with the top 200 international retail brands, I would assume that you would have at least some statistics in terms of whether there has been an increase in these markets.

**Mr Merriman**—I could not tell you. Stuart might.

**Senator FIERRAVANTI-WELLS**—Well, that is fine. I am happy, Mr Merriman, for that question to be taken on notice. I appreciate we do not have a lot of time this evening. I am just simply asking a question.

**Mr Merriman**—I can do that.

**Mr Olsson**—I would like to take that on notice. But just to give you a summary because your question is of interest to many wool growers in view of their investment via the levy and generous government contributions. The recent test marketing campaigns in the States were very interesting. We can give you that information. There has been a notable increase in certain sectors of some woollen knitwear that we organised through the American campaign, which we would love to show you. Secondly, the information coming in on the Japanese marketing program, the Korean marketing program and Asia's marketing program we are collecting now on actual woollen garments that we have invested with these retailers against last year's sales, so we can actually show some physical evidence of what extra wool sales are happening in these markets.

**Senator FIERRAVANTI-WELLS**—I am conscious of the time, so I will put some further questions on notice in relation to that. Moving to target B of the reduction, Mr Barry, I think you said that is still on target; the 40c reduction in the cost of production. Can you tell me whether you have done any benchmarking in relation to costs of production? Is that something that you do at AWI? Are you aware of any benchmarking that has been done?

**Mr Barry**—I will have to take that on notice. The most recent example was the last performance review, where the investment in on-farm activity showed—and I am not sure of

the figures absolutely—certainly a return in excess of fivefold. I will come back with the exact figures. That is the last time that I am aware of an independent review.

**Senator FIERRAVANTI-WELLS**—I would be interested to hear what plans and, in particular, what performance indicators you have in place to achieve that target.

**Mr Barry**—Sure.

**Senator FIERRAVANTI-WELLS**—Senator Heffernan, of course, raised questions in relation to the various issues associated with mulesing, and I am aware of the work that you are doing. I appreciate that undertakings were given in 2004, and clearly those giving the undertakings—particularly some of the undertakings given in court—did so rather prematurely. So, bearing in mind that this interim period may be quite lengthy, what is your timetable in terms of the phasing out; or, if we are looking at an interim period, how long do you envisage that that will be and do you have, indeed, a timetable for a much longer interim period? That is really the question and I am asking for your judgment. I know that 2010 will come, and I appreciate the difficulties that you are facing, but there may nevertheless be expectations out there about a more realistic timetable.

**Mr Merriman**—All I can say is that we have no legislative power. Everyone has got to be clear on that. Our charter is to research and develop viable alternatives to mulesing. That is what was in the charter with retailers in 2004: to find viable alternatives. If you go to the National Wool Declaration forms, you will find that some 10 per cent of the clip is in that area—that is, declared wool. Of that, we have about one-third that is declared unmulesed, we have one-third that are going to cease mulesing, and we have one-third that are done with pain relief. The trade seems to box that as ‘ethical wool’. The system is there for the trade to come and buy whichever wools they want. As that goes, we have got 10 per cent this year. The system has been going for only some six to eight months, I think. Will that move out to more and more wools? Only time will tell. The major growth area in that, I know, is the pain relief model, because pain relief was used for 50-odd per cent of lambs mulesed last year.

**Senator FIERRAVANTI-WELLS**—I am happy for you to take this on notice: since 2005 or thereabouts, what steps have you taken to develop any accredited animal ethics standard to protect the industry against future animal rights intervention such as we have seen in the past?

**Mr Merriman**—I will have to take it on notice.

**Senator FIERRAVANTI-WELLS**—Certainly.

**Mr Merriman**—But I can tell you now that the board has a policy to try and protect retailers and processors with the ethics of the Australian wool industry. They are the highest standard in the world. The welfare practices of Australian farmers are of the highest standard in the world.

**Senator FIERRAVANTI-WELLS**—It would be interesting to see the practices in other countries with which, from your evidence, Mr Merriman, we compare so favourably. Again, you may want to take this on notice: in terms of the blowfly management programs, with our 50,000 or thereabouts sheep producers, can you give us the sorts of concrete programs that have basically hit the ground, if I can put it that way, and actually improved the management of sheep? With your efforts and what is out there at the moment, have you seen any reduction

in fly strike in sheep? The figure you mentioned was 3.5 million. Is that a static figure per annum or have you seen changes?

**Mr Merriman**—You have got a situation where everybody muleses. In the beginning there was no mulesing. I think during the thirties the mules operation started to become popular because it saved sheep. Out there now, everybody muleses. Now people are starting to come to grips with the idea of not mulesing, of using methods other than surgical mulesing, and the pain relief option has come in. As I said, some 10 per cent of the clip has now been declared. Two-thirds of that was unmulesed and ‘intend to cease mules’ and one-third of it was mulesing with pain relief. Over 90 per cent of the growers out there are still mulesing. That is what that shows.

**Mr Olsson**—If you require it, I would like to give you information from the New Zealand model when, five or so years ago, they decided to cease mulesing in most of the South Island, in response to the Icebreaker brand, which is one of the most successful Merino brands in the world, which had a high degree of demand for unmulesed wool. The modelling that is coming back from there shows a significant increase in costs and new deaths, especially when they came from the mountains to the plains. Thirty per cent of that flock, I am led to believe, is now going back to mulesing because of the costs associated with not mulesing. As a comparative model it would be, I think, very valuable for the Senate to see that. We can take that on notice and give that to the Senate.

**Senator FIERRAVANTI-WELLS**—Thank you.

**Mr Barry**—The other issue is that the most obvious alternatives are the clips, which we expect are going to be commercialised in the middle of this year, and the interdermals. Field trials are expected around 2009-10. Those are probably the two major alternatives at the moment, with the clips imminent.

**Senator HEFFERNAN**—Will the clips be biodegradable?

**Mr Merriman**—Yes.

**Mr McCullough**—Yes.

**Mr Merriman**—They have worked on a biodegradable product.

**Senator HEFFERNAN**—Because that would be a pain in the you know what.

**Mr Olsson**—Just for the Senate’s record, I have got an interest in mulesing. Not only do I run sheep and mules my sheep but our company invested in pain relief five years ago because none of the market would take it on; so I have an interest. But, in saying that, clips are one alternative I think that people can use because there is no blood with the product, and in some cases it is very effective, but I cannot agree that there will be a biodegradable clip available next year because I have not seen one yet. I think we should take that on notice and give more information on if it works and if it can be biodegradable. As yet, I am not sure we have gone that far.

**Senator FIERRAVANTI-WELLS**—Yes, absolutely.

**CHAIR**—Mr Olsson, I appreciate your honesty, because when I heard the answer from Mr McCullough, I thought, ‘Well, they’re here.’ I do appreciate your honesty in clearing that up for us.

**Mr Olsson**—Thank you.

**Mr Merriman**—It is a fine line, but we do have a commercial partner who is interested in taking the clips to market.

**CHAIR**—I understand that, Mr Merriman, but the question from Senator Heffernan was, ‘Are they biodegradable?’ to which the answer was, ‘Yes.’

**Mr Merriman**—Biodegradable. Sorry, I misheard.

**CHAIR**—Not from your good self, but from Mr McCullough. But that has cleared that up. Thank you.

**Senator FIERRAVANTI-WELLS**—I thought I understood, Mr Merriman, that you said, ‘Not yet. We’re working on that.’ Can I just clarify that? The prospect of non-biodegradable purple plastic clips running around paddocks would of itself, I would have thought, cause some difficulties.

**Mr Merriman**—I would agree with you. That is why the biodegradable project is up and running.

**Senator FIERRAVANTI-WELLS**—Do I understand that, until we have biodegradability, we are not going to let plastic clips loose in paddocks?

**Mr McCullough**—It depends on the enterprise. The work of the clips is done in 72 hours. If you are not a big enterprise and can keep your sheep around the house, you can bring them back in, remove them and use them in the next year. We have trialled the biodegradable clip, and produced it, and Leader, the commercial partner, have that. But the first clip that goes to market will be non-biodegradable, followed soon after by the biodegradable.

**Senator FIERRAVANTI-WELLS**—Just on that National Wool Declaration, I will put some questions on notice, but is that just basically a ‘tick the box’ by the grower?

**Mr Merriman**—Yes. The only third party accredited part of that one is the pain relief one.

**Senator FIERRAVANTI-WELLS**—So, basically, if you are looking at it from the perspective of the grower declaration meeting the needs of quality assurance in the quality assurance chain, one has to rely very much on compliance, if I can put it that way.

**Mr McCullough**—Can I answer that?

**Senator FIERRAVANTI-WELLS**—Sorry, I think Mr Merriman was about to.

**Mr Merriman**—Thank you, Senator. All this relies on the retailer. They say they want non-mulesed wool. Here is the opportunity. They have to reach down through the customers, through the supply chain, and pull it through.

**Senator FIERRAVANTI-WELLS**—That is fine, Mr Merriman, but are growers just ticking the box for the heck of it, if there is nobody going out and doing an audit? That is the point.

**Mr Merriman**—Yes, I understand.

**Senator FIERRAVANTI-WELLS**—If you have quality assurance and you are giving quality assurance to people overseas, particularly with paragraphs (a) and (b) in No. 1, is there a deficiency or an anomaly there? That is the question I am asking.

**Mr Merriman**—AWI does not give any guarantees. We have to get that straight. A body called AWEX, which conducts the wool sales, runs this program. Yes, it is voluntary. AWEX have started to do spot audits to check it. Good friends of mine in the company in Italy send their own vets out and do their own audit. They are fair dinkum. They are one of the few fair dinkum people in the game.

**Senator FIERRAVANTI-WELLS**—The reason I ask, Mr Merriman, is that AWI will put out a press release and say, ‘This is the amount of mulesed wool,’ and make representations in the categories that you said that they do, so one assumes that there is faith in the quality chain. I appreciate that it is not directly yours, but you are placing reliance on it.

**Mr Merriman**—We have taken that to market—to our first-stage processors—to show them what is there. It is their due diligence to go there and be satisfied that the wools are as described.

**Senator FIERRAVANTI-WELLS**—In other words, it is really up to the overseas company, if they want to do an audit, to turn up—

**Mr Merriman**—That is correct. It is business. It is not our job to be in the middle.

**Senator FIERRAVANTI-WELLS**—Sure. I appreciate that, Mr Merriman. My point is about saying in a press release on 2 February that you are able to tell people overseas that, since the introduction of the National Wool Declaration, over 68,000 bales or more than 10 million kilograms have been sold and identified in particular categories. Do you have faith in the system that has led to that categorisation?

**Mr Merriman**—It is not for me to have faith; it is for them to have faith. They are buying the wool.

**Senator FIERRAVANTI-WELLS**—Okay.

**Mr Merriman**—I can only show them the system. I can show them where to go and where to look.

**Senator HEFFERNAN**—I suppose, Mr Merriman, it is actually no different to the gun buyback. They did not come and check to see if I still had a pump-action shotgun. The gun buyback worked.

**Senator FIERRAVANTI-WELLS**—Thank you, Senator Heffernan. 2009 is the United Nations Year of Natural Fibres. You are participating in that?

**Mr Merriman**—Yes.

**Senator FIERRAVANTI-WELLS**—I did not see AWI listed on their website, but I am sure you will remedy that fairly quickly.

**Mr Merriman**—I can tell you something about it and then I will hand you over to Stuart or somebody who knows about it.

**Senator FIERRAVANTI-WELLS**—I am happy for you to take on notice what your involvement is going to be.

**Mr Merriman**—One thing I can tell you is that there is a huge charge, which we cannot afford, to have our name sitting up on there.

**Senator FIERRAVANTI-WELLS**—Perhaps you might take on notice what you will be doing in relation to that.

**Mr Barry**—We will take it on notice.

**Mr Olsson**—One of the biggest wool textile events in the world is the International Wool Textile Organisation Congress, which happens every year. This year it will be held in Frankfurt, and that is really where the key players and heavy hitters go to decide on wool policy. I think the WTO has made representations to the United Nations on this matter, so they have already done it on our behalf, which has saved our wool growers a considerable amount of money.

**Senator FIERRAVANTI-WELLS**—They have done it on your behalf?

**Mr Olsson**—I believe they have.

**Senator FIERRAVANTI-WELLS**—In relation to some of the marketing that you are going to do, what sort of involvement will you have from this perspective in terms of consultation with industry? Is that a process that you are going to undertake?

**Mr Merriman**—How do you mean ‘industry’?

**Mr McCullough**—The processing industry or the retail industry?

**Senator FIERRAVANTI-WELLS**—In Australia, if I understood correctly, they will be focused in particular markets. Is that how it is going to—

**Mr McCullough**—Wool sales in the Northern Hemisphere, because of population, affluence and climate—

**Senator FIERRAVANTI-WELLS**—Yes, I am aware of that.

**Mr McCullough**—Our focus is the Northern Hemisphere and the big markets there that have all those key boxes ticked. They will certainly be the regions of the world that we would focus on—Asia, Europe and North America. We are also quite keen to discover some of the emerging retail markets and emerging manufacturing markets in some of the old Russian states—the Eastern bloc area.

**Mr Olsson**—We talked about consultancy and input. Certainly from a grower’s perspective, we are hoping in the next eight to 10 weeks to widely consult with most of the wool-growing groups in Australia as to our new strategic plan and our marketing direction. At this time we want ownership from our shareholders, and I will not be passing any plans until we see some serious ownership from our wool-growing bodies. Also, Senator—I fully concur with you—I think it is important we take that plan to our early-stage processors and our late-stage processors and ask not only our Chinese market but our European markets, ‘What do you think of this?’ and give them some ownership.

In the past we have been somewhat arrogant, thinking we know what is best for the wool-growing community, and time and time again we have been wrong. But this time there is going to be a lot of ownership and a lot of transparency with this plan before it hits the ground running.

**Senator FIERRAVANTI-WELLS**—Thank you, Mr Olsson. On the last occasion Senator Heffernan, I think it was, asked some questions about Hong Kong Polytechnic. Having spent now four months talking to a lot of people in the wool industry, one of the concerns that has been raised with me is what is really being seen as the development of the Chinese wool industry, perhaps at the expense of other traditional markets and, to some extent, our Australian wool growers. Could you take on notice the projects that have been undertaken by Hong Kong Polytechnic in the last 12 months. This will be on the record, Mr Olsson, in the transcripts.

**Mr Olsson**—Yes, no problem.

**Senator FIERRAVANTI-WELLS**—And also whether that sort of project was product development, garment development or R&D of wool fibres. To some extent, at a time when this government is talking about support for R&D, and R&D in Australia, I would be very disturbed to see Australian money being used for R&D being done in China that could well be done here. That is really the gist of my question, without taking you into the detail at this point in time. If there are problems with CSIRO not meeting R&D requirements, perhaps we should be looking at CSIRO rather than going off and giving money to Chinese organisations because we have a problem with CSIRO. Minister, I raise that because it was raised on the last occasion and I would like to put that on the record.

In your last annual report you have a list of all the projects that you are undertaking. I am amazed at the number that we have with China and I am particularly interested in how many of those projects are a shift of any intellectual property to China. Could you please take on notice and tell me which of those projects you intend to continue and which of those projects you will now be ceasing—in particular, the projects that have Chinese involvement—because it seems to me from some of the things that I have been told recently that we have pumped a lot of money into the Chinese wool industry, I think at the expense of Australian wool growers, and I would like to know how many of those projects could otherwise have been done in Australia that are being done in China. I put that on the record.

Could you also take on notice how the CRC is going and your involvement in relation to that as far as program cuts are concerned. It is clear that AWI has bridges to mend in various areas, and I think that is an understatement. Can you tell me what AWI is doing to make wool growers who are not already shareholders aware of their entitlements to become shareholders—to encourage them to come into the fold, so to speak—because I am concerned you have about 30,325 AWI shareholders listed in your annual report. How many total eligible wool growers are there who pay a levy? I would be interested to know how many are shareholders.

**Mr Merriman**—I can give you a rough idea of that. It is probably back to about 65,000. It was 70,000 levy payers. Every year, and sometimes twice a year, a letter goes to those levy payers inviting them to be shareholders. I am not sure what more we can do. When the two

companies were split there was a law that stated that those shareholders could not automatically become shareholders of AWI. It seemed silly to me, but that was the law for some reason. It is something to do with intercompany law. Ever since there have been invitations to levy payers to join the company.

**Senator FIERRAVANTI-WELLS**—At the last AWI board elections how many actual people—physical people—voted? You have this system where you have got to pay a \$100 levy to be able to vote in this archaic, strange—

**Mr Merriman**—By shareholding.

**Senator FIERRAVANTI-WELLS**—Which is, of course, something you have inherited. I am not making that comment. The question I am asking is: how many wool growers contribute? How many are enfranchised, participate? That is really what I am trying to get to.

**Mr Merriman**—The exact number, I am not sure whether we can tell you.

**Senator FIERRAVANTI-WELLS**—I would be very interested.

**Mr Barry**—We will take that one on notice.

**Mr Merriman**—I can tell you that there was a huge increase in the voter turnout last year.

**Senator FIERRAVANTI-WELLS**—Yes, I am sure there was, Mr Merriman: some very active enfranchisement. That is good to see actually.

**Mr Merriman**—It is good that the people were stirred up enough to vote.

**Senator FIERRAVANTI-WELLS**—That is good.

**Mr Merriman**—It is the reason I am here.

**Senator FIERRAVANTI-WELLS**—I am pleased, Mr Merriman. I would like to see more wool growers. In fact, can I ask you this question, Mr Merriman: do you actually support a change of the system to one grower, one vote? Wouldn't that make it a lot easier and enfranchise growers to participate a lot more? I would be interested in your views on that.

**Mr Merriman**—I do not have a view either way. We inherited this model and I can tell you it is the small voters that put me in.

**Senator FIERRAVANTI-WELLS**—I am interested to see the breakdown. The voting system seems to lead to some systemic problems in AWI. As an incoming board, and given the history and the problems that you have had, are you going to give some thought to whether you should be suggesting or recommending any changes so that you have a much more democratic and reflective board?

**Mr Merriman**—I am not sure it is in our brief, but I know when this was set up the notion was that, 'He who pays, says.' It is like any company. If you own a higher percentage of the company than the other person, he gets the same vote as you. That was not taken on when it first happened.

**Senator FIERRAVANTI-WELLS**—Given the things that have happened over the last few years, is this prompting the newly-elected board to make systemic changes or to make changes in relation to any objectives or, I guess, to governance components of the

corporation? That is the question I am aiming at. Have you given it any thought or are you going to give it any thought?

**Mr Olsson**—Certainly there is a movement amongst growers to get more people involved in the industry and we feel that a model change would be quite healthy. There has been a situation in the past where a small number of growers with a lot of votes can control this industry. That is the way this was set up.

**Senator FIERRAVANTI-WELLS**—Yes.

**Mr Olsson**—I do not think any system is perfect.

**Senator FIERRAVANTI-WELLS**—Yes.

**Mr Olsson**—I have written letters to the previous minister in this regard—that there have been up to 20,000 people who pay levies but cannot vote. I do not think that is healthy and I would like to explore that model further with this new board.

**Senator FIERRAVANTI-WELLS**—It is a bit of a gerrymander, I would have thought. But anyway.

**Mr Merriman**—I would like to finish on that, because I would love nothing more, but we are just having trouble with the structure and trying to get that changed.

**Senator FIERRAVANTI-WELLS**—I appreciate that, Mr Merriman. I was just asking what your view of it was and whether you think it is a good idea.

**Mr Merriman**—Before we finish with that, this election, people have got passionate enough to get up and vote. That is half our problem: apathy by the smaller voters.

**Mr Olsson**—But it is a voluntary system and I believe it was one of the highest voluntary turnouts for a very long time, which surprised us.

**Senator FIERRAVANTI-WELLS**—That is good.

**Mr Olsson**—The figures were quite surprising.

**Senator FIERRAVANTI-WELLS**—Thank you, Mr Olsson. I look forward to seeing those statistics.

**CHAIR**—Senator Fierravanti-Wells, we have gone over. So, if you have got more questions, if you wish, you can put them on notice.

**Senator FIERRAVANTI-WELLS**—I will put some questions, in particular on the wool poll, on notice. I will leave it at that. Thank you.

**Senator WILLIAMS**—Mr Merriman, is about 10 per cent of the wool now being sold off sheep that are not mulesed. Is that correct?

**Mr Merriman**—No, 10 per cent of the wool has been declared.

**Senator WILLIAMS**—Yes.

**Mr Merriman**—Within that declaration, there is the declaration for unmulesed, for going to cease mulesing, and for pain relief.

**Senator WILLIAMS**—Is the unmulesed getting a premium price? Is it getting any extra at the market?

**Mr Merriman**—There have been two unmulesed sales that I know of and they have both sold 20c below the market.

**Senator WILLIAMS**—Twenty cents below?

**Mr Merriman**—Below.

**Senator WILLIAMS**—I am a former fifth generation wool grower and, like Bill Heffernan, have shorn sheep for a long time—too long.

**Senator FIERRAVANTI-WELLS**—You should see me shearing sheep, Senator Williams. I am not a bad hand at it.

**Senator WILLIAMS**—Senator Fierravanti-Wells has shorn a couple herself. What worries me, as I said at the last estimates, is that we saw the ‘keep the clip clean’ program back in the eighties and nineties and we got every bit of bale and twine out of the sheep yards and the shed and we did everything right. We were going to get a premium, and we all know what happened. We got skint.

**Mr Merriman**—There were no premiums, only discounts.

**Senator WILLIAMS**—That is it. You get discounts. Am I being a cynic? Am I being too cynical about people saying, ‘If you don’t muleses the sheep we’ll pay a premium for wool’?

**Mr Merriman**—They have not shown it in those two sales.

**Senator WILLIAMS**—Yes.

**Mr Merriman**—One of the problems is the extra stain factor.

**Senator WILLIAMS**—Because?

**Mr McCullough**—The open-cry auction system works on competition, not necessarily more money flowing back as a bonus. So if there are two people bidding on the wool, then the price may not go up. If there are 10 people, the price certainly will ratchet up. So it is an interest factor. We monitor the non-mulesed, ceased mulesed and pain-relief-declared wool with great interest to see whether there is a premium or some interest being shown. Certainly, if you read the press, you would say that there is a great deal of interest from the Northern Hemisphere. Let us see what premium is paid.

**Senator WILLIAMS**—Obviously the stain is a problem if it is not picked out properly in the skirting.

**Mr McCullough**—Yes.

**Senator WILLIAMS**—Looking to the future, we have seen this economic crash over the last six or eight months. We have seen the price of oil go from \$148 a barrel down to about \$35 the last time I looked. Surely, when things pick up, the price of oil goes up. Oil is a finite resource. Surely that spells a good future for wool, which is a renewable resource that can be used for hundreds of years, thousands of years to come. Isn’t that the confidence that should be there in the industry, because it is a renewable, such a magnificent product, so friendly et cetera?

**Mr McCullough**—We have got more competition than just petroleum based fibres. We have got cellulosic based fibres, man-made cellulosic based fibres and, of course, cotton. So

petroleum based products are competitors and matching where we stand in terms of those products is quite important. No doubt we will see a widening of that gap when the price of petroleum goes up. The petroleum used to make petroleum based man-made fibres is a by-product, but you would assume that, as petroleum goes up, the by-product element would go up as well. So there is more than one competitor to wool.

**Senator WILLIAMS**—I find it alarming that we had 180 million sheep, I think, at our peak numbers, back in the late eighties. You are looking at about 80 million now. Are there enough shearers, or are shearers getting scarce? Are people leaving the industry because they are having too much trouble getting shearers, shed hands, roustabouts et cetera?

**Mr Merriman**—There are and there are not. In Western Australia now, because of the mines collapsing, a lot of people are coming back out of the mines and going into shearing. So we have probably an excess there. In other states, no, there is a shortage and that is why we continue our shearer training programs to bring learners through. It is something that will be ongoing and we are moving to restructure that area to try and take out some administration. But the on-the-ground shearing will not change.

**Senator WILLIAMS**—I wish you and your board well, Mr Merriman.

**Mr Merriman**—Thank you.

**Senator HEFFERNAN**—Have you got a readout on how many people, especially in the western division, are now joining dorpers and dormers and things to get away from the wool and just have the meat?

**Mr Merriman**—Sorry? Did you want to know the numbers?

**Senator HEFFERNAN**—I want to know how many people are joining terminal sires like Dorpers and Dormers to get away from having to worry about shearing them at all.

**Mr Merriman**—That is correct.

**Senator HEFFERNAN**—The mob that I know out there have said: ‘Bugger this! There’s not enough money in wool. We’ll go with a terminal meat sire.’ The other anomaly that has always made me curious is: when you say that 10 per cent of the wool is non-mulesed or pain relieved et cetera, where does crossbred fit into that?

**Mr Merriman**—That is the thing. The crossbreds are in there. When you start going and analysing those amounts of non-mulesed wool, the amount of proper apparel wool and the amount of superfine wool is fairly small. That is why I sent that delegation to Europe—to explain to people.

**CHAIR**—I am sorry, but we are well and truly over time. I thank the board for coming along today.

**Mr Merriman**—I thank the committee for their interest.

[8.50 pm]

**Australian Pesticides and Veterinary Medicines Authority**

**CHAIR**—I now welcome the Australian Pesticides and Veterinary Medicines Authority.

**Senator WILLIAMS**—I do not know who to ask this question of, but someone might be able to answer it for me. I understand that following review, the APVMA is going to increase fees by some 30 per cent from 1 July this year; revenue will go up around \$35 million by 2013-14. At a time of great financial stress, how can this be justified?

**Dr Bennet-Jenkins**—We are currently going through a review of our cost recovery arrangements. That review involves doing an activity based costing study in relation to our fees and levies and looking at the operational requirements that we have to continue to operate. With the cost recovery review we wish to introduce a number of measures to address some of the stakeholder expectations, and those types of measures are in relation to being able to reduce the queue for registrations, to increase and strengthen our compliance activities and to also bring our IT platforms up to current standards. That is the basis of our cost recovery review and increase in the application fees. But there will actually be a reduction in levies over the years.

**Senator WILLIAMS**—That fee could go up some 30 per cent on 1 July?

**Dr Bennet-Jenkins**—The application fees at the moment are not fully cost recovered. About 40 per cent of the cost that it takes to do the evaluation of a registration application is what the framework dictates it should be. Some of the categories for assessments are only recovering about 10 per cent of the fees, so we are not in compliance with the framework. So, yes, in some cases, in order to come into compliance with the framework, those fees will have to be raised.

**Senator WILLIAMS**—What will be the main additional efficiencies that the organisation will provide in return for the higher fees? The time of registration: is that the main one?

**Dr Bennet-Jenkins**—It is. We have called it 'reducing the queue', and that is time to registration, but it is also in relation to our chemical review activities. It is reviewing existing chemicals; it is reducing the queue; it is giving us extra scientific resources to do the assessments. The second component is compliance activity: strengthening our compliance framework in the field to ensure that only registered products are supplied and that those comply with registration conditions. The third one, as I stated earlier, is our IT platform, to bring it up to current standards.

**Senator WILLIAMS**—A typical veterinary product takes about 18 months to two years to register. How much do you believe that bottleneck will be reduced once these extra fees and efficiencies are brought in? Have you any idea?

**Dr Bennet-Jenkins**—At the moment, when we have a registration application in and we have—typically—a new active, it will take at least 12 months to get at least the first component report finished, and then other component reports follow. Then you have to do your risk management and your label directions before you get the final registration. What we would like to do is to shorten the time it takes to be able to get that first report out so that it will reduce the time for the whole process.

**Senator WILLIAMS**—I know of one business that estimates its costs will increase from \$20,000 to \$30,000 to have products registered. Could that business expect more efficiency with this extra money paid, or do you think it is going to be more of the status quo? Do you

see that that time of 18 months to two years will be reduced so that they can get on with business?

**Dr Bennet-Jenkins**—We call them ‘value propositions’. That is the aim. That is the objective: having additional resources to do the assessments will allow us to do them more quickly and get the products to market more quickly.

**Senator WILLIAMS**—I hope you achieve your aim.

**Dr Bennet-Jenkins**—Thank you.

**Senator WILLIAMS**—That is it for me, Chair, on that issue.

**CHAIR**—Thank you, Senator Williams. Senator Colbeck.

**Senator COLBECK**—Senator Williams has taken up a similar spot to the one I was going to take up. On the time frames, what is the percentage of registrations completed on time at the moment?

**Dr Bennet-Jenkins**—The percentages vary. We report statistics for pesticide applications and for veterinary medicine applications. We can give you the statistics for the last year. They are tracking at about 90 per cent in time frame for the veterinary medicines applications and around 85 per cent in time frame for the pesticide applications. We can provide you with the most up-to-date statistics, if you would like to receive those.

**Senator COLBECK**—They are your outcomes. What are your target outcomes?

**Dr Bennet-Jenkins**—The legislation states the time frame that we should finish an evaluation in, so what we are doing is meeting 90 per cent of the legislated time frames. For 10 per cent of the time frames we do not meet what the legislation sets out.

**Senator COLBECK**—So what is the legislation for the time frames?

**Dr Bennet-Jenkins**—The legislation says you should get it in 100 per cent.

**Senator COLBECK**—I think Senator Williams has covered most of what I was going to ask on the cost recovery.

**CHAIR**—I am sure the officers would appreciate an early evening, if there is nothing to ask.

**Senator COLBECK**—There is. There is a very good Tasmanian question.

**CHAIR**—I am sorry.

**Senator COLBECK**—No, it is about Queensland.

**CHAIR**—I will go with Tasmania. Okay?

**Senator COLBECK**—A two-headed fish.

**Senator Sherry**—It is not about Tasmania.

**Senator COLBECK**—It is about Queenslanders—a two-headed question on Queensland.

**Senator Sherry**—This is a first then. It is a Tasmanian joke.

**Senator COLBECK**—I am glad Senator Sherry gets the joke.

**Senator Sherry**—Yes, we appreciate it.

**Senator COLBECK**—Have you done any work on the reports of overspray in respect of the discovery of two-headed fish in Queensland around one of the fish hatcheries?

**Dr Bennet-Jenkins**—Yes. We received an adverse experience report in relation to fish deaths and laval deformities from one hatchery in Queensland. We received that late last year. We have not been able to link those adverse experience reports with any particular chemical use at this stage, because all of the testing of any water or of the fish has not identified positively whether a chemical has been involved. We are, however, working very closely with the Queensland department of agriculture and the other departments through the Noosa Fish Health Investigation Task Force. The task force is going to be investigating these incidents, and the outcomes of those investigations will be very important for us to determine what we may need to do from a regulatory perspective.

**Senator COLBECK**—Effectively, you have not been able to take any action yet because you have not been able to determine any links?

**Dr Bennet-Jenkins**—That is correct, yes.

**Senator COLBECK**—How far into the process are we in conducting that testing? Do we have any time frames for when we expect that we might get some results or is it really an open-ended process of continuing investigation? The accusations are quite strong, or the allegations about the cause are obviously quite strong, from the hatchery. Is there a suite of chemicals that is being tested, or is there a focus, and are we looking at any other locations where this product is used to see if there are any similar effects?

**Dr Bennet-Jenkins**—I believe the Noosa Fish Health Investigation Task Force is looking at all those things. It has a time frame to report within 12 months. We have been invited to the next meeting of that task force, so we will be able to get a lot more information about exactly what their time and work plan is. We are aware that they have done an investigation of the fish deaths and that that report is due out in the next few weeks. We are also aware that Queensland Health have done some analysis of water tanks from some of the nearby properties. They found that they could not detect any levels of pesticides in those water tanks and announced that the water was safe to drink. So testing and investigations are ongoing and, as those results become available, we become aware. We are closely working with the task force to get the newest information as quickly as possible.

**Senator COLBECK**—What was the time proximity of the notification of the event and the testing that occurred? Are the chemicals, for example, biodegradable? Might they break down in a period of time and so any time lapse might limit the capacity to do testing?

**Dr Bennet-Jenkins**—I am not certain exactly what the testing regime was, because we have not received the reports of when they did the testing in Queensland.

**Senator COLBECK**—So effectively we are not actively involved in the process. We are in a peripheral situation where we have been invited to observe and then, once results come from the Queensland government process, our involvement with a report on the chemical or a recommendation with respect to its use and/or its label would follow from that.

**Dr Bennet-Jenkins**—That is correct. We have also been asked to give input to the types of protocols and studies that they wish to use in the investigation, so we are quite actively

involved in providing advice and recommendations of the type of testing and research that they might like to do to help inform the chemical regulation.

**Proceedings suspended from 9.02 pm to 9.15 pm**

**CHAIR**—Welcome back, officers from the Australian Pesticides and Veterinary Medicines Authority. Senator Colbeck?

**Senator COLBECK**—Just to finalise on the interactions with respect to testing on the chemicals, are you providing advice on possible testing regimes that might occur based on the networks that you might have internationally to the Queensland authorities—that is, processes and things that they might look for?

**Dr Bennet-Jenkins**—We have provided advice on the types of things that they might look to investigate; the extent of their investigations. We get advice on environmental matters from the Department of the Environment, Water, Heritage and the Arts, and so we have involved them and sought suggestions from them, as well as the type of information that they would like to see in the investigations that would help us to make a decision as to whether we need to take some regulatory action in terms of the use of the chemicals.

**Senator COLBECK**—But you would also have access to a fairly large database of testing that has been done on the chemical as part of your approval process. Is that available to those authorities to assist them as part of their process or are there some circumstances where that is held in a commercial-in-confidence basis?

**Dr Bennet-Jenkins**—We will be able to provide them with that technical assistance. We cannot give them the data that we hold, but we can give them our technical assessment reports of that data.

**Senator COLBECK**—Would you be aware of any other similar processes or potential incidents that might have been reported in other jurisdictions internationally? Does your network of adverse reporting link up to others that might identify concerns that might be raised with a particular product?

**Dr Bennet-Jenkins**—We certainly have very close links with overseas agencies in relation to adverse reports on particular chemicals, in particular also to the type of data that they hold and the assessments they have on those chemicals; so we liaise with them very closely. I am not aware of a similar incident having occurred in another jurisdiction.

**Senator COLBECK**—When these sorts of things occur, do they actually draw inquiry from other jurisdictions as to what might be going on and general inquiry about the issues surrounding a particular product? Is that part of the networking process in the chemical approval world?

**Dr Bennet-Jenkins**—Yes, it certainly is. At this stage there is an interest, but until we actually can link it to a particular chemical, even other countries cannot make a judgement as to whether they need to have increased vigilance in their particular areas. Each country has a different regulatory regime and different products will be registered for different uses. Everybody I think is awaiting the results of the investigation that will determine if pesticides are involved and, if so, which ones.

**Senator COLBECK**—Because different chemicals have different impacts, depending on the environmental conditions under which they are applied?

**Dr Bennet-Jenkins**—Yes, and the use pattern. Different countries will grow different crops in different ways and in different locations. The use pattern and the exposure scenarios will be quite different.

**Senator COLBECK**—Thanks for that. We talked a bit about the cost recovery review process that you are going through at the moment. The old chestnut of minor uses and how you actually adequately research those particular minor uses and have effective label requirements for them: is that process going to be picked up as part of this review of charges? Are we continuing to progress with providing a better service for the sector that says it is always left out there on its own, which is minor use, and you end up with a lot of off-label uses that have got special permits and things of that nature? How are we progressing with dealing with that as an issue?

**Dr Bennet-Jenkins**—We are working in partnership with the department in relation to the minor use issue. We are also doing a lot of work in the international arena. We share an expert group on minor use at the OECD precisely to allow there to be better sharing of information and possibly data and assessments, so that one can streamline and have a better process for minor uses coming into Australia or approved in Australia.

**Senator COLBECK**—What are the key bottlenecks that you are facing? Funding is obviously one, but what are the key bottlenecks?

**Dr Bennet-Jenkins**—From our perspective, we do not coordinate or organise the research. That is very much for the grower groups to do, the industry to do. The bottleneck for us again is assisting in providing advice on the type of data that we need, streamlining how we might assess that data, providing and writing guidance documents to make it easier for people who need to apply. So our value proposition is also to free up resources to allow our officers to look at streamlining, how we actually set our data requirements and assess uses for minor use.

**Senator COLBECK**—So resource effectively is the fundamental determinant of where it is at?

**Dr Bennet-Jenkins**—From our perspective, yes.

**Senator COLBECK**—If you have the money, you can be more effective?

**Dr Bennet-Jenkins**—Yes.

**Senator COLBECK**—I might get Dr O'Connell to take a question on notice in respect of what considerations might be given to providing some additional resources in that area, in working with minor uses. I think I can understand that it might be a budget question, so I am not going to get an answer now, anyway.

**Dr O'Connell**—I will take that on notice, yes.

**Senator COLBECK**—I am happy for you to take it on notice. There has also been some discussion with respect to reforming the MRL setting process. Do we have any current discussion on that?

**Dr Bennet-Jenkins**—The MRL setting process is part of the COAG regulatory reform agenda and discussions are progressing. The Department of Health and Ageing does the policy development and I might defer to my colleagues in DAFF.

**Mr Souness**—There is a body of work going on with the Department of Health and Ageing looking at harmonising the MRL setting process between APVMA and Food Standards Australia New Zealand. That piece of work is at quite an advanced stage. We have been working under the auspices of the Australia and New Zealand Food Regulation Ministerial Council in that work. We are currently working through drafting instructions and then possible amendments to the Food Standards Australia New Zealand Act and APVMA legislation. So that work is advancing.

**Senator COLBECK**—Do we have a possible light at the end of the tunnel time frame? Are we six months, 12 months, 18 months, two years away from getting some sort of definitive action?

**Mr Souness**—The Department of Health and Ageing is leading that work and I would not like to misrepresent them.

**Senator COLBECK**—We might ask them later in the week.

**Mr Souness**—But as I understand it, they are looking at wanting to introduce amendments to legislation in the next month or two. I would not like to speak on their behalf in that respect with great confidence, but that is what I am understanding their intentions are.

**Senator COLBECK**—Okay, fine. Thanks very much for that. Thanks, Chair.

**CHAIR**—Thank you, Senator Colbeck. Are there any other questions? If there are not, I thank the officers from Australian Pesticides and Veterinary Medicines Authority. We will now move to agricultural productivity. I welcome officers from the division.

[9.24 pm]

**Senator WILLIAMS**—Mr Grant, the New South Wales government has attempted to close the Glen Innes Agricultural and Advisory Research Station and seven other similar facilities. Since 1934, the Glen Innes Agricultural Research and Advisory Station has been conducting one of the world's longest running crop rotation trials in which soil carbon has been measured. We all know storing more carbon in the soil could become a major weapon in the battle against global warming and climate change. Do you believe the New South Wales government should be attempting to close these facilities considering the agricultural productivity, research and development in our nation?

**Senator Sherry**—That is a matter for the New South Wales government. If you want to ask questions about that, refer it to your colleagues in New South Wales.

**Senator WILLIAMS**—I was just seeking an opinion, Minister.

**Senator Sherry**—Yes, but it is not up to the Commonwealth government to give an opinion, unless the minister would indicate that he wants to voice opinion on the matter. I am happy to refer the issue to the minister.

**Senator WILLIAMS**—In relation to agricultural productivity and the price that carbon may be set at under an ETS, ABARE predicts that up to 26 million hectares would be

economically suitable for afforestation in Australia. If an area of land such as 20 million hectares was sown down to trees, what would be the effect of the reduction in agricultural productivity?

**Mr Grant**—We have not done specific research that identifies what would be the loss of agricultural production from large-scale escalation of forestry plantings because it really depends where the plantings will be, what sort of land they are planted on—whether it is marginal land or high-rainfall land—the purpose of the plantings and whether there is mixed farming associated with forests. We have monitored in a small way the growth of tree plantings over the last few years and we believe that at the moment the increase in tree plantings as a result of, say, MISs has not been a significant factor in any reduction of agricultural production.

**Senator WILLIAMS**—I am looking at a map of New South Wales, and the area I am most concerned about is the New England area and northern New South Wales, which is regarded as high-rainfall country, receiving 28 or 30 inches or more a year on average. Do you have any intention to look at this situation of agricultural productivity in relation to the loss of food production compared to the plantation of such areas down to trees as far as carbon sequestration goes or MISs or carbon sinks?

**Mr Grant**—The availability of agricultural land for agricultural production is a key input into our productivity growth. There are a number of reasons why—

**Senator NASH**—Did you just say you have not done any studies at all as to the impact on productivity of the potential afforestation?

**Mr Grant**—No, I said I had not done any studies into the particular example that Senator Williams raised with me. I think he said a 20-million hectare increase in plantings of land. What I was trying to say was that we know that land availability is a key factor in agricultural productivity and agricultural production. There are a number of reasons why agricultural land is being taken out of production, one of which is that it is being turned into other economic pursuits. Another is that it is being turned into society's returns through housing and through urbanisation. There are a whole lot of reasons why agricultural land availability is reducing, and we are interested in trying to determine the rationale for that and, in association with ABARE, we will be trying to measure in more detail what impact that will have on overall productivity.

**Dr O'Connell**—It might be helpful for Mr Glyde to talk a little bit about what might be the expectation. You are talking about high-rainfall areas, and I think where we are talking about afforestation for carbon purposes. The sorts of carbon prices we were looking at are unlikely to lead to forests being planted in the high-rainfall area for carbon only.

**Mr Glyde**—The work you referred to, Senator, has been much quoted, but I think a lot of people have moved past what some of the caveats were in relation to that work. As Mr Grant has said, the first step we are taking in this process of trying to understand what the impact might be is to get a better handle, for various settings under the Carbon Pollution Reduction Scheme, on what might be the potential land use changes, what might be the areas of increased plantation for commercial forestry and what might be the areas of increased environmental plantings for carbon sequestration.

We have just started that process and we provided a report to Treasury. As we said in listing the heroic assumptions we have had to make, that is very much an upper bound on that potential. We are still in the process, working with Treasury and with the DCC, of narrowing that down to get a more accurate estimate, and I would imagine that that estimate would come down as we get more realistic assumptions. Having done that, there is another exercise to go through, which would be to consider, presuming the sort of size of the forest estate that might occur as a result of the CPRS, what the impact on the agricultural sector more broadly would be. What is going to change in the agricultural sector? That is the next line of that analysis, and we have not got to that as yet. That is what Mr Grant was talking about. In due course, when we have some more robust estimates, we can start to do that sort of analysis in a meaningful way.

**Senator COLBECK**—The problem with that process is that the government's assumptions with respect to the CPRS are based on the data that you have already given them, and I agree with you that there is still some more work to be done, because it needs to be defined much more clearly with respect to a whole range of those things. You talk about high-rainfall areas. There are certain high-rainfall areas that may go to forestry; it depends on where those high-rainfall areas are. If I take my home state, there are certain high-rainfall areas there that are very highly suited to forestry. They are not necessarily high-productivity areas as far as agriculture is concerned, but they may produce a reasonable return. But the fundamental question that I think comes under this is: how do we have confidence in the overall structure of the CPRS, particularly given the levels of sequestration that will go into forestry through these large areas that Senator Williams has talked about, which are some of the fundamental underpinnings of the CPRS?

**Mr Glyde**—I think we have used the best that we have at the moment. We are talking about—

**Senator COLBECK**—I am not arguing with that. I think that is fair and I agree with what you are saying, but we are going to legislate this with legislation coming to the parliament in May, and I think we agree that the data needs to be much more defined to underpin the assumptions that are made in the CPRS. Despite what I perhaps thought coming in, with what you are saying to us now I think we are pretty much on the same wavelength. Those things really need to be defined much more, and yet we are going to have this legislative process commence within a couple of months and a system up and running inside 12 months.

**Mr Glyde**—I think the other thing to think about is the length of time over which we are doing these estimates and how quickly things might change. We are doing this in modelling out to 2030 and 2050, and a lot of decisions have to be made and a lot of experience has to be gained in the interim. It is not as though from 2010 onwards we are suddenly going to be confronted with a huge afforestation task.

**Senator COLBECK**—I understand that.

**Mr Glyde**—The reality will be around the market signals that are occurring. As we know, a relatively low carbon price start is planned and assistance and otherwise will be there. The logic is to start off slowly and to, in essence, learn by doing so. I think it is a reasonable start. We have the best information we can. Decisions have to be made about that in designing the

scheme. We are talking about a very long time period and the figures we are talking about, which have been very much quoted, relate to what it might be at the end of that period. In any change like this, where you are going to be changing prices in the economy, there is going to be a lot of reality occurring as we move forward and policies will adjust during that time.

**Senator COLBECK**—I accept 100 per cent that changes will occur, but look at the concerns that exist in some elements of the agricultural sector at the moment. In Tasmania, which I know quite well, less than five per cent of the agricultural land has been taken up, and I am not talking about highest quality land. Most of the lower to mid-range agricultural land has been taken up by forestry, but it has caused an enormous amount of angst in the agricultural sector, as it has in other states.

If you look at the figures that you have provided us with so far for CPRS, as I said to you this morning a significant proportion of the Tasmanian agricultural land mass—in fact, if you go to the top end of the scale, nearly all of it—is going to be taken up in forestry. I do not think that is practical because some of the land is not suited to it and the price competition, as you quite rightly say, is going to play out of it. Dairy is competing quite heavily with forestry for agricultural land at the moment. In fact, the forestry guys complain they cannot compete. But, again, I come back to the point that I made: that the assumptions for the CPRS are based on that data.

While we are not talking about the extremes—we are not talking about 25 million hectares; we are talking about five to 15 million hectares—it is still a lot of land, and my concern is that there is a huge reliance on uptake of carbon through forestry as part of the CPRS. Those figures are obviously quite high, yet we are moving to the legislative process before we get a much more refined process. I understand that it is going to change over time. I do not argue with you on that and I think that is a responsible attitude to take as part of the process. I am just concerned about the projections being made based on the data we have at the moment—that is, underpinning the structure of the CPRS at this point in time. Forestry is one of the real weaknesses, as I see it, in the costings that are being put forward as far as the modelling is concerned at the moment.

**Mr Glyde**—I really cannot comment. That is going to matters of the policy design for the CPRS.

**Senator COLBECK**—Sorry—I have interjected on Senator Williams, so I will sit back and shut up.

**Senator McGAURAN**—I will just clarify something too. As I understand it now, you are throwing a huge doubt over the modelling process with regard to forestation. We had a Senate inquiry about the carbon sink forest incentive program. These are Treasury models of, as Senator Williams quoted, 26 million hectares at an end of a term. Now you are throwing doubt on it. Are you telling us now that that is not the real model, even though the legislation is going to be centred around Treasury modelling. Are you saying that, ‘It’s going to be better refined, because if it is really 26 million hectares of forestation out of this carbon sink program then that’s not tolerable and we’ll fix it’? Is that what you are saying?

**Senator Sherry**—Just before the witness goes on, Senator McGauran, I admire your tactic of attempting to put words into the mouth of a witness but he is not casting doubt on the

modelling. He has reiterated, largely, his responses to similar types of questions earlier in these proceedings. It is an old trick, Senator McGauran, and I have sat where you sit.

**Senator McGAURAN**—I sought clarification.

**Senator Sherry**—Asserting, by a description, a claim that a witness has expressed huge doubt does not mean that he actually did so; and in this case he certainly did not.

**Mr Glyde**—Senator, I am really just pointing out what was in the analysis that we provided to the Treasury, the caveats that are around that, and I would have to say that the public debate around that has got quite confused. I am just reiterating the advice that was provided to the Treasury, which they took on board in their modelling. It is as simple as that. I am more than happy to provide a copy of the report to you, but it is as it is. It is the best assessment that could be made at the time and we are going to continue to improve it.

**Senator WILLIAMS**—Chair, could I move on with a question to Mr Ottesen?

**CHAIR**—Fire, Senator Williams.

**Senator WILLIAMS**—Thank you, Chair. You always are a friendly bloke! Mr Ottesen, is the department satisfied that the horticultural code of conduct is achieving its aim?

**Mr Grant**—I will answer that. The horticultural code of conduct, as you know, is being reviewed. The Productivity Commission reviewed the code as part of its review of the grocery prices and recommended there be 13 changes to the horticultural code of conduct. The minister agreed to establish a new horticultural code of conduct committee, with a new set of industry representatives. That committee has met and has sought input from the broader industry. It is taking submissions from the broader industry to come to a view, and to advise the minister, about whether industry has strong views about the implementation of the 13 recommendations that were made in the Productivity Commission review. Clearly, the horticultural code of conduct is working to a certain extent at the moment. It is being reviewed and the government will soon be taking account of the industry's views on those recommendations.

**Senator WILLIAMS**—Has or will the department be contributing to this review?

**Mr Grant**—We provide the secretariat to the Horticulture Code Committee and are involved in providing a service to that committee to ensure that it does its work effectively and efficiently.

**Senator WILLIAMS**—Has the department undertaken any independent inspections of the markets to ensure the code is operating effectively?

**Mr Grant**—I cannot give you the names and dates of when our officers went to markets but I know they have. Whether or not you define them as inspections, I do not know, but certainly our staff have been in and around markets to try to understand the sorts of relationships that exist between wholesalers and growers.

**Senator WILLIAMS**—Is the department aware of any industry concerns that the government is attempting to water down the code?

**Mr Grant**—I would wait until we hear from the industry itself through the code committee before we make judgments in that area.

**Senator WILLIAMS**—Could you take on notice whether the department has undertaken any independent inspections of the markets to ensure the code is operating effectively? Can you get some finer detail on that?

**Mr Grant**—Yes, of course.

**Senator WILLIAMS**—Thanks.

**Senator McGAURAN**—What steps have been taken with regard to enforcing the code?

**Mr Grant**—I do not know. You would probably have to ask the ACCC. I am aware that they have taken action against some establishments in Darwin recently, but I am not aware of how many others. You should check with the ACCC on that.

**Senator Sherry**—The ACCC are in Treasury estimates and I have no doubt that they could provide you with greater details. They are appearing on Thursday morning between 10.45 and 12.00. I am sure you would be even more thrilled to know that I am the responsible minister! So I am happy to notify you that the ACCC is on and will be happy to be there to respond to you, Senator McGauran.

**Senator McGAURAN**—I can't make it, I'm sorry! But this is the body that has the responsibility for the horticultural code of conduct. It has set it up established it and worked with the parties to bring them finally together after so many years—and legislated. The ACCC was an intricate part of—

**ACTING CHAIR (Senator O'Brien)**—Yes, they enforce it. If there are no other questions, can we move on to the Grains Research and Development Corporation. Are there other questions?

**Senator McGAURAN**—The question is: why wouldn't you know what the ACCC involvement is with the very horticultural code of conduct that you administer, in a sense, or oversee?

**Dr O'Connell**—I was not sure whether the acting chair was—

**ACTING CHAIR**—Yes. I think we have established that those questions are appropriate for a different estimates committee. Senator Colbeck, you have some questions that are relevant for these officers, I believe.

**Senator COLBECK**—I hope so.

**Senator Sherry**—Nevertheless, could I thank Senator McGauran for the fine compliment he just paid the department. I would not want it to go unnoticed and without tribute to his very perceptive observations.

**ACTING CHAIR**—Senator Colbeck, we have had your declaration of interest.

**Senator COLBECK**—Is the department aware of the concept of product road mapping?

**Mr Grant**—Is that like product miles?

**Senator COLBECK**—No. It is product road mapping. It is a process where consumers are encouraged to consider the source of their product and the social consequences of that particular product.

**Mr Grant**—I have not heard the term, but it sounds like it has similar connotations to product miles or food miles or any number of those other—

**Senator COLBECK**—I have a paper in front of me that has been prepared by the Sustainable Development Commission in the UK. It has a foreword by Alan Knight, who is the commissioner of the Sustainable Development Commission. It is obviously something that is being pursued in the UK. I have seen the concept discussed in some of their media programs—the purchase of poultry, for example; whether they be free range, caged or what form of farming. I wondered whether the department was looking at that. The paper was forwarded to me by a grower in Tasmania who said that we ought to be looking at this as a concept, it is what is happening internationally—that the environmental, the climate change and the sustainability impacts of a product should be part of our marketing at the front end. The conversation we had a little while ago with AWI would indicate a part of that. Is the department looking at it as a concept to see what the opportunities, or potentially threats, from it might be? Both would exist, I would have thought. It could be used as a marketing tool in a protectionist sense, but it could also be used as a marketing tool in an access sense.

**Mr Grant**—Yes, we are interested in that; you are right. Certainly it can be used to advantage small producers, particularly regional producers. So people in small communities or smaller producing areas of Australia might want to market their products with a particular regional focus or a particular attribute of that area, and they might think that it would be more conducive to selling their products. But your other point is right: in parts of Europe there are signs that it is being used, in a sense, as a non-tariff barrier. It is trying to promote domestic trade against other trade. The concerns that we would have are that the claims that are made around the sorts of labelling or annotations that are put on the products need to be independently and objectively assessed in terms of their scientific merit. So that is where the two sides of the story are.

**Senator COLBECK**—The concept is that you are responsible for what you buy and you make a contribution to all of the advertised benefits of the product and to your environment, based on those principles. There was one circumstance that I have seen some media on that had a 30 per cent impact on the sale of factory farmed chicken immediately the program went to market in the UK. I do not know how long that was sustained for over a period of time, whether people drifted back to the price based focus versus the product based focus. Research that I have seen at a local level—done for the vegetable industry back in 2005 around the Fair Dinkum Food campaign—indicates that about 10 per cent of the market is label focused, whereas 90 per cent were price sensitive. But it seems to be something that is growing. I know that after the Fair Dinkum Food campaign the retailers were going to the processors saying, ‘We need Australian labelled product. When can we have it?’ So there is an awareness that is growing. We have discussed the Australian Grown label earlier and all of these things are building in. I was wondering how active the department was in investigating this to ensure that we are positioned as and if this grows.

**Mr Grant**—We are actively investigating all of those sorts of claims. We take a strong interest in the promotions and claims that are made. We continue to advise the minister on claims that we think would be unjustified, in terms of making consumers not become aware of the true issues behind the product or the marketing or how it was produced. So we are

wanting to make sure that products are marketed in a way that is consistent with full transparency and openness to provide consumers with the best available information about what they are buying.

**Senator COLBECK**—Are you aware of this document from the Sustainable Development Commission in the UK?

**Mr Grant**—No, I am not.

**Senator COLBECK**—It talks about things like chocolate, for example. We have seen campaigns on that recently—and coffee. There are obvious things that are coming through the system where this is going to impact. I am happy to give you a copy of this so that you can have a look at it. I do not know how serious the government in the UK is, but if the Sustainable Development Commission is preparing a document like that, I would suggest that they are having a close look. As I said, it presents some opportunities for us, but also presents some real threats.

**Mr Grant**—It is probably a logical flow-on from the geographical indications that have been in and around Europe for a long time. It is probably the next step in that process of looking for—

**Senator COLBECK**—In the context of the interest in climate change, for example.

**Mr Grant**—Yes.

**Senator COLBECK**—Which is effectively a *fait accompli* in the UK, from conversations I have had over there in the last three or four months. All those sorts of things are starting to be built into the way that they look at and think about their product marketing.

**Mr Grant**—In Australia it is likely to be more around water use that is of interest to our consumers as much as anything.

**Senator COLBECK**—But, by the same token, the concepts still feed into the process.

**Mr Grant**—It is the same. I agree.

**Senator COLBECK**—I am not sure if this is the right place, Dr O'Connell, but I want to ask some quick questions about funding into one of the R&D corporations. I know that we have a whole heap of them in on a separate basis, but I wanted to ask some quick questions about the dust-up within Horticulture Australia with AUSVEG and the review process that was conducted. I am aware that the previous minister requested a review into AUSVEG. I understand there may have been more than one done, but I am not certain that they have actually seen the light of day.

**Mr Grant**—Yes, I can help you. The previous minister did ask for a review to be undertaken about project funding that was made available by Horticulture Australia to AUSVEG. There were some concerns expressed about whether that funding had been used to reflect the full extent of the funding agreement; so whether it had been used appropriately.

**Senator COLBECK**—Yes.

**Mr Grant**—A report was provided. When the government changed, and the current minister looked at that, he was not happy with the response that had been provided so he asked for further work to be undertaken and further analysis of the issue. Subsequent to that,

Horticulture Australia have written to the minister providing the additional information that he requested in terms of the arrangements that existed between HAL and AUSVEG. The minister has not released that information and he is still considering it.

**CHAIR**—We are over time, Senator Colbeck, so I would ask if you could—

**Senator COLBECK**—I will wrap this up. I do not want to go into it in too much detail. Is the report in a form that could be released?

**Mr Grant**—The report is a letter from Horticulture Australia, with an attachment provided by a set of consultants. In theory, if the minister were willing to release it, it could be released in that form.

**Senator COLBECK**—Could you take on notice whether he would be prepared to release it.

**Mr Grant**—Sure. I could ask him.

**Senator COLBECK**—I would be interested. Obviously, in my general neck of the woods, it is an issue of some interest, certainly within the horticulture sector. So I would be very interested to see if I get some sense of what the outcomes of those investigations were, because the fact that questions have been asked, there was a process that was put into place and there has been no known outcome from it at this point in time, is causing some angst.

**Mr Grant**—I am happy to take it on notice.

**Senator COLBECK**—Thanks, Chair.

**CHAIR**—Thank you, Senator Colbeck. I thank officers from Agricultural Productivity.

[9.56 pm]

### **Grains Research and Development Corporation**

**CHAIR**—Welcome, gentlemen, and thank you for being patient. I know you have come from interstate. It is good to see you again.

**Senator WILLIAMS**—Mr Perrett, the national variety trials undertaken by the Grains Research and Development Corporation have indicated that GM canola yields between 10 and 20 per cent less than non-GM canola, yet all agronomic reports undertaken by the federal government have indicated an expected yield increase of 10 to 30 per cent and rarely estimates the costs involved. Will you recommend that all federal reports be reassessed to take into account the yield penalty and costs involved?

**Mr Perrett**—No, Senator Williams. Our trials, unfortunately, were predominantly in southern areas and this year were impacted by drought. We had five trials with GM canola, two of those were actually harvested, and it is very hard to judge the results from one year. What we would suggest very strongly is that we continue those trials under the independent system and continually monitor to see where we go.

**Senator WILLIAMS**—So you had five crops, you say, planted and you harvested only two of them. Is that right?

**Mr Perrett**—Five trials, two harvested.

**Senator HEFFERNAN**—Where were they, by the way?

**Mr Perrett**—I cannot give you the exact location off the top of my head, Senator Heffernan.

**Senator HEFFERNAN**—I can tell you that mine looked like a tonne to the acre and went 0.2.

**Mr Reading**—I can answer that, if you wish. Victoria hosted three trial sites: Lake Bolac, Horsham and Wunghnu. New South Wales had two trials: one near Forbes and one near Wagga.

**Mr Perrett**—There were, unfortunately, difficult conditions across those areas, and we obviously have to look at other factors alongside just yield, such as how they fit into farmers' rotations and so forth.

**Senator HEFFERNAN**—To follow from Senator Williams' questions: I think it is a furphy that there is some great yield gain to be made with GM.

**Mr Perrett**—Our interest, Senator Heffernan, is in making sure that we have independent trials out there and that growers have access to that information.

**Mr Reading**—The other issue that I think is worth pointing out is that yield is not the only driver for growers using this technology in their production system. There are other drivers, such as flexibility. I think there were 100 growers that used it this year and one of the advantages they came back with is that they could dry sow and spray later, which gave them increased flexibility. The other thing is that they have to be very concerned about herbicide resistance, and being able to rotate herbicides enables them, hopefully, to avoid the impact of herbicide resistance. There are a number of reasons for using the technology and, as we mentioned at a previous Senate estimates, we are doing a survey of all the growers that planted the crop. That survey is about to start and will be looking at how the growers saw it, how it fitted their system, how it worked in terms of economics of production, and whether they will be using the technology again this year.

**Senator WILLIAMS**—Almost all GM crops are limited to soy, corn, cotton and canola, which escape labelling recommendations. No GM wheat is growing anywhere in the world, due to the potential of market devastation. There is no market in the world that will accept GM wheat, due to the labelling requirements. No GM wheat is accepted in non-GM consignments, yet the federal Office of the Gene Technology Regulator designs trials to restrict contamination, not prevent it. A widespread and significant level of contamination of non-GM canola was detected prior to any commercial release of GM canola. Will you recommend to the Office of the Gene Technology Regulator to provide more stringent regulations to ensure contamination of GM wheat trials is prevented?

**Mr Reading**—You have raised a number of points there. Firstly, the Office of the Gene Technology Regulator only look at it in terms of health considerations. That is their consideration. As you rightly point out, the majority of releases of GM technology so far have been in corn, cotton and soya beans. There are reasons for that. Firstly, that is where the major markets were for the technology initially, and that was in the US. Secondly, in terms of getting those traits into those crops, it is easier than wheat. Wheat is a much more complex genome. Thirdly, when initially looking at the traits that are out there at the moment, they lent themselves more effectively to those crops. However, I think it is worth pointing out that

wheat is now, in terms of its international importance, coming up for consideration and there is preliminary work going on now on GM traits in wheat.

**Senator WILLIAMS**—Is there some being carried out at Mildura?

**Mr Reading**—Correct, and that is with a water use/drought tolerance gene. That is going on at the moment. The other thing is that, for example, the next wave of biotechnology coming through will be not only on the production end but also on the consumption end. We have got proof of concept with GM wheat, as well as doing non-conventional route-to-market in terms of high-amylose wheat, which will have a major impact on health in terms of colorectal cancer, vascular disease and potential diabetes. There are other traits now that are in their early stages of proof of concept, including nitrogen use efficiency, which is critical going forward in terms of fertiliser input cost and its potential there, and, as I mentioned, water use efficiency. There is also work going on in terms of synthesising chemicals such as salicylic acid in plants, which could have a major impact in terms of biofactory sample.

**Senator WILLIAMS**—These GM crops and trials can be very controversial, can't they? Some farmers are very much supportive of genetically modified crops and some are very much against them. Would you agree with that?

**Mr Perrett**—The trends are certainly changing, Senator Williams. As we look at surveys of consumers and farmers across the world, each year there is greater acceptance of GM crops.

**Senator HEFFERNAN**—Do you think there will be a continuing ban in Australia on terminator genes?

**Mr Perrett**—I was unaware there was a ban on the terminator gene. I was aware that the companies had decided not to pursue the terminator gene.

**Senator HEFFERNAN**—That is the big pay cheque for this mob: that you tie the chemical to the seed and put a terminator gene into it. Would you support a terminator gene, Mr Perrett?

**Mr Perrett**—It would be up to the companies. It would be up to producers if they wanted to use those plants.

**Senator HEFFERNAN**—No, I am asking you.

**Mr Perrett**—Would I use it?

**Senator HEFFERNAN**—Yes.

**Mr Perrett**—It would depend on the scenario.

**Senator HEFFERNAN**—That is a silly answer.

**CHAIR**—It might not be the answer you wanted, but it was the answer.

**Senator HEFFERNAN**—This is a proposition which Senator Williams is approaching: what is behind gene technology? A lot of the global food task is going to be dependent on gene technology. It certainly is a welcome sight to see the Western Australian government change their mind on it, and certainly the development in the north will depend on it, but there is no question that Monsanto and these companies are not doing it for the good of growers or

the good of the food task. They are doing it to get a quid, and one of the keys to getting the maximised quid out of it is to put the terminator gene into the process. You then tie the chemical regime to the specific, and you own both. Anyone that does not think the terminator gene is going to do farmers in is pulling the chain.

**Mr Perrett**—That is an opinion, Senator. If there was advantage in the use of the technology—

**Senator HEFFERNAN**—What would be the advantage?

**Mr Perrett**—If it made sense to my farming systems. There may well be an advantage in the future.

**Senator HEFFERNAN**—But what would be the advantage?

**Mr Perrett**—If we did not want that crop to reproduce, we just wanted to take the seed, and there was an advantage in that, then that is something we would look at. But it's horses for courses. It is about chemicals we do not have to use. If they add value to our farming systems, if they help the environment, if they help our production, if they help our bottom line, we will use them. I just see the technology as being like all those other technologies.

**Senator HEFFERNAN**—All that is quite legitimate, but obviously the chemical companies are going to tie a specific—

**CHAIR**—Senator Williams has the call.

**Senator WILLIAMS**—Mr Perrett, Senator Heffernan did touch on Monsanto. Monsanto owns many of the patents over plant breeding technologies and has agreements with research institutes for them to use these technologies free of charge in exchange for confidential agreements, so I am informed. Can you detail what is required of institutes such as the CSIRO as part of the trade-off under these contracts? Do you know anything about this?

**Mr Perrett**—No, I cannot, Senator Williams.

**Mr Reading**—You raise a couple of issues. Firstly, some of the chemical companies now are looking at what they call 'open platform technology', where basically everyone can have access to it. I believe that is very positive, and I think that is going to be particularly positive in the developing countries, where they really will have trouble in terms of commercialising the technology. Secondly, these companies, as they are developing these technologies, are entering into relationships with researchers such as CSIRO and others, in terms of helping them to bring that technology through—it might be validation of adaptation in the Australian climate. It is very much on an agreement per agreement basis. There is no generic one there.

**Senator WILLIAMS**—Have these agreements been assessed to ensure that they do not oppose anticompetition requirements? Do you know anything about that?

**Mr Perrett**—As far as I am aware, we are not aware of any agreements that CSIRO makes with the chemical companies, or their business with the chemical companies. I could not answer that question, Senator Williams.

**Mr Reading**—If you look at the cotton example, I think that is important. These same discussions went on when they were initially looking at GM cotton. Now, I think over 94 per cent of the Australian cotton that is grown is GM. Growers would not be using it unless it

fitted their system and they saw value for money. For example, before GM came in, the average insecticide sprays per season were about 24. It is now down to about two. The companies are spending big money on developing these genes. It is high risk and there is a high failure rate, but again the market will decide if they are getting value from it.

**Senator WILLIAMS**—There is one big difference between cotton and canola: we do not eat cotton.

**Mr Reading**—It is worth pointing out that in canola oil the DNA is denatured.

**Senator WILLIAMS**—I have one concern, especially with canola. I know farmers who are trying to stick with the old canola, GM free. If they are using a contract header, how would they ever clean every seed of canola that has been in a crop of GM and it has gone out on the harvester; picked up the wind row and run the header over the paddocks? You just could not clean that header out, if you had to go through a GM-free property, could you? I have cleaned headers out. It is hard enough with wheat and barley, let alone with a small canola seed.

**Mr Perrett**—I have cleaned headers, Senator Williams, and there are protocols in place that were developed quite some time ago for headers moving from Queensland to New South Wales.

**Senator WILLIAMS**—Yes. To get them through the border, you have to clean out any wheat or barley.

**Mr Perrett**—That is right. The industry went through a very strong process in assessing the potential risk of contamination. At the end of the day, the industry agreed that there could be protocols put in place to maintain integrity, and that is right through from the paddock to the storage system.

**Senator WILLIAMS**—Do you really think you could clean the header down 100 per cent after stripping canola?

**Mr Perrett**—If you want to be very good, you can do a job that will not drop the seeds in the next paddock.

**Senator WILLIAMS**—Okay.

**Senator HEFFERNAN**—With great respect, the problem with GM canola and non-GM canola really is not one or the other. It is about how you actually successfully segregate and market it, and put the legal onus on the non-GM grower. Why have we got a reverse legal onus on the non-GM grower?

**Mr Perrett**—I am not sure that legal onus is reversed to the non-GM grower. I have not seen evidence of that, Senator Heffernan.

**Senator HEFFERNAN**—Well, you have not looked about then, old buddy!

**Mr Perrett**—I know that there is plenty of discussion, but there is no legal advice—

**Senator HEFFERNAN**—No-one is mentioned on legal notice in the opposite course. Any legal notice has gone to the reverse of the non-GM.

**Mr Perrett**—Not in Australia.

**Mr Reading**—Again, I think that is out of our area of expertise in terms of the legal side.

**Senator HEFFERNAN**—That is the only problem I see with that.

**Mr Reading**—Yes. As the chairman pointed out, in terms of establishing protocols during the introduction phase, I think everyone has agreed that there has been good cooperation along the value chain. We have seen cooperation from the grain handlers, where they will look at the segregations. Over the medium term, with GM canola being marketed overseas, Japan—where most of our exported grain goes—have been using GM canola for years; 85 per cent of their canola comes out of Canada. In the next two to three years, the growers will determine whether GM canola is—

**Senator HEFFERNAN**—The solution for the industry is all in.

**Mr Reading**—Sorry?

**Senator HEFFERNAN**—The solution is all in. We have to get to the point where the market accepts whether it is GM or non-GM. It is not going to bung up your back passage or something; it is all right.

**Mr Reading**—Yes, correct. I think what will happen—and we have had this discussion before—is that, if in three years time GM canola is really delivering benefits to industry and it has shown that it is not impacting export markets, there will be a much broader acceptance of it. In the next three years, if it does not deliver the benefits, the growers will not grow it.

**Senator HEFFERNAN**—Yes.

**Mr Reading**—So that will help solve the problems.

**CHAIR**—We are again running short of time. Senator Williams, have you finished your line of questioning?

**Senator WILLIAMS**—One question off the cuff: this is probably not in your field of play, but is there some sort of labelling system being prepared that identifies GM or non-GM? Is that out now, or is it looking to be instigated? I am thinking about public awareness.

**Mr Perrett**—The Australia New Zealand Food Authority puts in place labelling regulations, if I am correct.

**Mr Reading**—Finally on that, we are also doing work on it and getting quite close to it. At the moment you need to really get down and understand the DNA and you have to do destructive testing. We are doing a lot of work looking at potentially being able to screen and evaluate through—it is not infra-red—one of those technologies where you will, at the receiver point, be able to tell.

**Senator WILLIAMS**—Fine. Back to you, Chair.

**CHAIR**—Thank you, Senator Williams. Senator Heffernan, do you have one more question or statement?

**Senator HEFFERNAN**—Yes. There is a notion out there that research and development in agriculture is in decline. Do you agree with that?

**CHAIR**—We had a good announcement today.

**Mr Perrett**—Not from the GRDC's perspective. We are continuing to try and build the capacity of research and development within Australia. We need to try and build our budget in that area.

**Senator McGAURAN**—Is there a program or scheme?

**Mr Perrett**—There is a formula in place, and basically close to 60 per cent of our budget comes from growers and approximately 40 per cent from government.

**Senator McGAURAN**—Has it, over say the last two years, increased or decreased—the grower levy take?

**Mr Perrett**—The grower levy goes up and down, depending on production. It is one per cent of net farm-gate value. So if growers have a poor production year, then we would generally expect a poor income from the levy. Prices also impact on our levy receipts, whether it is pools or cash, and when growers make a decision to sell, it is quite a complex formula. We do our best to track that with the information that is available.

**Senator McGAURAN**—Is the take in decline or not?

**Mr Perrett**—No.

**CHAIR**—Senator McGauran, sorry, on that—

**Senator HEFFERNAN**—He just wants to king-hit us all.

**CHAIR**—Well, I do, because I am proud to announce that the Rudd government has delivered on another election commitment, with the appointment of an expert group to help maximise the benefit of research and development to rural Australia.

**Senator Sherry**—Hence it will be the key strategic advisory body on rural research and development.

**CHAIR**—Minister, I rest my case.

**Senator Sherry**—You are pre-empting my role as a minister—

**Senator HEFFERNAN**—Let me enhance your mind on that. The break-up between privately funded—

**Senator McGAURAN**—I cannot see how the take has increased given the drought conditions.

**Senator HEFFERNAN**—No, hang on.

**Senator McGAURAN**—I would like to know.

**CHAIR**—It is getting late. You have got three questions thrown at you and two fantastic statements from two able members of the government. Senator Heffernan, last question.

**Senator HEFFERNAN**—What is the break-up between publicly and privately funded research conducted in either private or public research institutes? If I am Monsanto, I might go to a public laboratory and say: 'Will you do this work for me? Here's a packet of money.' The government might go along and say: 'On behalf of the industry, will you do this research?' Obviously, there will be a preference to the research for the person who has got the hottest hand of money. Is that a failing in the system?

**Mr Reading**—No. A question first, though: do you include growers' contributions as industry or as government?

**Senator HEFFERNAN**—Government.

**Mr Reading**—Okay. As investments change, and we are seeing the state departments moving back out and things like this, and as the technologies come which with some of these companies have, there are an increasing number of investments with private capital. It comes into two of GRDC's strategies—firstly, in leveraging and, secondly, in market driven R&D. Where working with private capital helps bring a technology to market quicker and more efficiently, we will do it. In terms of our own investments, we have investments, for example, in Go Grains, which is about promoting the nutritional values of grain. We provide the seed funding for that, and that is about pull-through in terms of consumption of grain and now the processes are contributing to that.

I mentioned earlier the work that we are doing on high-amylose wheat. That is in partnership with CSIRO and Limagrain out of Europe. Limagrain brings technology in terms of some of the germplasms. That makes sense. The benefit to the Australian grains industry is access to those new varieties. Hopefully, the consumers will get health benefits. We also have some investments with a few other companies. In terms of percentage, I could not give you an exact figure, but private will certainly never replace public.

**Senator HEFFERNAN**—Have you come across yet the prospect of human gene medicinal implantation into plant growth?

**Mr Reading**—There is already some work done in terms of insulin. Insulin is synthesised in plants.

**Senator HEFFERNAN**—I thought it was a gene product.

**Mr Reading**—No.

**Senator HEFFERNAN**—I have just received a brief on the medicinal effect for individual human gene problems.

**Mr Reading**—Insulin is one that has been around for quite a while. That is synthesised in plants.

**CHAIR**—Gentlemen, thank you very much. We always seem to get to you, or you seem to get to us, late at night, so I promise you for the May budget round of estimates we will make sure you get as close to morning as possible.

**Mr Reading**—Thank you very much.

[10.17 pm]

#### **Meat and Livestock Australia**

**CHAIR**—I now call Meat and Livestock Australia. Senator Heffernan?

**Senator HEFFERNAN**—One of the issues that is presently exercising the meat industry is the argument about lamb dentition. Do you blokes have a role in that argument? The Meat Industry Council certainly does.

**Mr Palmer**—We do play a role, but we have facilitated the Meat Industry Council and the Sheepmeat Council to undertake a whole lot of research, which we have enabled them to. They have provided, I understand, an interim report to this committee.

**Senator HEFFERNAN**—Which is a load of bloody baloney.

**Mr Palmer**—I think it largely accords with your own recommendations.

**Senator HEFFERNAN**—Except that they are not in accord on dentition. The Victorian mob—Herd and those fellows—still want to go off with a five per cent dentition test and the rest of the industry, in Western Australia, New South Wales and South Australia, want to do the full dentition test. Do you blokes have a role in sorting out that argument?

**Mr Palmer**—No, not in sorting it out.

**Senator HEFFERNAN**—Who does?

**Mr Palmer**—We agree with the findings that the status quo on dentition, being the determinant, should prevail in the absence of something superior. What we have also agreed with industry is that, without satisfactory compliance—it seems to be a state jurisdiction—a lot of the problems as alleged I do not think are going to get solved.

**Senator HEFFERNAN**—Are you in agreement then that Victoria can test five per cent of the mouths, New South Wales 100 per cent, Western Australia 100 per cent et cetera, and think that that is a system that is going to work?

**Mr Palmer**—From an MLA point of view, we are going to have to bow to the jurisdiction of the Victorian government. It is a level that they have put in place. They have what I think is called PrimeSafe in Victoria, which is run and shared by industry and facilitated by government.

**Senator HEFFERNAN**—With a serious conflict of interest, for God's sake. Everyone else is tearing their hair out. We are all decent, likeable rogues in the meat industry, but nothing is going to change unless there is either some sort of federal intervention, which everyone says legally is difficult, or some leadership in the industry to convince those blokes down there to fall into line with the rest of Australia.

**Mr Palmer**—I cannot add to your comments. We have monitored—

**Senator HEFFERNAN**—So you are cowards!

**Mr Palmer**—the improvement in eating quality. We have monitored the increase in consumer attitudes. Lamb continues to perform well, and it has performed well over recent years. It is now past \$2 billion in sales annually, so there have been some great achievements within the industry.

Yes, I do think that compliance at a state level, as the Senate inquiry has shown and I think some of the industry findings have shown, is perhaps less than adequate. How it is resolved is outside the jurisdiction of Meat and Livestock Australia.

**Senator HEFFERNAN**—Whose jurisdiction is it then?

**Mr Palmer**—You have mentioned Victoria. I would start there perhaps. I am only quoting your own words.

**Senator HEFFERNAN**—Yes, I appreciate your assistance. But it is a problem, isn't it?

**Mr Palmer**—It is certainly an irritation that persists year upon year. Allegations in the industry from New South Wales, that you are familiar with, have persisted again this year, and hence the inquiry that is being carried out. The findings are not dissimilar to what is found out every time inquiries have been held in years previous.

**Senator HEFFERNAN**—The industry said they wanted us to downgrade our report till they got a chance to get together and sort it out. We put in our report, which was an interim report, and in the meantime they have tried to sort it out and they cannot. I have seen their paperwork. They are just sitting on their dig. I was interested because obviously we will have to progress that through the Commonwealth—try and get a blunt axe or a sledgehammer and use it on someone.

**Mr Palmer**—In conclusion, it still lies in the area of compliance, and no-one in a regulatory sense has that compliance ability within the industry circles. What industry does do, and has done, is that more and more retailers demand AUS-MEAT accreditation at the meat plant, and then the monitoring of heads and dentition et cetera occurs there. From an industry angle, it is a commercial pull-through, which the major retailers insist on, but from a regulatory point of view the industry is powerless.

**Senator HEFFERNAN**—It is fundamentally flawed. Thanks.

**CHAIR**—Senator Williams.

**Senator WILLIAMS**—Mr Palmer, there has been a labelling system proposed in New South Wales. I think the Speaker, Richard Torbay, put it forward. Do you support beef labelling as proposed in New South Wales? I know they are looking to put it through New South Wales and then push it federally.

**Mr Palmer**—I think intuitively the industry can see value in a more precise and accurate labelling system. It would be fair to say that I think some of the parameters on which the legislation is based, or proposing to be based or argued, in New South Wales—I am not entirely certain of its foundations, but I think intuitively the industry is supportive of a more precise and accurate labelling program.

It does exist—I mentioned AUS-MEAT previously. AUS-MEAT is the industry standards and language body, and it is a mandatory requirement in all export abattoirs to be AUS-MEAT accredited, and for those purposes it works. It is voluntary in state jurisdictions or domestic abattoirs. Many are accredited because of the commercial pull-through demanded by the retailers that are serviced by that plant.

The AUS-MEAT standards and language provides a meat description standard which, as I say, is mandatory in export plants and is voluntary in domestic plants. When that is converted into retail language, it broadly stays the same, but there are some trade names that, if you brought in legislation, you would need to be careful not to lose. There is the example of osso buco, for instance. There is nothing out there which talks about osso buco, but we do not want to sell it as shin shank, because it is not as good a name. You need to take a bit of care, but intuitively I think everybody is on side. In terms of how it is applied, I think the debate has a little way to go.

I also would mention to you some of the criteria. I think Richard Torbay is the architect. He did talk about some of the consumption numbers back in the seventies and how we needed to get back to those numbers. All the literature tells us, and many of us remember, that the seventies were terrible years for the industry. Sure, consumption was high, but cattle prices were just woeful.

**Senator WILLIAMS**—I remember them. Richard Torbay may be viewed as the architect, but I am sure there were other people assisting him with it in that area. I find it amazing that we have a mandatory labelling system for export beef but not for domestic. The current system under MSA is a volunteer system. Is that correct?

**Mr Palmer**—MSA is voluntary. Correct.

**Senator WILLIAMS**—Has it been accepted? If I were to walk into a supermarket tomorrow and I wanted to buy some steak, how much of that would be graded? We know you have the budget beef, which tells you it is off a dying old cow, usually. What labelling is there to tell you that it is off a prime grain-fed or all-grass-fed animal?

**Mr Palmer**—MSA is a tricky one because, when it was first introduced or first pioneered, there was a bit of an expectation that it was going to be sold as a brand and it was going to be MSA labelled. Over the years the evolution of company brands has, in my opinion, quite correctly caused MSA to be the standard that underpins a brand. So it is seldom referenced, because it is the commercial brand which is the driver and causes consumers to repeat purchases or to reject or whatever. It is the same with supermarkets. People may trust a supermarket or trust a retailer and that in a sense becomes the brand. We are on track now to achieve more than one million cattle a year graded MSA.

**Senator WILLIAMS**—That is for domestic consumption?

**Mr Palmer**—No. We are also grading for exports now. We have now got it registered in the States and there are programs being rolled out in Japan and Korea, which is under a different name. It is called Eating Quality Assured, EQA. It is a little bit like the Intel, whatever that is, inside a computer, and a bit the same as MSA. It is seldom referenced on the label, but it is inherent within the brand owned by a particular company.

**Senator WILLIAMS**—So people will buy it again if they are obviously happy with the quality they got the first time.

**Mr Palmer**—All our consumer research talks about consumers' belief in a shop or a supermarket or a particular store or a brand.

**Senator WILLIAMS**—We are creatures of habit too.

**Mr Palmer**—Yes.

**Senator WILLIAMS**—Shop at the same place.

**Mr Palmer**—And if there is a bad experience you go somewhere else.

**Senator WILLIAMS**—Yes, and you do not forget it easily. Moving on to another issue, Mr Palmer, how would you describe the performance and reception of NLIS now that it has been around for a couple of years?

**Mr Palmer**—I reckon NLIS has been one of the most exceptional developments that the Australian beef industry has ever produced.

**Senator WILLIAMS**—Good.

**Mr Palmer**—Is it criticised? Yes, in quarters it is. The industry has never introduced a reform without some criticism. But is it working? Yes. I cannot recite all the devices, but there are now many millions of devices on the database. We can interrogate the database. We can get 95 per cent interrogation in under one minute and something like 98 per cent in 30 minutes. This is a database which is holding something like 50 million devices. So it has been an exceptional tool. It is certainly appreciated by some of our trading competitors—the Japanese, the Koreans. I have recently been in Japan. There is a major company up there which supplies 32 different branded programs in Japan and their promotion now centres around our trace-back traceability program. So it is a hugely valuable tool and it has also got a great marketing potential for Australia.

**Senator WILLIAMS**—With the floods in Queensland and the loss of many thousands of head of cattle, how will this impact on the NLIS database? Do you see it having any impact on it?

**Mr Palmer**—Yes, this is a good question. We hope NLIS could be quite a good tool for live cattle, getting them back to wherever they—

**Senator WILLIAMS**—They could be washed anywhere in floods.

**Mr Palmer**—They could be.

**Senator WILLIAMS**—I have seen the photographs. It is one hell of a mess.

**Mr Palmer**—It has been a disastrous flood and the losses—human and cattle tragedy—have been absolutely frightful. But NLIS is a potential vehicle to help relocate and reposition cattle from whence they have previously come. But we have not thought in those terms. Both the cattle losses and human tragedy far surpass what NLIS may or may not do.

**Senator WILLIAMS**—I will take you to another issue with your industry and one I am very concerned about. We have heard today, during question time, estimates et cetera, that with the introduction of an emissions-trading scheme, even if agriculture is excluded, there are still going to be increased costs, whether it be electricity, whether it be fertilisers, whether it be transport, fuel et cetera. Are you concerned about the extra cost, especially to Australian beef producers and lamb producers, our exports? Are you concerned for these extra costs brought about by the introduction of an emissions-trading scheme? Will we lose a competitive edge, especially if the United States of America does not introduce either an emissions-trading scheme or a carbon tax? How are we going to maintain those markets in places like Korea and Japan, where we are competing strongly against the American market? Are you concerned about this ETS in that respect?

**Mr Palmer**—The short answer is yes, we are very concerned. Our company and other similar style organisations, like the dairy industry and Wool Innovation, have funded a series of projects, some of which you have read out today. We will continue to assist and fund some more projects, because we hope that some of the results of these programs can be fed into the policy mix and that policymakers can come up, with industry, with the right set of solutions

for agriculture. But, from what I have read today, they are chilling figures and are of great concern. Our competitive advantage, such that it exists, hangs by a thread. So we have to be awfully mindful about how we set these policies into the future to retain that competitive advantage. Australia ships to about 106 markets around the world and right now most of them are in some distress.

**Senator WILLIAMS**—You worded it very well—our competitive edge at the moment hangs by a thread. The world meat market is a very competitive battlefield of trade. You would agree with that?

**Mr Palmer**—All the commodity markets are and, unfortunately in some ways, meat behaves like a lot of commodities. Given its highly perishable nature, it makes it more challenging in the marketplace, most certainly.

**Senator WILLIAMS**—My concern is that, if we lose our competitive edge on our exports of beef, people will simply go out of beef. They will go broke, they will leave the land or whatever. It would be a frightening thought to think that one day we would be importing beef, wouldn't it?

**Mr Palmer**—I am hearing you, but I would not want us to go away from here not acceding to the resilience and the capability of the industry. Our trend line and forecasts, despite all that we are talking about and reading today et cetera, are such that we are still very confident and very positive about the future of the Australian beef industry and sheep meat industry. We have projections that show the herd at about 28 million. It may get to 30-odd million within the next four or five years—it is uncertain; there are some variables in there. But the prospects and the attitude in the industry continue to show that the long-term fundamentals look strong. We are seeing a decline in the US herd. We are seeing a decline in other locations. We see continued growth in Korea, Japan, Russia, China and other markets. No, the resilience and determination is not going to see, in my lifetime, the importation of beef as a necessity.

**Senator WILLIAMS**—I was probably exaggerating, but I am just fearful about the survival of our industry when we get these taxes and costs lumped on us and other countries do not. That is my concern, because I have been in the pig industry and I have seen the importing of Canadian pig meat. I saw it in the pig grower industry and I saw how it sent many to the wall. I am with you. I hope that the future is positive, but it does concern me—the costs of the emissions-trading scheme or carbon tax or both, in relation to our competitors not having them. That is about it from me, Chair, thank you.

**CHAIR**—Thank you, Senator Williams.

**Senator HEFFERNAN**—If it is not too sensitive, do you have an estimation of what percentage of the Australian cattle herd is not covered by NLIS? You do not have to answer that.

**Mr Palmer**—No. At sale, zero.

**Senator HEFFERNAN**—No, I am talking about—

**Mr Palmer**—If cattle are going to transact, they have to be covered by the program. That is the traceability story.

**Senator HEFFERNAN**—In terms of a potential exotic disease outbreak, it is not much good if it is only sustainable at the saleyards. You need property herd tracking. I have come across—

**Mr Palmer**—Stock will not move between a PIC number unless it has a tag. What we see every year at branding—

**Senator HEFFERNAN**—I will put it to you in a different way. I was recently in a place in the Northern Territory where there is no PIC. As to the reason there was no PIC—and there did not seem to be too many fences—they said, ‘We want our cattle to get out there in that particular bloke’s country.’ We are not talking 200 or 300; we are talking thousands of cattle. They actually have an abattoir attached to this set-up, which sells domestic meat, and there is no NLIS.

**Mr Palmer**—You obviously have a specific story. I am happy to talk to you afterwards and get a better understanding of it.

**Senator HEFFERNAN**—To your knowledge, there is not too much of that?

**Mr Palmer**—Correct, yes.

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

**Senator McGAURAN**—I noticed that you ventured on a policy opinion with regard to the emissions trading scheme. We had a very vigorous debate here this morning about a recommendation to the government, which is yet to reject it, around the introduction of a foot-and-mouth disease virus for CSIRO purposes. This was a great concern to all of us, wasn’t there, Bill? So I ask you: what is your opinion of that recommendation?

**Mr Palmer**—If you have observed me entering some policy zone, then I quickly retreat.

**Senator Sherry**—That’s it then, thanks—we’ll move on!

**Mr Palmer**—Just for your own information, we had some warning that FMD might be up. I was at the NFF this morning and I had in front of me the executive directors of the Wool Council, the Cattle Council and the Sheepmeat Council. I asked them, ‘What are your collective opinions and policies on all this?’ They all said to a person that they did not want to see it come into the country, and I will let them argue their case.

**Senator McGAURAN**—That is excellent.

**Senator HEFFERNAN**—It will be one of those classic ‘over my dead body’ issues.

**CHAIR**—I thank officers from Meat and Livestock Australia.

**Dr O’Connell**—Before we move to ABARE, we have a slight correction that Mr Schaeffer wants to make to a previous comment.

**CHAIR**—Fire away, Mr Schaeffer.

**Mr Schaeffer**—This morning, in response to Senator Colbeck’s questioning, I stated a figure that equated to one per cent of our budget. That figure needs correcting. One per cent of the department’s budget equates to \$30.150 million.

**CHAIR**—Thank you very much, Mr Schaeffer.

**Senator COLBECK**—So you are sticking by one per cent but at \$30 million, not \$290 million?

**Dr O'Connell**—That is right.

**Senator COLBECK**—It is a reasonable variation. I think we can accept that that might need to be changed.

[10.40 pm]

#### **Australian Bureau of Agricultural and Resource Economics**

**Senator WILLIAMS**—Mr Glyde, I have some concerns about this increase in productivity for agriculture. We said earlier this morning, 'It's happened in the past and there's probably no reason why it won't happen in the future.' As your report for Treasury says, some 26 million hectares would be suitable to be planted down to forests. Have you factored that into productivity, if we are going to have huge plantations of trees over the next, say, 10 years and a loss of productivity to agriculture? You cannot run extensive livestock per acre or per hectare or grow enormous wheat crops when the place is down to trees. Are you saying you believe that we are going to increase productivity, even with an emissions trading scheme?

**Mr Glyde**—We have not factored into our analysis of what might happen to productivity in the future anything to do with the Carbon Pollution Reduction Scheme. All I was suggesting this morning was that, over the last 30 years, we have clear evidence that productivity has grown strongly in the agricultural sector, particularly the broadacre sector. In fact, last year we were beginning to question whether or not, in recent times, that rate of productivity growth might have been slowing. We should be releasing some further information on that next week at our outlook conference—that, just at a time we might be needing to boost our productivity, there might be some question marks over how quickly our rate of productivity is growing.

**Senator WILLIAMS**—I would think so. As I said earlier—and it is a state issue in New South Wales—we are having our research areas shut down. One is a facility at Glen Innes, and the University of New England's Beef CRC carries out much of its research at that very facility. If that facility is closed and the Beef CRC at the University of New England cannot carry out its research, surely those sorts of things are not going to help to increase the productivity of agriculture in Australia?

**Mr Glyde**—There are a number of things that drive productivity. One of our longer run research tasks is to better understand what some of those drivers are. Clearly research and development, whether conducted by the private sector or the public sector, is a key element in driving productivity. We cannot comment on whether or not rationalisation or closure of a research facility in one part of the country will make a difference to productivity growth, but as a general principle R&D is one of the key drivers of growth in productivity.

**Senator WILLIAMS**—Exactly. We are looking at about seven of those facilities closing, but the point is that even the production of our wheat crops over the years, from producing the rust-resistant wheats et cetera, have brought us a lot better yields of wheat often in dry

conditions, and better farming practices also have brought that along. That has probably helped a lot in relation to increase of our productivity.

**Mr Glyde**—Yes. As we heard from the GRDC earlier, there is a lot of work going on trying to keep ahead of that curve to keep that productivity growth going.

**CHAIR**—I thank the officers very much. Thank you, Minister, and all who have attended today. Thank you to Hansard, broadcasting and the secretariat. See you all in the morning at nine o'clock sharp.

**Committee adjourned at 10.45 pm**