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Official Committee Hansard

SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT
LEGISLATION COMMITTEE

ESTIMATES

(Budget Estimates)

TUESDAY, 26 MAY 2009

CANBERRA

BY AUTHORITY OF THE SENATE

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SENATE RURAL AND REGIONAL AFFAIRS AND TRANSPORT

LEGISLATION COMMITTEE

Tuesday, 26 May 2009

Members: Senator Sterle (*Chair*), Senator Nash (*Deputy Chair*), Senators Heffernan, Hutchins, O'Brien and Siewert

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

Senators in attendance: Senators Adams, Back, Bob Brown, Boswell, Colbeck, Farrell, Fielding, Fisher, Heffernan, Hutchins, Ian Macdonald, McGauran, Marshall, Milne, Nash, O'Brien, Siewert, Sterle and Williams

Committee met at 9 am

AGRICULTURE, FISHERIES AND FORESTRY PORTFOLIO

In Attendance

Senator Sherry, Minister for Superannuation and Corporate Law

Executive

Dr Conall O'Connell, Secretary

Mr Daryl Quinlivan, Deputy Secretary

Mr Rob Delane, Deputy Secretary

Mr Stephen Hunter, Deputy Secretary

Mr Phillip Glyde, Executive Director, Australian Bureau of Agricultural and Resource Economics

Corporate Services/Corporate Finance/Corporate Policy

Ms Anne Hazell, Chief Operating Officer

Mr Craig Penney, General Manager, Governance and Planning

Ms Julie Hicks, General Manager, Certified Agreement Negotiations Team

Mr Dave Mitchell, Acting General Manager, Levies, Contracts and Services

Mr Steven Foley, Chief Information Officer

Mr Darren Schaeffer, Chief Finance Officer

Mr Peter Moore, Acting Deputy Chief Finance Officer, Biosecurity Finance Unit

Ms Vanessa Berry, Deputy Chief Finance Officer

Ms Pen Cullen, Manager, Budgets, Reporting and Treasury

Mr David Williamson, Executive Manager, Corporate Policy Division

Mr Travis Power, Minister Counsellor Designate Rome

Ms Cathrine Stephenson, General Manager, Policy Development Branch
Ms Elizabeth Bie, General Manager, Ministerial, Parliamentary and Media Branch
Mr Matthew Worrell, Acting General Manager, Policy Development, Strategy and Support Branch
Mr Dale Starr, Acting General Manager, Corporate Communications Branch

Land and Water Australia

Dr Michael Robinson, Executive Director, Land and Water Australia

Wheat Exports Australia

Mr Ted Woodley, Chair, Wheat Exports Australia
Mr Peter Woods, Chief Executive Officer, Wheat Exports Australia

Meat and Livestock Australia

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

Climate Change

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

Australian Bureau of Agricultural and Resource Economics

Dr Terry Sheales, Deputy Executive Director
Dr Jammie Penm, Chief Commodity Analyst, Chief Economist
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
Ms Annette Blyton, Acting General Manager, Business Support BRS/ABARE

Sustainable Resource Management

Mr Ian Thompson, Executive Manager
Mr Rod Shaw, General Manager, Landcare and Sustainable Agriculture
Mr Tony Bartlett, General Manager, Finance and Community Grants
Dr Sally Troy, General Manager, Community Partnerships and Communication
Mr Roland Pittar, General Manager, Domestic Fisheries and Aquaculture

Australian Fisheries Management Authority

Professor Glenn Hurry, Chief Executive Officer
Mr Paul Murphy, Executive Manager, Fisheries Management
Mr Rohan Wilson, General Manager, Operations
Mr Mark Farrell, Chief Information Officer
Mr David Perrott, Chief Finance Officer
Mr David Johnson, General Manager, Corporate Governance

Trade and Market Access

Mr Craig Burns, Executive Manager, 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, Quarantine and Biosecurity Policy Unit
Ms Kirsty Faichney, Acting General Manager, Quarantine and Biosecurity Policy Unit

Australian Quarantine and Inspection Service

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

Biosecurity Australia

Dr Colin Grant, Chief Executive
Mr Bill Magee, General Manager, Plant Biosecurity
Dr Bill Roberts, Principal Scientist, Plant Biosecurity
Dr Mike Nunn, Principal Scientist, Animal Biosecurity
Mr Robert Gehrig, Acting General Manager and Chief Finance Officer, Biosecurity Development and Communications
Mr David Porritt, Manager, Bananas IRA, Multilateral and Systems
Ms Louise van Meurs, General Manager, Risk Management Systems

Product Integrity, Animal [including aquatic animal] and Plant Health

Mr Tom Aldred, Executive Manager, Product Integrity, Animal and Plant Health Division
Ms Lois Ransom, Chief Plant Protection Officer, Office of the Chief Plant Protection Officer
Dr Graeme Garner, Acting Australian Chief Veterinary Officer, Office of the Chief Veterinary Officer
Dr Bob Biddle, General Manager, Animal and Plant Health Policy
Mr Jim Paradise, Acting General Manager, Animal Welfare Branch
Mr Richard Souness, General Manager, Food, Product Safety and Integrity

Australian Wool Innovation

Mr Walter Merriman, Chairman, Australian Wool Innovation
Ms Brenda McGahan, Chief Executive Officer, Australian Wool Innovation

Australian Pesticides and Veterinary Medicines Authority

Dr Eva Bennet-Jenkins, Chief Executive Officer, Australian Pesticides and Veterinary Medicines Authority

Dr Raj Bhula, Program Manager – Pesticides Program, Australian Pesticides and Veterinary Medicines Authority

Mr Dan Webb, Acting Program Manager, Corporate, Australian Pesticides and Veterinary Medicines Authority

Agricultural Productivity

Mr Allen Grant, Executive Manager, Agricultural Productivity

Mr Simon Murnane, General Manager, Livestock Industries Branch

Mr Greg Williamson, General Manager, Food Branch

Dr Peter Ottesen, General Manager, Crops, Horticulture, Irrigation and Wine Branch

Ms Margaret Allan, Acting General Manager, Research, Innovation and Training Branch

Rural Industries Research and Development Corporation

Ms Mary Boydell, Chairperson, Rural Industries Research and Development Corporation

Dr Peter O'Brien, Executive Manager, Rural Industries Research and Development Corporation

Grains Research and Development Corporation

Mr Keith Perrett, Chair, Grains Research Development Corporation

Mr Peter Reading, Managing Director, Grains Research Development Corporation

Bureau of Rural Sciences

Ms Karen Schneider, Executive Director, Bureau of Rural Sciences

Dr Kim Ritman, General Manager, Fisheries, Land and Forestry Sciences Branch

Dr James Findlay, General Manager, Climate Change and Water Sciences Branch

Mr Quentin Hart, Acting General Manager, Risk Analysis and Social Sciences Branch

Ms Annette Blyton, Acting General Manager, Business Support BRS/ABARE

CHAIR (Senator Sterle)—Welcome, Minister. I declare open this public hearing of the Senate Rural and Regional Affairs and Transport Legislation Committee. The committee will continue its consideration of the 2009-10 budget estimates for the Agriculture, Fisheries and Forestry portfolio. The committee is due to report to the Senate on 23 June 2009 and has fixed Wednesday, 22 July 2009 as the date for the return of answers to questions taken on notice. Under standing order 26, the committee must take all evidence in public session. This includes answers to questions on notice. Officers and senators are familiar with the rules of the Senate governing estimates hearings. If you need assistance, the secretariat has a copy of the rules. I particularly draw the attention of witnesses to an order of the Senate of 13 May 2009 specifying the process by which a claim of public interest immunity should be raised and which I now incorporate in *Hansard*.

The document read as follows—

Order of the Senate—Public interest immunity claims

That the Senate—

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

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

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

(1) If:

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

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

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

(3) If a minister, on a reference by an officer under paragraph (2), concludes that it would not be in the public interest to disclose the information or document to the committee, the minister shall

provide to the committee a statement of the ground for that conclusion, specifying the harm to the public interest that could result from the disclosure of the information or document.

(4) A minister, in a statement under paragraph (3), shall indicate whether the harm to the public interest that could result from the disclosure of the information or document to the committee could

result only from the publication of the information or document by the committee, or could result, equally or in part, from the disclosure of the information or document to the committee as in camera evidence.

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

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

(7) A statement that information or a document is not published, or is confidential, or consists of advice to, or internal deliberations of, government, in the absence of specification of the harm to the

public interest that could result from the disclosure of the information or document, is not a statement that meets the requirements of paragraph (1) or (4).

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

CHAIR—As agreed, I propose to call on the estimates in the order shown on the printed program. 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 of course officers of the department.

[9.03 am]

CHAIR—We are in continuation with officers from Sustainable Resource Management, including domestic fisheries, and I believe that Senator Macdonald has the call.

Senator IAN MACDONALD—Thank you, Mr Chairman. Last night we were just establishing that the Coral Sea had been declared a conservation zone, and we had established that there had been some consultation with the fisheries area of this department prior to the announcement. We were told just as we finished last night that there were two fisheries—the Eastern Tuna and Billfish Fishery and the Coral Sea Fishery. What are the statistics from those two fisheries of the fish caught and the number of licences issued for the Coral Sea?

Mr Pittar—We understand that for the two main Commonwealth fisheries in the area there are 111 permits. Not all of those are active. The information we have is that in 2007 there were 47 active boats and in 2008 there were 36 active boats.

Senator IAN MACDONALD—So it is a fairly small fishery by Australian standards?

Mr Pittar—A fairly small fishery by Australian standards.

Senator IAN MACDONALD—Do we know what comes out of it, and can you separate those between the Eastern Tuna and Billfish Fishery and the Coral Sea Fishery?

Mr Pittar—I can, Senator. So do you want the information on the number of boats and catch?

Senator IAN MACDONALD—Yes.

Mr Pittar—In 2007 there were eight active boats in the Coral Sea Fishery and 39 active boats in the Eastern Tuna and Billfish Fishery. In 2008 there were six active boats in the Coral Sea Fishery and 30 active boats in the Eastern Tuna and Billfish Fishery.

Senator IAN MACDONALD—And the catch in each fishery?

Mr Pittar—The catch in 2006 for the Coral Sea Fishery was 105 tonnes valued at \$0.503 million and for the Eastern Tuna and Billfish Fishery there was 6,380 tonnes valued at \$28.7 million.

Senator IAN MACDONALD—The Eastern Tuna and Billfish Fishery is far larger than the Coral Sea Fishery though, isn't it?

Mr Pittar—That is correct, Senator.

Senator IAN MACDONALD—You would not have any statistics of what the Eastern Tuna and Billfish Fishery catch was in the Coral Sea and what it was in what I believe are the more productive waters in the south?

Mr Pittar—I have some estimates of that. The estimate is that for the Eastern Tuna and Billfish Fishery in 2007 there was 1,503 tonnes caught in the Coral Sea section of the ETBF and in 2008 there was 982 tonnes.

Senator IAN MACDONALD—That was out of 5,000-odd, was it?

Mr Pittar—That was out of 1,503 tonnes in 2007. What I have though, unfortunately, is the total catch of 2006. So it is about 1,500 out of a total of 6,300 or 6,400 tonnes.

Senator IAN MACDONALD—So the impact of any fishing on the Coral Sea would be minuscule if anything—I am saying that—but do you have any research or is there any way that the fisheries area of this department can get an assessment on that sort of thing?

Mr Pittar—When the declaration of the Coral Sea Conservation Zone was announced by Minister Garrett, the east bioregional profile was also released. That seeks to capture information regarding all forms of usage and conservation values. In summary, I think that that bioregional profile indicates that it is an area that is subject to fairly low intensity fishing.

Senator IAN MACDONALD—This is perhaps a question for Environment which I will certainly ask there, but what is the impact of the conservation zone?

Mr Pittar—The purpose of declaring it, as outlined in Minister Garrett's media release of 19 May, was to protect the area from increased usage—increased pressure—while the area was further considered as part of the east bioregional planning process and that that bioregional planning process would at some point in the future involve consultation with stakeholders and come to an understanding on what forms of protection might be implemented in that area over the longer term. So the conservation zone is designed to limit any expansion or any new uses while that assessment is undertaken.

Mr Thompson—Under the declarations, there are no new regulatory impacts on commercial or recreational fishing; it is sort of frozen where it is. The only additional requirement is that those people who are exercising their existing rights require a permit which is issued at no cost.

Senator IAN MACDONALD—Yes, it is thin end of the wedge stuff that we all know about. But who do they get the permit from—not from the fisheries area I guess?

Mr Pittar—No, Senator; from the Department of the Environment, Water, Heritage and the Arts.

Senator IAN MACDONALD—So they have to be licensed by AFMA?

Mr Pittar—This is in relation to charter boat operations. There are no additional regulations placed on commercial or recreational fishers.

Senator IAN MACDONALD—Does any of this Coral Sea form part of the western tuna and billfish convention? I am sure it does, but do people from other nations fish the Coral Sea under the western and central Pacific convention?

Mr Pittar—That is one of the things which needs to be looked at as part of the bioregional planning profile.

Dr O'Connell—I think Professor Glenn Hurry might be able to help us here.

Senator IAN MACDONALD—You are not serious about 'professor', are you?

Dr O'Connell—I am afraid I am, Senator, yes.

Prof. Hurry—It is a scary thought, Senator, isn't it?

Senator IAN MACDONALD—Are you really?

Prof. Hurry—Yes. Thanks, Conall!

Senator IAN MACDONALD—Congratulations!

Prof. Hurry—Thanks, Senator. Yes, it does form part of the western and central Pacific tuna fishery. Under the existing US treaty arrangements, the US treaty boats can purse seine in that top part of the Coral Sea. But the US treaty is an issue that is still under consideration by the government.

Senator IAN MACDONALD—I am really much more interested in finding out which university you are a professor in.

Prof. Hurry—The University of Wollongong.

Senator IAN MACDONALD—Very good. It is a very good sea university, as I recall.

Prof. Hurry—Thanks.

Senator IAN MACDONALD—That is great. What impact does this conservation zone have on the western central Pacific with regard to (a) the treaty and (b) those who might use the zone?

Prof. Hurry—It should not have any. Our boats are still fishing as they have always fished under the licences from AFMA, and the US treaty arrangements are something that we would need to consider further with DAFF and just look at their impact. We have not done that yet, but the way we have structured arrangements around the US treaty vessels was that they had to fish in a way that was consistent with the provisions that we had granted. If there is a bycatch of yellowfin tuna in the purse seine fishery in their fleet, they would have to hold a bycatch quota to cover it. So there has not been any fishing. I think there has been actually only two fishing efforts by the US fleet in that water in the past, probably, 15 years. They were quite some time ago. So I do not expect it to have any issue with the broader Western Pacific and Central Pacific fisheries.

Senator IAN MACDONALD—No-one else besides the US had the ability to fish the—

Prof. Hurry—No, it was only the US under that original US treaty arrangement. But it has never been a preferred area of fishing for that US fleet. They have always fished further to the east.

Senator IAN MACDONALD—Thanks for that. Within the Commonwealth government, if anyone has any association with the recreational marlin boat fishery out of Cairns, is it your department? Do you have any association?

Mr Pittar—We liaise with Recfish Australia on these sorts of issues, so there is not a direct or close relationship with the operations out of Queensland.

Senator IAN MACDONALD—You say that the marlin boats—who on my understanding use the Coral Sea far more than any other commercial fishers but are on an almost 100 per cent tag-and-release issue—are the ones that are more concerned about the thin end of the wedge system. Do you know why they need a permit? I suppose this is getting out of your area; it is more environment.

Mr Pittar—It is more an environment portfolio issue.

Dr O'Connell—My recollection from an earlier life is that it relates to undertaking commercial activity equivalent to a national park—the conservation zone set of constraints. In a sense, here it is a formality, because they are being granted without any cost, as I understand it, and the regulation change that is being made is to ensure that there are no new regulatory arrangements put on people.

Senator IAN MACDONALD—Is the regulatory change a disallowable instrument?

Mr Pittar—It would be, I expect.

Dr O'Connell—It should be.

Senator IAN MACDONALD—And it has been promulgated?

Mr Pittar—I believe so, and I understand that the formal proclamation of the Coral Sea occurs today sometime.

Senator IAN MACDONALD—It must be a slow news day, although as someone suggested, it is perhaps not big news except to those whose livelihoods depend upon it—the fishing and tourism industries. The major question—and this might be to AFMA rather than the department—is who deals with the take from that. Who does the statistics? Is it AFMA for the department?

Mr Pittar—It is AFMA.

Senator IAN MACDONALD—This whole proposal comes from the Pew Environment Group—and I say 'Pew' with an 'h' in it. As far as I am concerned it is a great conservation group, set up with oil money and money from gas and exploitation of the environment decades ago, now wanting to save world, I guess, from part of the dangers that they imposed upon the world from their former operations. Perhaps I should say that again. The Pew Group got their money from oil and gas and raping the environment years ago and now wants to assist the world at other people's expense. The important thing is the impact. Is it part of the department's or AFMA's roles to promote fisheries by continuing to monitor the Coral Sea Fishery and continuing to argue the case that the impact of fishing on the ecology of the Coral Sea is practically zilch?

Mr Pittar—I think it is important to make a distinction between the declaration of the conservation zone as a prelude to more detailed and also extensive consultation over what measures might be implemented in the region in the future. The declaration of the conservation zone itself does not place additional restrictions on the commercial and the recreational fishing sector. If I can refer perhaps to Minister Garrett's media release of 19 May, he says:

... the Conservation Zone would allow for detailed and extensive consultation with local communities and stakeholders before any permanent protection measures are proposed.

So the sorts of questions that you are raising will be questions that will be considered as part of that consultation process and will also draw from the release of the east bioregional profile, which was also released on 19 May.

Senator IAN MACDONALD—Does the department feel that it is part of its responsibilities to promote sustainable fishing in areas like the Coral Sea and, therefore, will take a proactive—

Dr O'Connell—Yes, we will certainly be taking an active approach in this discussion as it goes through. The exercise that is going to continue to occur is the east regional marine planning process, which is coordinated out of the environment portfolio. That is attempting to assess the conservation values and look towards—

Senator IAN MACDONALD—But you are part of that.

Dr O'Connell—We will be part of that process and, as that starts to go through into the debates of what the conservation requirements are, what the sustainable fishing requirements are and how those will be balanced, I guess we will be active participants in that.

Senator IAN MACDONALD—How different is that process to the one started by the Oceans Office?

Dr O'Connell—It is quite similar to the process for the south-east region, which produced the set of marine protected areas. I think, in general, the processes had been streamlined a bit and pulled together with an objective of getting the whole lot completed around the country by 2012. This area is part of the eastern region for this planning process. So the conservation zone, essentially, holds things as they are there while that planning process occurs, and you would expect to see the outcome of the marine protected areas debate come through that eastern planning process as part of this exercise.

Senator IAN MACDONALD—I recall that, in the south-east zone arrangements, the fishermen were very heavily consulted from day 1. It is clear that the announcement made by Minister Garrett yesterday occurred with, I would suggest, no or perhaps limited consultation with fishermen and charter marine operators out of Cairns. Could anyone comment on that? Or is that for the other department?

Dr O'Connell—I think the details of the consultation would be best covered by the environment portfolio; we would end up giving you only half the information.

Senator IAN MACDONALD—Okay.

Senator COLBECK—There are 111 permit holders in the Coral Sea Fishery at this point in time?

Dr O'Connell—Correct, Senator.

Senator COLBECK—And all of those retain their permit rights under this proposal?

Dr O'Connell—Yes.

Senator COLBECK—So there are no restrictions based on activity in recent years at this stage?

Mr Pittar—There are no additional restrictions placed on commercial fishing as a result of—

Senator COLBECK—There are no additional permits required for commercial fisheries?

Mr Pittar—No.

Senator COLBECK—In respect of the Coral Sea, you have mentioned the eastern tuna and billfish amount as part of that overall fishery. That was from the half a million tonnes that came out of the Coral Sea—in 2007, was it?

Mr Pittar—I do not think there was half a million tonnes coming out of the Coral Sea.

Senator COLBECK—What was the amount then?

Mr Pittar—For eastern tuna and billfish it was around 6,380 tonnes in 2006.

Senator COLBECK—Five hundred and three tonnes came out in 2007?

Mr Pittar—In 2007 it was—

Dr O'Connell—There are two fisheries in that area—the Coral Sea Fishery and Eastern Tuna and Billfish Fishery.

Senator COLBECK—I understand that.

Dr O'Connell—So the Coral Sea Fishery is very significant.

Senator COLBECK—The Eastern Tuna and Billfish Fishery had 6,380 tonnes come out of it.

Mr Pittar—If I could perhaps clarify that, Senator. That is for the entire east bioregion. If we take it back to just eastern tuna and billfish in the Coral Sea zone itself, in 2007 it was 1,503 tonnes and in 2008 it was 982 tonnes.

Senator COLBECK—So out of the Coral Sea Fishery in 2007 came 503 tonnes?

Mr Pittar—The value of the Coral Sea Fishery in 2006 was of the order of \$0.503 million. I think the figure you are quoting is the dollar value as opposed to the tonnage.

Senator COLBECK—And the tonnage was 105 tonnes?

Mr Pittar—Yes, in 2006.

Senator COLBECK—Do we know what species have been taken from there?

Prof. Hurry—There are a couple of different fisheries in there. There is a trawl fishery for just coral trawl species which are reef species. There is also a hand collectables fishery in there for aquarium species. There are two businesses based out of Cairns which supply marine aquarium fish to some of the major aquariums around the world. That is part of that fishery. Whether we count that in tonnes or whether we count that in value, I am not sure. There is a range of different sorts of species come out of that to feed that fishery. There is hand collection for smaller aquarium fish as well.

Senator COLBECK—What about sea cucumbers?

Prof. Hurry—There are sea cucumbers on that part of the coast but they are not part of the fishery. I understand that all those reefs are closed. We do not take sea cucumbers until we come into the top part of the Torres Strait. There is a sea cucumber fishery on the Torres Strait, but, from memory, that is closed as well.

Senator COLBECK—I was talking to one of the permit holders last week and he indicated to me that there might have been a sea cucumber—

Prof. Hurry—I am happy to check that for you, Senator. But my understanding was that the sea cucumber ones were closed. Let me check and I will come back to you on that.

Senator COLBECK—If you could give us a sense of the species that are coming out of there, that would be good. It is effectively a trawl fishery. Again, my understanding was that there was some longlining done there too?

Prof. Hurry—There is tuna longlining in the Eastern Tuna and Billfish Fishery. There is a fleet of boats in Cairns and another fleet of boats that fish out of Mooloolaba further south. The Eastern Tuna and Billfish Fishery is a longline fishery. If you like, I will get you a sketch map of the two fisheries and the species and the types of fishing activity that is done up there. We can provide that.

Senator COLBECK—Thank you. Is it possible to get a list of the permit holders?

Prof. Hurry—Yes, sure.

Senator IAN MACDONALD—This is my last question on this, then I want to move very briefly onto AFMA. Can anyone tell me how this process for the Coral Sea Fishery differs from the process that the government—I assume it would be both the fisheries area and the environment area—is undertaking around the top of Australia and around the west of Australia?

Mr Pittar—The process that you refer to in the north and to the west is part of a bioregional planning process. The east bioregion is part of that. What has taken place with the Coral Sea, which is a subset of the east bioregion, is to declare it a conservation zone. But the bioregional planning process for the east region, for the north and for the west is all occurring as part of the same process.

Dr O'Connell—So the difference is the declaration of a conservation zone in advance of the planning process getting underway.

Senator IAN MACDONALD—One would assume under this government that that declaration of a conservation zone would quickly be taken up for the rest of the Australian waters. Do you have any comment on that or any discussion on that?

Dr O'Connell—I do not think we have had any indication that there is any intention to declare conservation zones in other areas in advance of the planning process. Again, that would probably be best taken up in the environment portfolio, but we have had no indication of that.

Senator IAN MACDONALD—I appreciate that this department has the smaller involvement but an important involvement because you are the department that promotes Australia's fisheries, fish products and food security for the future.

Dr O'Connell—I would expect that we would have heard if there had been thinking or planning in that way. We certainly have not heard any suggestions about conservation zones in other areas.

Senator IAN MACDONALD—I have had half an hour on the Coral Sea, so I am finished.

Senator COLBECK—I am right on the Coral Sea because I have overlapped with what Senator Macdonald was doing.

Senator BOSWELL—I came in at the end of Senator Macdonald's questioning. When is the draft plan on the biosecurity and conservation zone to be registered? When will that happen?

Dr O'Connell—There is a bioregional planning process.

Senator BOSWELL—Where is that up to?

Dr O'Connell—The specifics of that are handled by the environment department.

Senator BOSWELL—I know the specifics of that are handled by them, but what involvement—

Dr O'Connell—I am not sure whether we can give you any idea on that.

Senator IAN MACDONALD—We were told before that the promulgation of the conservation zone occurs today and it is a disallowable instrument.

Senator BOSWELL—If it is declared today, there must be a map of it.

Mr Pittar—To clarify a point made, the regulatory changes are disallowable instruments. I am not certain whether the proclamation is a disallowable instrument. I do not believe that.

Dr O'Connell—The proclamation is different. What was being talked about was the regulation to allow the recreation fishers to have no change to their regulation. There is a regulation being made to ensure there is no change to the regulatory arrangements for the current recreation fishers pending this planning process. That is separate from the proclamation. As I understand it, the proclamation has been signed by the Governor-General.

Senator BOSWELL—Where is the map of the—

Senator IAN MACDONALD—So the proclamation will be signed by the Governor-General today?

Mr Thompson—It was signed by the Governor-General on 14 May.

Senator IAN MACDONALD—I do not want to tax your knowledge on legal matters, but surely a proclamation of a zone under some act must be a disallowable instrument. Perhaps Dr O'Connell's experience—

Dr O'Connell—I do not think that is correct. I will obviously get advice for you.

Senator IAN MACDONALD—We can find out from the environment department where it comes from.

Senator BOSWELL—I do not think a proclamation is, because I checked it.

Senator IAN MACDONALD—Okay.

Senator BOSWELL—Where is the map of this?

Mr Thompson—The map is on the environment website and we have a copy of it.

Senator BOSWELL—Could I have a copy of that?

Mr Thompson—Certainly.

Mr Pittar—Certainly, Senator.

Dr O'Connell—If it helps we can table that.

Senator BOSWELL—Where does it go down to? This is the Coral Sea Conservation Zone; this is not the—

Dr O'Connell—Eastern region.

Senator BOSWELL—This is the Pew environment group's proposal.

Mr Pittar—That is the Coral Sea Conservation Zone as has been declared by the minister for environment.

Senator BOSWELL—Where does that—

Mr Pittar—That is a subset of the east bioregional footprint.

Senator BOSWELL—You have Rockhampton. Where does it go down to? Where is the nearest town south?

Mr Pittar—Looking at the scale, it is approximately 200 kilometres south of Rockhampton. The southern boundary is the same southern boundary as the Great Barrier Reef Marine Park. It is as far south as the southern boundary of that.

Senator BOSWELL—There is another zone going in, too, which I understand is the bioregional.

Mr Pittar—That is correct and that is a larger region.

Senator BOSWELL—When is that going to be declared?

Mr Pittar—The east bioregional profile was released on 19 May. Again, that information is available on the department of environment website under its bioregional planning area. The map of the east bioregion extends from just south of Batemans Bay in New South Wales up the east coast consistent with the EEZ.

Senator BOSWELL—In relation to this conservation zone that you have given me a map of, did you take into account the Pew Environment Group's proposal for the formation of the Coral Sea Heritage Park?

Dr O'Connell—This is a proclamation that arises out of action by Minister Garrett.

Senator BOSWELL—I understand that.

Dr O'Connell—It was not this department or portfolio that took action. That question would need to be put to the environment minister.

Senator BOSWELL—I certainly will put it to him. Were you advised where this—

Dr O'Connell—We did traverse this territory. We were advised along the way and Mr Pittar—

Senator BOSWELL—When did you receive advice from the minister?

Mr Pittar—We and other portfolios were consulted in the latter part of last year over possibilities in relation to the declaration of the zone. We have liaised with officials of the department as necessary through the process since then.

Senator BOSWELL—But when were you advised that this was going to happen?

Mr Pittar—Are you referring to the east bioregion or the Coral Sea?

Dr O'Connell—It is the Coral Sea.

Senator BOSWELL—I am referring to the Coral Sea, but while you are on the bioregion we might do that one, too.

Mr Pittar—In relation to the Coral Sea, we were consulted in the latter part of 2008.

Senator BOSWELL—You would have been through that—

Dr O'Connell—Just to clarify, we were not told at that stage that a conservation zone—

Mr Pittar—We were not given any information as to when—

Dr O'Connell—So I think it is important to get clear when we were informed, because that is what the question was.

Mr Pittar—Okay. I am sorry; I misunderstood the question. We were advised of dates within a week or two of the announcement. I cannot give you a precise date.

Senator BOSWELL—When was the announcement made? Last week, was it?

Mr Pittar—It was made on 19 May.

Senator IAN MACDONALD—But you told me earlier that you had been consulted.

Mr Thompson—We have been consulted on considerations of a conservation zone within the marine bioregional planning process and told that the environment minister was thinking about conservation zones, and we received, as Mr Pittar said, some weeks before the actual declaration, information that a declaration was being quite seriously considered.

Senator IAN MACDONALD—You had been consulted before you were told about the conservation zone?

Mr Thompson—Yes, we had been consulted as part of the whole bioregional planning process that if there were areas of high conservation significance they may have to look at the declaration of conservation zones; it was in that sort of context.

Senator BOSWELL—What is particularly of high conservation value in the Coral Sea, or any more high conservation value than the Barrier Reef?

Mr Pittar—Referring to Minister Garrett's media release, he talks about the significance like the declaration—

Senator BOSWELL—With due respect, Mr Pittar, I can read his media release. I am asking you: what is your advice? Do you have advice from your department?

Mr Pittar—Our information is consistent with the east bioregional profile which was released also on 19 May.

Senator BOSWELL—So you have actually got some advice from your department that says this region has significant—

Mr Thompson—We do not do the assessment of environmental significance of an area. We are aware, as part of the bioregional planning process, that the environment department considers it is of environmental significance and there are also references—

Senator BOSWELL—Do you say—

Mr Thompson—We look at the fisheries in the area and the environmental department does an assessment of the environmental values.

Senator BOSWELL—I know Senator Macdonald asked you this question, but can I ask it again: how many fishermen do you have in that area? How many licences do you have in that area?

Mr Pittar—We did respond to questions from Senator Macdonald on that. We understand that for the Coral Sea there are two main Commonwealth fisheries. There is the Coral Sea Fishery and the Eastern Tuna and Billfish Fishery. There are 111 licences in the Coral Sea across those two fisheries. The number of active boats in 2007 for the Coral Sea Fishery was eight and for the Eastern Tuna and Billfish Fishery in the Coral Sea there were 39 active boats. For 2008 in the Coral Sea Fishery there were six active boats and for the Eastern Tuna and Billfish Fishery within the Coral Sea there were 30 active boats.

Senator BOSWELL—What is going to happen to them?

Mr Pittar—The conservation zone declaration does not place any additional restrictions on the commercial fishing industry in that area or the recreational fishing industry in that area.

Senator BOSWELL—Will people have to get a permit to go into it?

Mr Pittar—We understand that charter boat operators need to apply for a permit from the department of environment and we understand that there is no charge for that permit.

Senator BOSWELL—Do people see this and rightly say that it is the thin end of the wedge? They have had a very nasty experience which cost \$447 million in the Great Barrier Reef Marine Park when they had their fishing grounds reduced there. I know there is no cost at the moment, but when you put permits on the next thing is then there are restrictions and then people are removed out of them and that always follows. Are you aware of whether there will be a cost involved if people are removed?

Mr Pittar—No decisions have been made about whether or not people would be removed. The east bioregional planning process provides for extensive consultation with stakeholders as options for protection are considered. It would not be until those processes are concluded that some clearer understanding of what permanent protection measures there might be would—

Senator BOSWELL—I am sorry; I just lost concentration there for a minute. Could you repeat that again, please?

Mr Pittar—Certainly. The conservation zone itself does not place any additional restrictions on commercial and recreational fishers. The east bioregional planning process of which the Coral Sea forms part and provides for extensive consultation with stakeholders over any proposed permanent protection measures—those permanent protection measures have not as yet been proposed. So the question you are asking about impacts is not a question that we are able to answer at this stage of the game.

Senator BOSWELL—If there is no intention of making any changes to the use, why is it necessary to issue permits?

Mr Pittar—Again, I think that question was asked earlier.

Senator BOSWELL—I am glad to see great minds think alike on this.

Mr Pittar—The permits that you refer to relate to charter boat operations. The intention of the permits is so that the department of the environment can monitor commercial activity in that region.

Dr O'Connell—My understanding—and I might be corrected, and you would need to check with the environment department—is that commercial activity in the conservation zone requires permitting. That is part of the legal structure.

Senator BOSWELL—If commercial activity requires permitting, why—heaven forbid!—wouldn't everyone require a permit, recreational fishermen and commercial fishermen?

Dr O'Connell—I think that is just the regulatory framework that they operate within. I think you would be better off putting these questions to the director of national parks.

Senator BOSWELL—Is the bioregional zone the same map or does it go further?

Mr Thompson—No, the bioregional planning area is a more extensive area. As we discussed earlier, there is bioregional planning going on in the east, the north and the west. The east bioregional plan is essentially the whole east coast of Australia.

Dr O'Connell—Down to Batemans Bay in the south.

Senator BOSWELL—Have you been asked to do any work on the number of fishing boats or the fishing effort?

Mr Thompson—That sort of data does get taken into account in the bioregional plan. We would be providing what data we have.

Senator BOSWELL—So you have been asked to provide that data in the bioregional plan.

Dr O'Connell—I think the information has been provided by AFMA in terms of the fishing activity in the area.

Senator BOSWELL—And what about effort and catch and so forth?

Prof. Hurry—I would have to check what information has gone across. But I know that we have told them the number of licences that are held in the fishery, and the catch and the effort figures are a matter of public record.

Senator BOSWELL—Is there anyone here who would have that information?

Prof. Hurry—No, but I have undertaken to give Senator Colbeck a full picture of the fishery in terms of what licences, types of gear and catch and effort that come out of it. We will do that as a matter of priority when we get back so that everybody has a full understanding of what happens.

Senator BOSWELL—So the bioregional plan is basically the same map as this, but it goes down to where?

Dr O'Connell—Batemans Bay roughly.

Senator BOSWELL—And how far east does it go?

Dr O'Connell—It goes out to the EEZ, about 200 nautical miles.

Senator BOSWELL—The information you would have on this zone would be only the number of licences in there. You have no other science.

Prof. Hurry—We do stock assessments on fisheries in that area, and we have some ecological assessment models that we run, but they are to help us manage the fish species. They are not geared around conservation values; they are for fisheries management.

Senator BOSWELL—The bioregional plan was announced on 19 May.

Dr O'Connell—The conservation zone was announced on 19 May. The bioregional plan—

Mr Thompson—The conservation zone was announced on the 19th and the bioregional profile, which is a description of the area, was also launched on the same day.

Senator BOSWELL—What is the purpose of these bioregional plans? Why do you need them? What do they achieve, apart from frightening the hell out of the fishermen?

Dr O'Connell—We are straying into the environment portfolio's core business. But the main objective is to make an assessment of the conservation values of an area and make decisions as to what conservation activity should occur and the balance of that to other production activity or social needs. So it is a process by which that portfolio essentially is making conservation assessments of areas and looking then to plan for some conservation action fundamentally.

Senator BOSWELL—What does that involve—closing areas?

Dr O'Connell—It certainly will involve the potential for marine protected areas to be declared in the marine regions represented—

Senator BOSWELL—When you consult with these people, who do you actually consult with?

Dr O'Connell—In the environment department?

Senator BOSWELL—No, not the environment department—the fishermen. Who do you consult with?

Dr O'Connell—This is run by the environment department.

Senator BOSWELL—Yes, but the environment department does not have anything to do with fishermen, I would imagine.

Dr O'Connell—The environment department would be consulting with the fishing industry. Certainly in the past in the previous marine planning processes, they have consulted with the fishing industry on these processes. Again, I think the questions are best put to them to answer in terms of process.

Senator BOSWELL—I will put that to them, but when will that consultation process happen?

Dr O'Connell—The whole process is occurring between now and 2012. I think by 2012 the bioregional marine plans around the EEZ should have been completed according to the department's schedule.

Senator BOSWELL—What is the EEZ? Is that the economic zone?

Dr O'Connell—Yes. That is essentially the Commonwealth—

Senator BOSWELL—And that is 200 kilometres out?

Dr O'Connell—200 nautical miles.

Senator IAN MACDONALD—Just quickly moving on to AFMA, can I get an update—

Dr O'Connell—Have we finished with the Sustainable Resource Management Division? AFMA was next.

CHAIR—Yes, we will move on to AFMA.

[9.48 am]

Australian Fisheries Management Authority

Senator IAN MACDONALD—Professor Hurry, I would like an update on the *Oceanic Viking* and what it is doing and the Patagonian toothfish trade. I would also like a general update on the southern bluefin tuna exports and fishery?

Prof. Hurry—The *Oceanic Viking* is patrolling on a regular program down south, as it has been. There is limited activity down there. We had an incident about a fortnight ago where we actually recovered quite a bit of demersal gillnet from an illegal operator down there. We have pulled that up with assistance from the *Austral Leader* to the Carlos and France boat. That was a fairly successful outcome. We got about 12 buoys and seven kilometres of demersal net and quite a bit of other gear. I think we have pulled up probably around \$400,000 worth of gear.

Senator IAN MACDONALD—Where was that?

Prof. Hurry—Down on Banzare Bank—right down the bottom. That is the only illegal activity—it was not illegal activity but there was an unregulated operator down there under the IUU provisions. We have taken the nets and pulled them in.

Senator IAN MACDONALD—If the nets were there, they must have been in the zone. Were we not aware?

Prof. Hurry—We were patrolling the zone. We asked the operator whether they were his nets and he claimed that they were not. We thought since they were nets that did not belong to anybody and they were not marked that we should recover them and we did what we could to recover them.

Senator IAN MACDONALD—What nationality was the perpetrator?

Prof. Hurry—It was flagged to Cambodia I think.

Senator IAN MACDONALD—Cambodia is a country without any seaports. That is right, is it not?

Prof. Hurry—It has a seaport but it has probably got limited ability to control the Southern Ocean.

Senator IAN MACDONALD—Yes.

Prof. Hurry—So the *Oceanic Viking* is still on a regular patrol and we still have officers on the French patrols down there as well. So we are still sharing our activity across both patrols.

Senator IAN MACDONALD—Are you able to give me on notice the number of days the *Oceanic Viking* has patrolled the Southern Ocean for fisheries matters in the last, say, three years? Firstly, do you have that information and, secondly, is it the sort of thing that you would ask?

Prof. Hurry—Let me give you that information on notice.

Senator IAN MACDONALD—Obviously if there is anything improper about that, such as if it gives people a tip-off, I do not expect you to supply it. I am just concerned that the *Oceanic Viking* perhaps is not doing as much in protecting our fisheries in the Southern Ocean as it did in the last couple of years.

Prof. Hurry—Let me give you the figures. What I cannot give you is any planned future patrols because that takes away our limited ability to conceal what we are doing. But I am happy to provide you with the other figures and I do not think there is any drama with doing that.

Senator IAN MACDONALD—*Oceanic Viking* is run by Customs. Do AFMA and the department still have a major input into what it does and where it goes?

Prof. Hurry—I might get Rohan to take that question, but we do.

Mr Wilson—Yes, AFMA is still very much involved in the planning cycle for the *Oceanic Viking* trips. I believe that the operations of the *Oceanic Viking* in the last 12 months have moved into the Border Protection Command and, as a result, AFMA is working closely within that unit to plan the patrols and is involved in the actual operations while the boats are out on the water.

Senator IAN MACDONALD—You are still involved with Border Protection Command, which is just another name for Customs, isn't it?

Mr Wilson—Not quite. It is an administrative unit within Customs, run jointly with the Defence Force.

Senator IAN MACDONALD—Which is how it always used to be?

Mr Wilson—That is correct, yes.

Senator IAN MACDONALD—It is a new name but did not quite go to the Coast Guard name that we were assured it was going to have. I should ask the minister what happened to the Coast Guard.

Senator BOSWELL—Good thought, Senator Macdonald. What did happen to the Coast Guard, Senator Sherry? It is relevant to this part of your colleague's department.

Senator Sherry—I am not sure that he was the lead minister responsible for the policy, but I will take it on notice.

Senator IAN MACDONALD—Unfortunately Senator O’Brien has left us, but he used to be an expert on the Coast Guard that we were going to have when he was told time and time again it was a silly idea. But you will take that on notice; thanks, Minister.

Senator Sherry—I will.

Senator IAN MACDONALD—Sorry, did I—

CHAIR—I am only having a giggle. Anyway, keep carrying on.

Senator IAN MACDONALD—I can understand that you would be sensitive, Senator Sterle.

Senator BOSWELL—All the things we were going to have and we never got there!

Senator Sherry—Senator Boswell, you are doing a fine job in questioning. I have noted your incisive and decisive continued questioning.

Senator BOSWELL—Very probing.

Senator IAN MACDONALD—What is the *Southern Supporter* doing? You said that it helped get up the nets.

Prof. Hurry—No, that was the *Austral Leader II*.

Senator IAN MACDONALD—The *Austral Leader*—I beg your pardon—was fishing down on Heard and McDonald at the time. Thanks for that. You will give me that information? Just the tuna commission; that is yours?

Prof. Hurry—No.

Senator IAN MACDONALD—Or is that international fisheries?

Prof. Hurry—Yes.

Senator IAN MACDONALD—The management of the Australian bluefin tuna industry is yours—no?

Prof. Hurry—Yes, we manage the fishery as a fishery, but Dr Kalish manages the interaction with the commission and the—

Senator IAN MACDONALD—As a fishery, is it still producing well and getting to its quota?

Prof. Hurry—Yes, we caught fairly well this year, and the fish are in the pens in Port Lincoln. They came in in pretty good condition and the average size was up on the previous year, from memory. I will check that, but I am pretty sure that is right.

Senator IAN MACDONALD—I declare an interest here. After leaving the ministry I bought some shares in Clean Seas Tuna and follow them. But can you give us a scientific view of what is happening with the depropagation of bluefin tuna, or is that not your area?

Prof. Hurry—Given that it is a publicly listed company, I would prefer not to give you a scientific view on how the process is heading, but I know there have been statements made in the press that probably give you an indication of how it is tracking.

Senator IAN MACDONALD—I had better go and have a look at my share portfolio there. It is very, very small, I might say. That is really the FRDC. Do we see them?

Dr O'Connell—The FRDC certainly has been working with AQIS, yes.

Senator IAN MACDONALD—Do we see them at estimates or have we not called them?

Dr O'Connell—They have not been asked to come.

Senator IAN MACDONALD—They have not been asked to come?

Dr O'Connell—Not to my knowledge.

Senator IAN MACDONALD—That is about all I had with AFMA, but I do want to go on to international fisheries later.

Senator COLBECK—Senator Macdonald was talking about the southern fishery; what about incursions into our north-west fishing zone?

Prof. Hurry—We have had 27 this financial year, Senator. We had one last night. We had 26 up until last night and we got one last night.

Senator COLBECK—Twenty-six and now 27?

Prof. Hurry—Yes.

Senator COLBECK—Are we holding any boats at this stage?

Mr Wilson—We are holding at least one in Darwin and the one that will arrive that was picked up last night as well.

Prof. Hurry—On top of that, eight of those were banana boats that we have taken from the Warrior Reef fishery in the Torres Strait, and those banana boats are probably being held in the compound in the Torres Strait.

Senator COLBECK—How is that in comparison to, say, this time last year?

Mr Wilson—Last year we had 156 vessels apprehended for the financial year 2007-08, and this year the number is 27 for 2008-09.

Senator COLBECK—To date in 2008-09 anyway.

Mr Wilson—That is correct.

Senator COLBECK—Can you put any rationale down for that?

Prof. Hurry—I think the program has been generally successful across the north. I think from where we were in 2005-06, when we took, I think, 367 vessels, we have actually hurt a number of the operators and I think we have also got an extensive education program out now around the fishing ports in Indonesia through the embassy in Jakarta. I think there is a better understanding on their side of what is likely to happen and it has been an active program. The patrol vessels are still very active out there.

Senator COLBECK—So a ramping up of the systems that we have in place from 2006-07 has had a progressive and cumulative effect.

Prof. Hurry—I think the fact that we have stayed with it and that we have kept the pressure on the border means that they know we are about and there is less tendency for them to come across the border if they know they have a chance of being caught.

Senator COLBECK—Is there any sense—and I do not know whether that is something that you would keep an eye on—of them moving into waters, say, in East Timor? I have heard that there has been fairly heavy activity along the southern coastline of East Timor. Do we have any interaction with the East Timorese government in providing them with any assistance?

Prof. Hurry—I might get Mr Wilson to comment on that. I think he met with the East Timorese a couple of weeks ago.

Mr Wilson—We did, and we have discussed the illegal fishing problems in East Timor waters, as well as with the East Timorese officials. We are looking at ways in which we can assist.

Senator COLBECK—It is an issue for them, though.

Mr Wilson—It certainly is, yes.

Senator COLBECK—Do we have any sort of sense of quantum of that? I mean, has our effort provided an effort shift or is it something that they have had an ongoing problem with?

Mr Wilson—We have discussed with the East Timorese possibilities of being able to help them measure the extent of the effort that is going on in that area, but at this stage we have very limited data on the actual problems in that area.

Senator COLBECK—So those conversations are at a relatively early stage?

Mr Wilson—Exactly; yes, they are.

Senator COLBECK—I just want to go to the change in the MAC rationalisation and how that has settled down—how things have transpired since that process went through.

Prof. Hurry—We are still working through the process. The first amalgamation of MACs will start from 1 July as we try initially to get down to nine MACs; then over the next 12 months we will work down to six MACs, and we are working that through with industry at the moment. One of the major fisheries is the South-East Fishery, where we want to coordinate that process better and we are having ongoing discussions with industry on it. I think it will be reasonably successful.

There will obviously be some teething problems with it, but if we can keep the new MACs more strategic and deal with the fisheries organisations on more of the operational issues then I think we will get a reasonable outcome out of it. We are certainly open to suggestions with industry on how we might do that better, and some of the early work we are doing on co management with the fisheries in Lakes Entrance looks as though it has been reasonably successful. So I think we will end up with a reasonable result out of smaller MACs so long as we keep them focused on strategic issues and deal operationally down the bottom.

Senator COLBECK—What is the time frame for completing that process to get down to six MACs?

Prof. Hurry—2010-11 is the time frame we are operating in to get it down—sorry, 2011-12 for the final ones. That is financial year 2011-12.

Senator COLBECK—Now that you have morphed into a separate entity, I just want to go to your funding. Effectively the funding that was going through DAFF is now a direct transfer into your coffers as an individual entity?

Prof. Hurry—Yes, that is correct.

Mr Perrott—For the current financial year 2008-09, we received our fundings via DAFF as a transitional measure, but from 1 July 2009 we will receive our appropriation as a direct appropriation.

Senator COLBECK—Does that make you subject to things like productivity gains, dividends?

Mr Perrott—The efficiency dividend, it does, Senator.

Senator COLBECK—Does that differ from how you were situated previously?

Mr Perrott—I believe so, Senator, yes.

Senator COLBECK—So previously you were not subject to a productivity dividend, but you now are. What is the rate of the productivity dividend that you are subject to?

Mr Perrott—I would have to check, Senator, but I believe it is 1.25 per cent.

Senator COLBECK—So you are not subject to the additional two per cent?

Mr Perrott—No, Senator.

Prof. Hurry—It is 1.25.

Senator COLBECK—I just hope there is not bad news coming your way.

Senator Sherry—You had better correct that oversight. Is that what you are suggesting?

Senator COLBECK—No, I am not suggesting anything, Senator Sherry. You concentrate on what you are concentrating on. That is fine.

Senator Sherry—I am actually looking at the briefings on this efficiency dividend.

Senator COLBECK—That is fine.

Senator Sherry—I am very pleased for you to suggest ways to reduce the budget deficit.

Senator COLBECK—I am just looking to see whether the government is going to continue with strong border control and look after its major resource in the fisheries sector. Senator Macdonald, did you have a question?

Senator IAN MACDONALD—Who is the new commissioner?

Prof. Hurry—The new chair is Michael Egan from New South Wales.

Senator IAN MACDONALD—Michael Egan, a good man, good Labor man, good connections.

Senator Sherry—Yes, we are replacing a very good Liberal man.

Senator IAN MACDONALD—A distinguished Premier, but I would not put them in the same breath.

Senator Sherry—One came from New South Wales, one came from Tasmania. I certainly would not put them in the same breath either, nor would I criticise either of them for that matter.

Senator IAN MACDONALD—I am certainly not criticising Mr Egan. I am just noting the jobs for the boys. From all the pious comments, I hoped that would all stop. Who else is on the commission, Professor?

Prof. Hurry—Appointed under this new commission is Dr John Glaister from Queensland.

Senator IAN MACDONALD—De Lacy?

Prof. Hurry—Dr John Glaister, ex-head of New Zealand fisheries and head of fisheries in New South Wales at one stage; Elizabeth Montano—

Senator IAN MACDONALD—Who or what is she?

Prof. Hurry—She is on the board of AIMS and is a corporate lawyer.

Senator IAN MACDONALD—Okay.

Prof. Hurry—Jenny Goddard, who is the ex-deputy secretary of the Department of Prime Minister and Cabinet; Ian Cartwright, who is a fisheries economist out of Tasmania; Professor Keith Sainsbury, ex-CSIRO in Tasmania; Richard Stevens from Brisbane who was ex-head of AFMA; and Denise North who is a finance and, sort of, corporate manager out of New South Wales, who was also part of the—

Senator IAN MACDONALD—So two out of the old board?

Prof. Hurry—No, four out of the old board were reappointed along with myself and three from—one, two, three—four new appointments.

Senator IAN MACDONALD—Okay. That is what I had on that.

Senator COLBECK—I just wanted to go through the species issues, what you had in respect of species with catch limit issues and, on that scale, how many that were on the threatened list, if you want to call it that—I am trying to avoid the term—but just get a classification of the different species within the fisheries and get an update on where those things are at as far as AFMA is concerned.

Prof. Hurry—Okay, thanks Senator. I will hand over to Mr Murphy, who is executive manager of fisheries. You are looking for the fish that we have that are classified by the Bureau of Rural Sciences as overfished that we are actually dealing with or those that are—

Senator COLBECK—If I can get it through that process, just brief me on that. That is fine.

Prof. Hurry—Yes. The only one we really had a challenge with this year was Pink Ling. We have some issues over it being both an east and west stock and it was judged to be overfished. It was the only addition to the list we had in the previous year.

Senator COLBECK—Could you just give us an update on any of the fish that you are currently having a close look at in respect of quotas.

Mr Murphy—As Prof. Hurry said, Pink Ling is the one we have been looking at. We have held a specific workshop with representatives from the fishing industry, because the way the fishery is managed is as one stock between the east and the west, but we are getting overfishing in the east. To address that we have an agreement with the two fishing sectors to target their fishing in the west and we have put two fish enclosures in the east and we will be monitoring the catches, month by month, throughout the year. We are going to review the total catch in November to ensure that the catches have shifted to the west.

Senator COLBECK—And then monitoring the stocks as part of that process?

Mr Murphy—Yes, we will be monitoring the catches out of both sectors every month.

Senator COLBECK—Okay.

Prof. Hurry—The Bureau of Rural Sciences produces a table every year of those species that are either overfished or subject to overfishing. I think at the moment we are dealing with six species, of which Pink Ling is one, but the other five we dealt with last year and we have recovery plans in place for those species or change of management plans in place for those species. So they would be on the Bureau of Rural Sciences table that you can probably get later. They would be at risk. But if you need anything over and above that let us know and we would be happy to provide it.

Senator COLBECK—I would be interested in getting some details of the specific recovery plans that you have in place, if you can provide that to me. I am happy to take that on notice.

Prof. Hurry—Okay, thanks.

Senator IAN MACDONALD—Just a final one. I read in the paper that the proposed boat burning facility in the Torres Strait was now no longer going to happen. Can you confirm that and tell me about it?

Prof. Hurry—That is correct, Senator. We tried for three years to get land up there to actually put a boat burning facility on and we have ended settling on a site at Skardon River, which is down the eastern side of Cape York up above Weipa. The advantage of Skardon River is that it is principally out of the way, it is north of Weipa, it is a mine site that we will put a ramp on and we can burn boats both from the Torres Strait and from the gulf there a lot easier than we can burn them up in the Torres Strait. So we have settled on one site and we are fairly comfortable with the arrangement that we have.

Senator IAN MACDONALD—Who controls that site?

Prof. Hurry—An operator out of Weipa.

Senator IAN MACDONALD—Whose land is it on?

Prof. Hurry—It is on a mining lease, Senator.

Senator IAN MACDONALD—Is it compatible with the World Heritage listing of Cape York?

Prof. Hurry—The site has been surveyed and we are comfortable with the AQIS survey arrangements on the site and we are comfortable that we can burn boats there and—

Dr O'Connell—I think that was 'no comment'.

Senator IAN MACDONALD—If we are able to do anything in Cape York except grow feral pigs, feral animals and weeds in 10 years' time, I would be very surprised. We can thank the Wilderness Society for that. I think that is all I had.

CHAIR—Thank you, Senator Macdonald. If there are no further questions of Australian Fisheries Management Authority, I thank the officers and now call Trade and Market Access, including International Fisheries.

[10.12 am]

Senator SIEWERT—I want to clarify—hopefully, I can clarify it here—the animal welfare budget item. In the budget guide, it states:

The Government will form an enhanced partnership with the livestock export sector through the Live Trade Animal Welfare Partnership. This partnership will deliver a three-year \$3.2 million program to continue to improve the handling of live animals.

My understanding is that there was already funding going to a program such as this. Is that correct? Could we just clarify how much money is going in?

Mr Morris—The government has announced a new program in the latest budget. You are correct: the overall funding for that program—the Live Trade Animal Welfare Partnership—is \$3.2 million over three years.

Senator SIEWERT—Yes.

Mr Morris—That includes \$1.6 million to be provided by the government and then industry is matching that to the tune of \$1.6 million as well.

Senator SIEWERT—Okay.

Mr Morris—So that new program will replace the previous Live Animal Trade Program.

Senator SIEWERT—Yes.

Mr Morris—That program will essentially end, I suppose, at the end of this financial year.

Senator SIEWERT—A couple of questions come out of that. It was nice talking about a \$3.2 million program when it is, in fact, from the government a \$1.6 million program. That is what I wanted to know. The program that is finishing: was that timed to finish or has there just been a decision made that that program will stop and another one will start?

Mr Morris—I think more the latter. The decision was made to change the nature of the existing program so that it was more of a partnership between the government and the industry so that there was a direct industry contribution to the projects that are funded underneath that program.

Senator SIEWERT—Okay. So my reading of the budget of the previous year for estimated expenditure on this issue—it is called a different name; I appreciate that—was \$1.1287 million, whereas for the estimate it has gone down to half a million.

Mr Morris—The funding I think you are referring to is for this financial year, 2008-09. In the current financial year, there was initially a \$1 million allocation for the program and then there was an additional \$287,000 that was rephased—in other words, moved from 2007-08 to

2008-09, which is where the \$1.287 million had come from. In the next financial year—in 2009-2010—there will be \$1 million spent on the program, of which \$0.5 million will come from the government and \$0.5 million from the industry.

Senator SIEWERT—So that is, in fact, a cut by government to this type of program of half a million.

Mr Morris—There will be half a million less government money directly going into the program but a total of still \$1 million going into the program.

Senator SIEWERT—Yes. It is nice for it to be written in a way to make it look as if you have increased expenditure to this issue when you have not. Therefore, if I read this and from what you have said, there is going to be half a million per year for three years from government?

Mr Morris—No, it is half a million for the next financial year and then it is \$0.55 million for each of the next two years after that. So in total, with the industry contribution, it is \$1 million, \$1.1 million, \$1.1 million.

Senator SIEWERT—Yes. Thank you. Besides the program now being a joint industry program, has the nature of the activities being undertaken changed as well?

Mr Morris—It is still directed at improving animal welfare in the communities receiving animals from the live animal trade. With the specific projects to be funded, we will still have to decide the exact guidelines for the new program. At the moment it is anticipated to be very similar, but the mechanics of the program still have to be finally decided.

Senator SIEWERT—A couple of questions come out of that. Who decides what the mechanics of the program are?

Mr Morris—Ultimately the minister will decide that, but at the moment we are having discussions—in fact, we will be having discussions with industry later this week—in terms of what recommendations we might make to the minister as to how that new program will operate.

Senator SIEWERT—What about with some of the animal welfare groups—and I say that very hesitantly, without wanting to open the floodgates?

Mr Morris—At this stage the industry and the government are the ones contributing the money to the program. So at least at this point their discussions are with the co-contributors to the program.

Senator SIEWERT—I presume the industry has agreed to contribute their additional resources?

Mr Morris—Yes.

Senator SIEWERT—Thank you.

Senator COLBECK—Can you tell us which countries are specifically being targeted?

Mr Morris—It would be the major countries that we have been targeting to date. It is really countries that we export live animals to. So in theory it could be any country receiving animals from Australia.

Senator COLBECK—But given that you have got less than half the money, you are going to have to sharpen your focus somewhat, are you not? You do not want to name them, I suppose, for political reasons. I understand that. Perhaps just to assist me, if you could give me a list of countries that are receiving product so that I can have a look at it from that context?

Mr Morris—Firstly, the amount of money going into the program overall is the same, or approximately the same—at around \$1 million if you combine the industry and the government funding.

Senator COLBECK—The previous program was \$7.6 million over four years; this one is \$3.2 million over three years.

Mr Morris—The \$7.6 million that you are referring to included two components. One was the money that went to the Live Animal Trade Program, which was about \$4 million, and then the remainder of the money was to fund a position in the Middle East—a DAFF position located in Dubai. That position cost around three point something million dollars. So the \$7-odd million that you referred to is actually a combination of those two. At the moment that DAFF position is continuing and is being funded out of departmental resources. So those resources are still going towards that position. So the relevant point of comparison is really the \$4 million—\$1 million per year for the first four years of the Live Animal Trade Program and then the continuation of around about \$1 million a year, going up to \$1.1 million a year, combined industry-government funding over the next three years.

In terms of the main question you asked about the countries that we are exporting to, in broad terms most of our live sheep go to the Middle East markets. There are a range of markets, but I could mention perhaps the top three or four, which I have here.

Senator COLBECK—If you want to take that on notice and give me the complete list, I am more than happy with that. That is fine.

Mr Morris—Okay.

Senator COLBECK—So the position in Dubai is costing close to \$1 million a year all up; is that right?

Mr Morris—It is a bit less than that, actually. I think we can probably give you the exact figures.

Mr Burns—In 2008-09, the Dubai position is costing us \$559,790.

Senator COLBECK—What are the supporting arrangements that go around that? Obviously, it is not all in just the position. That is the total cost for the position?

Mr Burns—That is the total cost of the position. They operate out of the Austrade office in Dubai. So that covers the rent of their personal accommodation and all of the costs that go with that.

Senator COLBECK—So that is all-up expenses?

Mr Burns—All-up expenses.

Senator COLBECK—That is obviously a very important market for our export trade. What are the perceived future-life requirements of that position?

Mr Burns—The position is ongoing at the moment.

Senator COLBECK—Is it required to manage some of the programs that are operated through the other fund? Does that position play a strong coordinating role in overseeing and coordinating some of those other projects that are being undertaken?

Mr Morris—It does not provide a direct role in coordinating those projects. We normally have contractors involved who provide those projects. The main role of the position is to do the government-to-government negotiations on a range of issues, not just on live animals but on our wheat exports or our meat—

Senator COLBECK—So it provides a much broader than live export trade position in that region; it looks after a broader suite of agricultural interactions?

Mr Morris—That is right.

Senator COLBECK—I am trying to give your officials the opportunity to do a sales pitch with all those unknown unknowns out there that we talked about yesterday.

Dr O'Connell—It provides basically our market access point in an area that is valuable. If you are wondering whether it is likely to continue, I think it is likely to continue. It is a very valuable position. While it is expensive, as all these overseas positions are expensive, it is still, I think, particularly valuable to our industry.

Senator COLBECK—Where are we at with Egypt as far as the recommencement of the sheep trade into Egypt? I am aware of the project that is going on with the abattoir over there which I had the good fortune to visit last year. It is looking after live cattle at this stage—just cattle. So how is that progressing?

Mr Morris—At the moment slaughter cattle are allowed to be exported to Egypt through that one facility. The trade has not commenced on that yet, mainly for commercial reasons. With regard to the sheep trade, we are not in a position to be able to recommence that because there are no approved abattoirs or other facilities.

Senator COLBECK—And that is not an easy process to resolve from what I saw over there.

Mr Morris—That is right. We will need to obviously be convinced that the facilities meet the requirements of the MOU that we have with Egypt before we would allow the trade to recommence.

Senator COLBECK—So a precursor to the sheep starting is the recommencement of cattle, and that has not happened. Although it has been approved, that has not started for commercial reasons at this stage?

Mr Morris—It would be desirable I think for the cattle trade to restart first. I would not say that it is a definite precursor but, from our viewpoint, I think it would be good to see a commencement of the cattle trade successfully through that facility to, I guess, give us increased confidence about trade into that market.

Senator COLBECK—Does the department hold a database of trade to and from with our agricultural trading partners? Do you hold a database that I can look at that would give me a

look at, say, our trade balance on agriculture with China and all of our agricultural trading partners? Is that something that is compiled?

Mr Morris—There is a database that is compiled from Australian Bureau of Statistics data that we utilise. That is put together by ABARE, so I am sure that could be made available to you.

Senator COLBECK—If there is a source that I could go to to find that or if you could provide it to me on notice, that would be fine.

Mr Morris—It may be easiest if you ask us what you want and we could probably provide it directly to you.

Senator COLBECK—Okay. I think that covers that area.

CHAIR—Okay. There are four minutes to go before morning tea. I call Senator Back.

Senator BACK—Thank you, Mr Chairman. I just wondered if you could give us some advice on which competing nations trade livestock into the Middle East and North African region.

Mr Morris—There is quite a lot of trade out of North Africa into the Middle East region, mainly sheep and goats coming out of North Africa. There are also some animals coming from a number of countries in South America. In fact, that facility I referred to before is being mainly supplied by South American cattle at the moment because they are more competitive than Australian cattle right at the moment. At various times there have been sheep that have come out of China as well into the Middle East, but that seems to be quite a sporadic trade, and also occasionally cattle comes out of Europe into the Middle East.

Senator BACK—Following that, are you aware of any contribution from countries that are also exporting into the region to some sort of animal welfare fund to improve standards of animal welfare, handling and behaviour in the recipient countries?

Mr Morris—I am not aware of any direct contributions from other countries, but we do work with the Food and Agricultural Organisation of the United Nations on some of our activities in the region and they are obviously funded from a range of countries.

Senator BACK—Sure. I just wondered if you could—

Mr Morris—Sorry; let me correct that. It is actually the world animal health organisation, not the FAO.

Senator BACK—So really Australia then is the only exporting country that is actually investing funds—government and industry funds—to try to improve standards?

Mr Morris—I am not aware of that for sure but, as far as I am aware, we are certainly the main ones in the region working on that.

Senator BACK—How long have we been doing that?

Mr Morris—Under the existing programs, 2004-05 was when the Live Animal Trade Program commenced. There was some industry funding and there may have been some government funding on an ad hoc basis going into the region before then, but in terms of a

formalised program it has been since the government response to the Keniry review back in 2004.

Senator BACK—I wonder if you could just give us some idea where the \$1 million a year goes to—what sorts of programs and what countries?

Mr Morris—It is quite a range. We could provide a list of projects if you would like, Senator; that might be the easiest way. But it is to cover training and infrastructure. We have used it to fund workshops for getting the adoption of world animal health organisation standards in the region. So they have been the main activities. Some of the funds have been used to essentially support the memorandum of understanding we negotiated with Eritrea. Some of those projects do not appear to be directly live animal projects, but what they do support is the continuation of that MOU whereby Eritrea provides a port of last resort if there are ever any issues in the region. So it is sort of a risk management exercise we have with them, so we have some projects ongoing in Eritrea as well.

CHAIR—Before we go any further, Senator Back, if you have further questions we can continue and delay the morning tea break, or if it is a lot longer we will bring the officers back.

Senator NASH—There is a bit on international trade.

CHAIR—Thank you, Senator Nash. Senator Back, you will get the call when we resume.

Senator IAN MACDONALD—I have ones on international fisheries, not on the live cattle trade.

CHAIR—It is the same officers.

Proceedings suspended from 10.31 am to 10.45 am

CHAIR—We will resume the hearing.

Senator BACK—I have two quick questions. Can you give me the figure on the value of the livestock export trade to the Middle East or can you take it on notice and advise us of that?

Mr Morris—We will take that on notice to give you the exact numbers.

Senator BACK—I was asking earlier about the expenditure of funds into certain areas. I am just wondering whether you can give us, anecdotally, some indication of the improvements or of the value for the funds that have been expended.

Mr Morris—We were talking mainly about the Middle East but we are also spending money in Indonesia, so I think the answer should go to both locations—the South-East Asian countries as well as the Middle East. I have been travelling to the Middle East since about 2004. Over that period we have seen some quite significant improvements in the feedlots, in the handling of animals and in the abattoirs in that region. There have been significant improvements in feedlots in terms of shade, water availability and the coolness of the water. There have been improvements in port facilities. For example, we have invested in improved fans at the port in Kuwait. There have been slaughter boxes put into some facilities in the region. A lot of slaughter boxes have gone into Indonesia. There has been a massive investment there. Admittedly, they are quite basic slaughter boxes because of the facilities

available there, but they are quite a dramatic step up from the slaughter methods prior to those boxes going in. Throughout both the Middle East and Indonesia there have been some quite significant improvements. The other thing worth noting is that, talking to people in the feedlots and abattoirs, they actually understand what you mean now when you talk about animal welfare and the appropriate handling of animals. They understand the international animal welfare standards. There has been a change in awareness of the appropriate ways of handling and slaughtering animals. There has been a dramatic improvement there as well.

Senator IAN MACDONALD—I want to go back to fisheries and ask Dr Kalish about the southern bluefin tuna commission and Australia's quota, Japan's quota and our export trade in southern bluefin tuna at the moment.

Dr Kalish—The season has progressed well to date and I believe that the farms have caught pretty much all they need, so they are full with fish. Australia is on track to catch its national allocation of 5,265 tonnes for this fishing year.

Senator IAN MACDONALD—Are the Japanese still paying back their overexploitation from years ago?

Dr Kalish—They have a national allocation of 3,000 tonnes, which is down from their normal allocation of 6,065 tonnes. That 3,000-tonne national allocation is to remain in place for at least five years. At that point it will be reviewed. That review takes place at the 2011 meeting of CCSBT, when the national allocations for 2012 will be considered.

Senator IAN MACDONALD—Has the 3,000 tonnes that they have come down been distributed among other nations or just given to the fishery?

Dr Kalish—The only country to receive a reduced national allocation in the year in question—that is, from the 13th annual meeting of CCSBT, in 2006—was Japan.

Senator IAN MACDONALD—But the others did not get an increase?

Dr Kalish—No, the others remained the same.

Senator IAN MACDONALD—So the total take from the fishery was reduced by 3,000 tonnes?

Dr Kalish—Yes. In fact, our estimation is that it would have been ultimately reduced more dramatically due to the other actions that have taken place. So it is 3,000 tonnes in terms of the national allocation.

Senator IAN MACDONALD—So it is being much more closely monitored in Japan?

Dr Kalish—Yes, that is so.

Senator IAN MACDONALD—Did prices go up as a result of the more limited Japanese take?

Dr Kalish—Prices have continued to fluctuate, but they have decreased recently due to the global financial crisis is the belief. There have been changes in the market for the high-value tunas, including Atlantic bluefin tuna, northern Pacific bluefin tuna and southern bluefin tuna. The price has declined somewhat. That is both for wild caught fish and for the farm fattened fish.

Senator IAN MACDONALD—But the CCSBT is happy with the health of the fishery?

Dr Kalish—In April we had a special meeting of the CCSBT's Strategy and Fisheries Management Working Group. This is a new working group formed under the CCSBT. At that meeting, members discussed the status of the fishery with a view to establishing a strategic plan for the fishery. Members agreed that the current status of the fishery is about 10 per cent of the unfished spawning stock biomass. In other words, there has been a significant reduction in the fishery. There was general agreement that that is the condition of the fishery at the present time—that is, 10 per cent of the stock size of spawning fish is present now, compared with what would have been present in an unfished state.

Senator IAN MACDONALD—Is that sustainable at that rate?

Dr Kalish—We believe that there is a need for rebuilding and there was a discussion regarding a rebuilding target. There was an agreement to seek to achieve an interim rebuilding target of 20 per cent of what we call the unfished spawning stock biomass.

Senator IAN MACDONALD—And that will be done by reducing every nation's quota—is that right?

Dr Kalish—No, there is no determination yet as to how that will be achieved right now.

Senator IAN MACDONALD—How else can you achieve it?

Dr Kalish—Initially, we need to see what the impact of the current levels of fishing will have on the size of the stock, recognising that in the previous years there was significant overfishing. As a result, there already is a very substantial reduction in the take from the fishery compared with—

Senator IAN MACDONALD—That is the 3,000 tonnes from Japan you are talking about?

Dr Kalish—Yes, plus additional catch that we estimate was being taken in contravention of the commission's agreements.

Senator IAN MACDONALD—I take it from that that the commission is of the belief that the illegal take has fallen?

Dr Kalish—Yes, we believe that that is the case. We continue to monitor that as closely as we can. In particular, we are evaluating the market situation in Japan.

Senator SIEWERT—What is the date for putting in place a plan for reaching a new target?

Dr Kalish—We cannot say exactly what that will be. So part of the issue is that different rates of fishing will result in achieving a target at a different time. That is something that will be discussed in more detail at the commission meeting in October.

Senator IAN MACDONALD—Thank you for providing me with the report of the IOTC performance review panel at the last estimates. Before I get on to that, Dr O'Connell, there was a presentation given in this building by a very well-known and respected scientist who was calling for the appointment of an ambassador for the oceans. Has that reached your radar or the radar of any of your staff?

Dr O'Connell—It has not reached me. It looks like it has not reached anybody else either.

Senator IAN MACDONALD—I did not hear the full presentation, but I did get the material, which I have not fully read yet. It was an interesting idea. I think we are the second or third biggest nation in world as far as oceans are concerned.

Dr Kalish—It is estimated that we have the third largest exclusive economic zone.

Senator IAN MACDONALD—Accordingly, we perhaps do more research into oceans than many others. Are we recognised as that?

Dr O'Connell—There is certainly a lot of work done on ocean science in Australia—probably disproportionate compared with many others. Our fisheries are not as large as many others.

Senator IAN MACDONALD—No, was an ambassador for the oceans rather than an ambassador for fisheries. It was along the line of an ambassador for the environment.

Dr O'Connell—All these ambassador-type positions are a matter for the Minister for Foreign Affairs to decide. That has certainly been the case with ambassadors for the environment, climate change, envoys and this sort of thing.

Senator IAN MACDONALD—Whilst on climate change and the environment, Australia is a very small player. But in respect of the oceans, being a nation of huge EEZ, the suggestion was that we would have a far more credible reason to be appreciated in foreign affairs. But obviously these things are not initiated unless the relevant department starts the ball rolling. I recommend the paper of a well-known scientist to you, whom I cannot recall.

Dr O'Connell—If you can tell me who the well-known scientist is.

Senator IAN MACDONALD—I think it was probably promoted by the environment department.

Dr O'Connell—We will find out.

Senator IAN MACDONALD—It sounded like a good idea to me. It perhaps might be a post politics job for qualified people—Dr Kalish, of course, I mean. Just going back to the IOTC, thank you for forwarding me that report. I see from the executive summary that the panel recommends the IOTC agreement be either amended or replaced by a new instrument and that the decision on whether to amend the agreement or replace it should be made taking into account the full suite of deficiencies identified in the review, and then the review itself goes on for pages relating all the deficiencies that you and others have known about for years. What is the further process from here? That report was done in February, you tell me, but where do we go from here with that?

Dr Kalish—At the last Indian Ocean Tuna Commission meeting—the annual meeting in early April this year—a resolution was adopted where it was agreed that members would address all the deficiencies the commission identified through the performance review; members would work collaboratively to address those deficiencies, considering the range of options that were identified in the report that you clearly have a copy of with you; and it includes consideration of developing a new convention and new text or looking at other means of rectifying some of the problems, recognising that the convention text was drafted

and agreed to prior to the UN fish stocks agreement and therefore does not include many of the principles that we consider central to international fisheries management. As you of course are aware, it also deals with the issue of ensuring full participation by all states and fishing entities engaged in fishing activity. Those issues were all identified. It was recognised that those deficiencies needed to be dealt with and the means of dealing with those is under consideration but there was an agreement to deal with them.

Senator IAN MACDONALD—This is hardly groundbreaking stuff; everybody has known this for a long time. The difficulty is getting the FAO to move. In the nicest diplomatic language, again this report points out that the main problem is the veto the FAO has on practically anything that happens. I can say—perhaps you cannot—that there lies the problem. Do you detect any serious commitment to actually doing something about it?

Dr Kalish—Certainly amongst some of the members there is a very great commitment to move ahead with some kind of action that will improve the situation. We certainly spoke in detail with the European Community representative at the meeting and also subsequent to that. Certainly Japan and Korea are very keen to move forward with some kind of action. We are attempting to work with coastal states in the region to come up with some agreed approach.

Senator IAN MACDONALD—Is this something Department of Foreign Affairs and Trade is involved in as well?

Dr Kalish—We have had discussions with them and they are involved to some extent, yes.

Senator IAN MACDONALD—It requires a huge diplomatic effort. With respect, it would seem to me we would be far better to be putting our millions of dollars of diplomacy into fixing up the Indian Ocean Tuna Commission rather than trying to get a seat on the Security Council. If we fixed up the IOTC we would at least be doing something positive for the tuna stocks in the Indian Ocean and trying to regulate and protect them for the future. Am I right in detecting that it is really you and your area that runs this rather than DFAT?

Dr Kalish—This department is responsible for dealing with the regional arrangements on fisheries, specifically regional fisheries management organisations including the Indian Ocean Tuna Commission.

Senator IAN MACDONALD—But it requires all the African states—and people who have to be more diplomatic than I do could not say this—and you have to make it worth your while. That is why the FAO continues to be as powerful as it is—because the FAO does make it worth their while. It really requires a major diplomatic effort. Because of Australia's interests, although we do not get a lot of money out of the Indian Ocean, it would seem that we should be upgrading. What is your team of people who work on this? There is you and a secretary or something?

Dr Kalish—I and a couple of other people work on a range of issues relevant to the Indian Ocean Tuna Commission.

Senator IAN MACDONALD—It is not a big team.

Dr Kalish—No, it is not.

Senator IAN MACDONALD—Quality but not quantity.

Dr Kalish—Quality, yes, exactly. We convened a meeting of coastal states at the last meeting of the Indian Ocean Tuna Commission in the margins and that was attended by all coastal states present, which included states from East Africa, the Middle East, South Asia and West Asia. They all agreed that there was a need for coastal states to work together in relation to the Indian Ocean Tuna Commission and improve the situation with fisheries management in that region. There has been some progress, and I think getting those states to talk is an important step. We have also had discussions in particular with representatives from Oman, which is currently providing some support to the Fisheries Support Unit based in Muscat. They are interested in both coastal fisheries management and high seas fisheries management in the Indian Ocean.

Senator IAN MACDONALD—I will not ask you; I will not embarrass you. Perhaps I will ask Dr O’Connell.

Dr O’Connell—You do not mind embarrassing me?

Senator IAN MACDONALD—I do not mind embarrassing you. I am not sure what you know about the Indian Ocean Tuna Commission, although you would probably know something from a former life.

Dr O’Connell—I know something, yes.

Senator IAN MACDONALD—It is dysfunctional.

Dr O’Connell—I know of its difficulties.

Senator IAN MACDONALD—It is the last real stock of tuna in the world.

Dr O’Connell—I think the Pacific Ocean has actually got better tuna stock.

Senator IAN MACDONALD—Probably in the western and central Pacific.

Dr O’Connell—I know more than I look as if I do, you see.

Senator IAN MACDONALD—Do you think it would be a good idea, if Australia could find more resources, to perhaps pour money into the Oman venture that we have just heard of, which I could ask more about but will not? If we could really put some serious money into Dr Kalish’s work, which really should be, in my view, supported financially by DFAT—

Dr O’Connell—I will let them know that.

Senator IAN MACDONALD—I am sure DFAT would be interested in my view! As I understand—and Dr Kalish might correct me if I am wrong—it really does need a concentrated effort to bring coastal states together to actually put resources into moving ahead the decision.

Dr O’Connell—As with all multilateral organisations, it is not necessarily simply resources; it is to some degree the sets of interests of the parties involved and whether or not they are either naturally aligned or can be drawn together. That commission clearly has its difficulties and the nature of the instrument, as Dr Kalish says, in one sense predates the other major arrangements.

I am not sure it is just a question of throwing resources at it and you can make it work. I am not sure about the Omani initiative and whether there is any virtue in other people putting

money into that or not. I think, frankly, it takes a cool-headed analysis of what can be done and—

Senator IAN MACDONALD—But you need analysts to do that.

Dr O'Connell—You certainly do.

Senator IAN MACDONALD—And you need on-the-ground people.

Dr O'Connell—I am certainly very confident we have people in the commission who understand what is occurring in that and we can make an assessment of what we can do and what we cannot do and also the relative virtues and merits of that, for example, compared with the management of the Pacific Ocean tuna stocks, which are also enormously important to us.

Senator IAN MACDONALD—The tuna stocks are in good hands because an Australian leads the treaty.

Dr O'Connell—Has done.

Senator IAN MACDONALD—Has done? It is not so?

Dr O'Connell—Has done; I think that has changed.

Senator IAN MACDONALD—The professor is too busy with his teaching duties, is he?

Dr O'Connell—The professor has moved on to the academic world.

Senator IAN MACDONALD—Okay.

Dr O'Connell—Dr Kalish might be able to tell you who the current—

Dr Kalish—The new chair is Satya Nandan, from Fiji, who has an extensive history in fisheries, including as executive secretary of the International Seabed Authority. He chaired the multilateral high-level process that drafted the Western and Central Pacific Fisheries Commission convention.

Senator IAN MACDONALD—I am sure the succession plan would have been well directed. Dr O'Connell, I assure you I have not spoken to Dr Kalish since the last estimates, but if I can just leave the thought in your mind that you should resource that area more and that you should get from DFAT funding to your department so that you can resource it. That does not require comment. I might leave it at that. Thank you.

Senator NASH—Can we go through the role of agricultural attaches and what they do?

Mr Burns—The positions overseas vary in nature. We were talking previously about the role of the person in Dubai, which is not solely about the live animal trade but plays a large role in that area. That ranges through from that very hands-on technical market access work to our position in Rome, for example, which is very much linked to our membership of the FAO. We currently have a person in Paris who handles many of the multilateral organisations, such as the OECD, the international wine organisation, the International Grains Council, the International Sugar Organisation and so on. Then we have in several countries two positions where we have, if you like, a policy position and a technical position, although they are very rubbery terms because the work crosses over both areas. If you take a country like Japan, for example—the two people who we have in Japan—there is very much a mix of looking at the

agricultural policies in Japan and what that might mean for our exports and our trade and engagement with the Japan free trade agreement negotiations, for example, through to also, if we have problems with a particular shipment—say something might go wrong with a grains shipment—getting involved in some of that work.

It is essentially making sure that we have people who can do the government-to-government relations. It is not really about being out there doing the work of, say, a trader or the industry. It is really about if we need to have engagement at the government level to fix a problem. Some of them are long-term issues. So in Washington, obviously, the policies of the US with regard to the farm bill—having somebody there who can understand those policies is very important—but equally in some of the new markets. Recently we put somebody into New Delhi. There were a lot of issues to do with breaking through some of the quarantine barriers but also getting a better handle on the overall Indian agricultural policy and what that might mean for us in terms of development of that important market.

Senator NASH—It is obviously a very necessary position. How many do we have around the globe?

Mr Burns—We currently have 15 spread around the world.

Senator NASH—Okay. Was there any move in the budget to cut any of those, or are they all ongoing?

Mr Burns—We have recently announced that we will be moving from having two people in both Brussels and Washington to having one person. We are maintaining the more senior-level positions there. Also, we are effectively combining the Paris and Rome positions but upgrading that to a higher level person who will cover both the Paris and Rome work.

Senator NASH—Was it purely on a financial basis that those decisions were taken?

Mr Burns—Over the last five years we have significantly increased our geographical coverage. I mentioned New Delhi, but we have also put new people in Bangkok. We went from having one person to two people in Beijing. We have a person in Jakarta, although that is largely related to the illegal fishing work. So we have expanded our geographical coverage quite a lot, but the funds are not limitless. So in terms of reprioritising, we have moved from having two to one in both Brussels and Washington.

Senator NASH—All right. Would you be able to supply for the committee—and I am happy for you to take this on notice—over the last three years the attaches, where they were and the roles that they were performing and changes in those roles? That would be quite useful.

Mr Burns—Sure.

Senator IAN MACDONALD—I would like to ask Mr Morris whether he thinks one person can do both Rome and Paris together in the FAO. Perhaps I will not ask.

Dr O'Connell—I think the answer is yes, isn't it.

Senator NASH—You are not leading the witness, are you, Dr O'Connell?

Senator IAN MACDONALD—I will not insist on an answer. I can understand what, as a former distinguished occupant of that post, the answer would be.

Senator NASH—Just on that, was that a decision taken within the department itself?

Dr O'Connell—Yes. These are essentially internally funded and we keep an eye on the priorities. Essentially, we are looking to ensure that we keep an eye on our major policy issues that we need to deal with and, importantly, on the market access, especially these difficult and emerging markets. As Mr Burns has been saying, the spread has been moving to our market areas. I would have to say my priority has been to tend to try to pursue the market access arrangements. So, for example, with the efforts in Europe, our judgment was that we could manage them in this way at a senior level. With Washington, again, we have a senior person in Washington and predominantly that looks towards the bilateral relationship, the farm bill and other issues as well. But when we come to areas like Korea, Indonesia, China and others, we are really talking market access very directly as being the critical drivers. That is where we are looking to make the access effort essentially on behalf of Australian industry to be the driver of what we are doing in most of these.

Senator NASH—The market access protocols for new and existing markets; do you have priority projects?

Mr Burns—Could you just explain a little bit what you mean by market access protocols?

Senator NASH—Just the arrangements for market access. I am just trying to ask what are the priorities where you are trying to gain market access? Do you have particular areas that are more important than others for trying to gain access?

Mr Burns—We do and we have an overall strategy for how we conduct ourselves in terms of the international engagement—remembering, of course, that Foreign Affairs and Trade has the main carriage and they have officials in all the embassies who deal with these issues. But where we believe there is a particularly heavy load of agriculture-specific work, where our expertise can enhance the work that DFAT does, we get engaged. It is not always just looking at what the volume of trade is, because you might have a very longstanding market where things are stable and so you may not need to have that engagement. You might take a market like India, which is not high in volume yet but we are hoping that it would expand, but there are a lot of technical issues there that need to be addressed. So having somebody on the ground can help us get a better handle on how that system works and start building those government-to-government links which would hopefully see the trade expand. So it is not as straight as just looking at the volume; it is really looking at what the issues are that need to be addressed.

Senator NASH—Okay. I have some more questions, but I am happy to place them on notice, given the time. Would you provide for the committee the current free trade agreements that you are working on—just the status of those and where they are all up to for the committee? That would be quite useful, thank you.

Mr Burns—Yes, we can do that on notice.

Senator NASH—Thank you.

CHAIR—Are there further questions of Trade and Market Access?

Senator MILNE—I would like to ask about the negotiations with the Chile free trade agreement. I just heard Senator Nash say that you will table some of those. Can I have an

update on that? I am still interested in what benefit you perceive would come from a free trade agreement with a country which has the same seasons as us. I am very interested.

Mr Burns—The free trade agreement is now in place. It is early days, so it would be premature to look at even one year's worth of trade to see if it is having any impact. Of course, the decision to enter into negotiations and to finalise negotiations and the nature of a final package is not one that this department makes alone. It is really a responsibility of the trade minister, in consultation with other ministers, as to what the nature of the final package might be. I understand that there are some elements of the agricultural industries who had the same question about the Chile FTA that you had, but I also know that there are other elements—for example, the dairy industry—that see a lot of potential in Chile being a foothold into Latin America. They were very supportive of us concluding the agreement with Chile.

Senator MILNE—I take it from that that the main agricultural sector that thought it was a good idea was dairying. I am always interested to see if we have some benchmarks about the claims of what is going to come from the free trade agreements so that we can have a look afterwards and assess whether the claims ever came to fruition. Is there a document anywhere that tells me what the Australian government believes the advantages are and to which commodity sectors in particular we think there will be measurable benefits?

Mr Burns—That will vary from FTA to FTA, depending on what our comparative advantage is, compared to that country. It may not be agriculture in all cases—it could be manufactures or services. If you take the Thai FTA, I think there have been some clear benefits for agricultural industries there. I have not got the details of them with me, but I can provide you with that.

Senator MILNE—I am asking about Chile. I am particularly interested, because I cannot see it myself and I have looked it at a number of times. Particularly, fruit growers in Tasmania have said to me that it makes no sense at all as far as they are concerned. Is there a statement anywhere that puts on the table now the claims of the government about the benefits to specific sectors of this free trade agreement? I want to come back in five years time and establish whether any of these benefits have actually accrued.

Mr Burns—I can take that on notice.

Senator MILNE—The other one that I wanted to ask about is the US free trade agreement. A lot of claims were made at the time about the fabulous response we were going to have from primary industries in response to that. Have you done an assessment of what the free trade agreement has delivered to primary industries in Australia?

Mr Burns—We have not done a specific assessment of that, but we can provide you with details of what has happened with trade. I would note that since that has happened there have been many fluctuations in the world market and certainly big fluctuations in the exchange rate between here and the US. It would be very difficult to isolate what is the result of the free trade agreement and what is a result of other factors.

Senator MILNE—Except that, at the time it was negotiated, none of the caveats were placed on the great success of the agreement based on what was known at the time—that is, that there will always be the fluctuations you mention and have always been those

fluctuations, so that should have been taken into account. Is there a process of evaluation ever on these free trade agreements? At what point does the community get to see whether the claims stack up?

Mr Burns—If you look at most free trade agreements, there is a feasibility study done in advance and industry sees those feasibility studies. In the case of the US free trade agreement—all free trade agreements, but I know particularly in the US free trade agreement—industry was involved in advising the government on the nature of the negotiations, what they wanted out of the negotiations and, indeed, there was a team of industry people in Washington in the final days of those negotiations directly advising the people who were concluding the agreement.

Senator HEFFERNAN—It is just a pity to overlook the general patenting thing in that process, and we are now trapped by convention with all the patents. For instance, you were talking just a minute ago about the free trade agreement with Chile, and they do not recognise it. They slammed on despite all the—and I won't say the BS word. As with the subsidy on dairy now, that is what they have told us and that is exactly where we will be in trouble if we go to Chile, because these fellas do not abide by the rules. If anyone does not understand what I am talking about with the patenting thing, they should acquaint themselves with the fact that the human body has 4,000 patents on it, by convention but not by law.

CHAIR—Senator Milne was questioning and we are running out of time.

Senator MILNE—Has there been assessment of the claims that were made about the US free trade agreement and primary industry, and an assessment of the results? If not, is there ever an evaluation or do we just go through a process of claims and then no evaluation ever as to what goes on?

Mr Burns—I have not got with me any assessments of the actual outcomes and what they have meant, but I will look into that and if I can find something I will provide it to you.

Senator MILNE—I am interested also about what the current claims are about the benefits of the China free trade agreement to primary industries. I would like to know what the claims are about the benefits so that we can have a benchmark in a few years time.

Mr Burns—I think at a previous hearing I tabled on notice the feasibility study for that free trade agreement.

Senator MILNE—Is that all we have got to date?

Mr Burns—We are still negotiating, so—

Senator MILNE—Okay.

Senator HEFFERNAN—What are we doing about the free trade agreement now they have stuck a subsidy on dairy?

Mr Burns—The subsidies that were announced last week on dairy are consistent with their WTO commitments. They are not in any way illegal. They do, in the words of our ministers, fly in the face of the G20 leaders commitment not to move towards protectionism. But the free trade agreement, the export subsidies, is not covered in that. In the US announcement there is language that says that they are willing to engage with non-subsidising countries like

us to ensure that any impact on our markets is minimised. So the announcement was about a broad move, and the details of which markets will be targeted and the actual dollars that will be spent on those markets is yet to be announced. We are expecting to have discussions with the US administration to minimise the impact on our markets.

Senator HEFFERNAN—Under the convention of the free trade agreement with the US, we have had every public laboratory in Australia asked to surrender all its cancer research because of, by convention, a licence. It is just a joke.

Dr O'Connell—Senator, that is definitely outside of our—

Senator HEFFERNAN—But it just makes the point.

CHAIR—I thank officers from Trade and Market Access.

[11.23 am]

CHAIR—I welcome officers from the Quarantine and Biosecurity Policy Unit. Ms Freeman, do you wish to make a very brief opening statement?

Ms Freeman—No, thank you.

CHAIR—Thank you very much. Senator Heffernan, do you have questions?

Senator HEFFERNAN—I have plenty of questions on the 40 per cent—

Senator NASH—We all have questions on that.

CHAIR—We are asking for questions, not lectures.

Senator HEFFERNAN—It may be only in the event. What are Australia's arrangements under biosecurity in AQIS for the importation of green prawns?

Dr O'Connell—It would be useful, I think, to just check whether or not we are going to handle the Quarantine and Biosecurity Policy Unit or go into Biosecurity Australia and AQIS, because this goes to those operations.

Senator HEFFERNAN—Just Australia for a minute.

Dr O'Connell—We need to get the right people up to the table, that is all. If you want to do prawns—is that what you would like to do now?

CHAIR—Is this the most appropriate fit now?

Senator HEFFERNAN—Yes, it is.

CHAIR—Actually, I was not asking you, Senator Heffernan, I was asking Dr O'Connell.

Dr O'Connell—We can do it now, if Biosecurity Australia people could come up.

CHAIR—Let us do the whole lot together. It would probably be easier if we have Australian Quarantine and Inspection Service and Biosecurity Australia as one.

Senator HEFFERNAN—I just want clarification, Dr O'Connell, on what the regulations are around the importation of green prawns into Australia—uncooked.

Mr Lihne—You will recall that in October of 2007 the draft prawn IRA was issued which had a set of draft conditions which indicated that prawns coming into the country had to be from countries that were free of a number of quarantinable diseases or had to be tested on

arrival. There was an exemption made for marinated prawns. After those conditions were brought in, industry were concerned that the marinated prawns were being further processed on-shore to create raw prawns. Following on from those complaints, which were investigated but we could not confirm that issue, we moved to require all marinated prawns to be imported under a permit and each product was approved as an approved product.

Senator HEFFERNAN—Thank you very much. Now I am going to give you an example of why the system is failing. These are marinated prawns, right, with a permit on them? One minute in the water, which I did this morning—you blokes know about it because I have been talking to you about it and you have not done anything about it—and that is a raw prawn; it is not a marinated prawn.

Mr Liehne—That is correct.

Senator HEFFERNAN—It came out of that packet of frozen marinated prawns.

Mr Liehne—Each of these products has been assessed to determine whether the marinade is appropriate and whether it can, in fact, be removed and this assessment has been done by Biosecurity Australia. Each of the products that we currently allow to come in on a permit has been approved under that process.

Senator HEFFERNAN—Do you want me to just grab two of those prawns and take them out to the tap and wash them now?

Mr Liehne—I recognise—

Senator HEFFERNAN—They are the washed ones. They are defrosted, right? I have washed them. It takes two seconds to do that. There is no marinade impregnated in those prawns.

Senator Sherry—Chair, this may be useful for the committee, but I think it actually does deserve, you know, all committee members being able to see—

Senator HEFFERNAN—I am just trying to make a point.

Senator Sherry—I know you are trying to make a point.

Senator HEFFERNAN—This is our biosecurity.

Senator Sherry—You are trying to make a point, but I think if other committee members want to view the raw prawns they should have the opportunity to do so.

CHAIR—We should probably have a prawn viewing room, should we?

Senator Sherry—Well, no. I am not being half serious here. I think they should be passed around. If Senator Heffernan is making a point we should all be seeing the evidence.

Senator MILNE—Oh, for goodness sake!

CHAIR—Would you like to share your evidence, Senator Heffernan?

Senator Sherry—He has been engaging in a one-on-one conversation.

Senator MILNE—This is a farce, Chair. Could we just stop it.

Senator HEFFERNAN—No, it is a breach of biosecurity.

Senator MILNE—Well then, take it up in the appropriate place.

Senator HEFFERNAN—This is the appropriate place, because this argument has been going on for ages. The industry is in serious distress because these fellas are importing these prawns, washing them and using them in the trade as raw prawns.

Mr Liehne—Senator, if that is the case then those people will be acting against the import permit and if we can find evidence of that they will be prosecuted. We can deal with prawns in terms of meeting the conditions when they arrive to the point of sale; we cannot control what individuals do.

Senator HEFFERNAN—I appreciate that, but those prawns in those packets, which have your permit on them, are not impregnated with marinade.

Mr Liehne—They need to be encased in marinade, in a dry marinade.

Senator HEFFERNAN—Just put it through the tap and they are a raw prawn. Doesn't it make a farce of the whole thing?

Mr Liehne—The conditions have been very clear. We have put in place conditions on marinated prawns. The intention is to ensure that prawns come in—the risk is associated with the end use. Biosecurity Australia could give you more detail on that. The end use for these things is in cooking. The marinated prawn—you are paying a premium for the marinade in the product.

Senator HEFFERNAN—With great respect, this is an argument about Australian prawns and the viability of Australian prawn farmers. These prawns get around the system and your permit because they are raw prawns.

Mr Chapman—Senator, Tim Chapman, Executive Manager—

Senator HEFFERNAN—Mr Peters and those fellas have been talking to you fellas, but what are you going to do about it?

CHAIR—I think, Senator Heffernan, Mr Chapman wants to just answer.

Mr Chapman—There are a couple of issues, Senator. The first one is that at the moment the import conditions do allow, as you have been discussing, certain prawns which are marinated to come into the country. There have been allegations made that some importers are doing one of two things: one is trying to bring in prawns that have not been marinated so are still, you know, green.

Senator HEFFERNAN—These are clearly they.

Mr Chapman—The second is that some of the prawns that are coming in are not meeting the import conditions which we require them to meet in accordance with the conditions set by Biosecurity Australia. What we are doing to check that is a survey of 60 consignments of imported marinated prawns—that is 20 consignments in each of three states—so that we can confirm that they are, in fact, meeting the import conditions. We don't have any—

Senator HEFFERNAN—I have just given you an example of a set that don't though. They come from where? Vietnam.

Mr Liehne—Senator, if you have evidence that this is happening commercially with imports—

Senator HEFFERNAN—They were acquired in the market.

Mr Chapman—Senator, I think the point is that these prawns are meeting the import conditions that are set.

Senator HEFFERNAN—If they are meeting the import conditions then the import conditions are a farce. That is a raw prawn. Would you not agree?

Dr O'Connell—I think that is a dry marinated prawn, which you have now washed.

Senator HEFFERNAN—That is exactly right, because it is not marinated. To be marinated it has got to be impregnated. This is a sly way of getting round a slippery set of importation regulations.

Dr O'Connell—The initial issue that you were asking about, Senator, was whether these meet the import requirements and I think there is a distinction between meeting the import requirements—

Senator HEFFERNAN—If that is the case, the import requirements—if they allow that to happen—

CHAIR—Senator Heffernan, just allow Dr O'Connell to respond and then you can add later.

Dr O'Connell—What people do afterwards with the prawns—

Senator HEFFERNAN—Can I just, on behalf of Australian fisheries—

Dr O'Connell—These are two distinct things.

CHAIR—No, Senator Heffernan, just allow Dr O'Connell to finish. When his mouth actually stops moving, Senator Heffernan, then you can move your gob.

Senator Sherry—Maybe he should stuff the prawn in his mouth and that would constrain him.

CHAIR—Can we just get some order going for just a few seconds while we get an answer. In fact, Minister, there have probably been a lot of suggestions in this committee as to what we could shove in Senator Heffernan's gob and a prawn was not one of them, but Dr O'Connell, would you like to finish and then Senator Heffernan may have his turn.

Dr O'Connell—The point I was trying to make was that there are two distinct issues at stake here which are being confused: one is whether or not these prawns meet the import permit requirements, and I do not think there is any case, so far as I understand it, that you are trying to make that they don't.

Senator HEFFERNAN—No.

Dr O'Connell—Okay, that is a key point because that goes to the legality of their import. Then the issue is the handling of those prawns after import, which you are then suggesting goes to the risk—

Senator HEFFERNAN—No. What I am suggesting is that the regulations that allow the permit to be issued for these prawns are inadequate because the system of marinating prawns should involve the prawns being impregnated. What is the point of having this partial system? A lot of restaurants in Sydney are doing this. I have been there to see them. They get these

marinated prawns because they are a lot cheaper than buying Australian raw prawns. They are half the price. They chuck them in a big tub, wash them and then they use them in the restaurant trade. Of course the other risk is that they are, and have been, sold as fish bait.

Dr O'Connell—It would be useful to know where have they been sold as fish bait.

Senator Sherry—In your survey—

Senator HEFFERNAN—It is not a survey.

Senator Sherry—You suggested that you have been going around the restaurants of Sydney doing a prawn survey. If you have evidence that there has been a possible breach then you should provide it to AQIS.

Senator HEFFERNAN—Here is the evidence. Thank you, Minister. These prawns are not impregnated; they are raw prawns.

Senator Sherry—Yes, I understand that argument. But if you have evidence based on your observations—

Senator HEFFERNAN—Here is the evidence.

Senator Sherry—You have to have something to follow through more than a raw prawn. You have to have names of places that have been identified and importers and pass that on so that these things can be followed through.

Senator HEFFERNAN—We will provide that another time. These guys know—

CHAIR—Senator Heffernan, can you allow the minister to finish and then you can have your turn. I am sure if everyone were cutting across you you would go troppo.

Senator HEFFERNAN—I am used to that.

Senator BACK—So that we can move on, can I ask the department to take on board the justification for the dry marinade being adequate to protect the Australian industry? It is probably a different subject for a different time, but if we can be satisfied as to the adequacy of that protection then we can perhaps debate that. There is a lot to be discussed.

Dr O'Connell—Senator, I think that is precisely right and that goes to the issue of Biosecurity Australia assessing these prawns.

Senator HEFFERNAN—So if I can conclude: is the marinade process of these prawns actually impregnating the prawns with marinade?

CHAIR—Senator Back has asked that and Dr O'Connell has said he would take that on board and come back to us.

Dr O'Connell—As I understand it, the issue in marinating is as much to ensure end use as anything else. If it is useful, we might have Biosecurity Australia explain the nature of the risk management here.

Senator BACK—That is what we need to get to.

Dr Nunn—One of the things that we try to do is minimise the risk—there is no zero-risk policy with any imports, as you will understand—and there is a series of steps in place to do that. The two diseases that we are concerned about with respect to these prawns would be

yellowhead and white spot syndrome virus. By removing the heads and the carapace—the shell—you can remove some of the risk. You still have a potential risk there, but one has to look at the end use.

Senator HEFFERNAN—So if they are being used for fish bait—

Dr Nunn—If they were to be used for fish bait and they had the marinade removed, there would still be some risk, as there is with other products that come into the country. But one has to still get them being used as bait. These permits are issued for prawns in marinade for human consumption. They are labelled ‘not to be used as bait’ and so on. So, if they are, people are in breach of the requirements.

Senator HEFFERNAN—But you would also appreciate that this whole thing came about because I happened to go up the Queensland coast and asked some fishermen who were using prawns for fish bait where they got the fish bait. They pointed to a supermarket and they were imported green prawns. That is how this all started. This is just a further extension of that. These are green prawns. It is like the marinade is some sort of cover for the permit. The marinade does not actually marinate the prawn.

Dr O’Connell—The point here is that the process itself is not intended, if you like, to deactivate anything. It is an end-use issue. It is the likelihood of this being used. I think you are perhaps not quite yet grasping the risk management arrangements.

Senator HEFFERNAN—I am grasping them, but they are eligible to be used as fish bait because they are raw prawns, besides the fact that they undercut the market and all the rest of it. But that is another issue.

Dr O’Connell—That is perhaps a different issue and not one we can deal with here.

Senator HEFFERNAN—That will do. You have got the message.

Dr O’Connell—I hope you have also understood that what we are saying is that the marinade is not intended in itself to deactivate anything.

Senator HEFFERNAN—This makes a farce of your regulation.

Dr O’Connell—I think that is making a claim which I think we would probably wish to dispute.

Senator HEFFERNAN—That is all right. I am happy for you to dispute it.

CHAIR—On that then, we will take the opportunity to go to other senators.

Senator MILNE—I wanted to take up the issue of the government’s decision to implement the Beale review recommendations—

Senator Sherry—Put them in the fridge, Bill. They are smelling a bit.

Senator MILNE—in relation to quarantine and in particular the decision to scrap the 40 per cent subsidy for exporters. I have had a number of people come to see me about this, particularly those fruit exporters from Tasmania who export into fairly difficult markets. They are outraged by this change. So I start by asking: what is the cost saving to the federal government of dumping the 40 per cent subsidy?

Dr O'Connell—Just to make it clear, the subsidy was temporary. It was lapsing and it lapsed according to its schedule. So it is not that there is a savings measure that has occurred there. It is simply that it lapsed, and the government agreed to allow that lapsing to continue.

Senator MILNE—So what was the subsidy then? Can you give me the time frame on that subsidy, please?

Dr O'Connell—Around \$37 million.

Mr Delane—The figure varies obviously from year to year, but it is of the order of \$37 million to \$41 million depending on volume. As Dr O'Connell has pointed out, this was a measure introduced eight years ago. The decision was made when it was renewed four years ago that it would in fact lapse. The previous government made that decision. The decision that it would lapse on 30 June this year was clearly communicated to all parties. The Beale review looked at that and many other issues and reached the same conclusion—that the assistance measure should lapse—and that is the action that has been taken.

Senator MILNE—You say that the decision was taken four years ago in consultation with the exporters. Is that correct?

Mr Delane—The exporters were informed. Mr Read has been involved in consultation with all of the sectors affected—all of whom we have consultative committees with—and they have been informed on various occasions that this measure would end. It is perhaps no surprise to any of us that they have not rushed to move to pre-empt that and have waited until the decision was clear. But there has been ample notification to all the affected sectors now for quite some time that the measure would end on 30 June.

Senator MILNE—Mr Read, what feedback or discussions have you had about the likely impact that the 40 per cent subsidy now ending will have on some of those exporters?

Mr Read—Since the decision was taken by the government formally to endorse the recommendations of the Beale report, I have met extensively—a number of times—with each of the six commodity groups that are affected by this increase in the export certification charge. Specifically, there is always concern when exporters are confronted with an increase. This is a large increase that they have to respond to in terms of their business. So I have spent significant time with each of those sectors to respond with a set of fees and charges that seek to be the most reasonable you could have in reintroducing full cost to these industries.

Senator MILNE—What are those exporters saying to you about the impact that it will have on their business, given that we are in the middle of a recession and people are losing jobs everywhere, including in rural and regional Australia? Specifically, let us start with horticulture. What are they saying?

Mr Read—Again, the industries have not been specific in terms of what the impact of returning to full cost recovery will be. You have industry groups suggesting that, as a consequence of the increased fees and charges, that will have an impact in terms of competitiveness with international markets.

We have got independent economic advice in terms of what happens with currency movements in comparison to \$40 million. For the meat program, for example, less than half a cent movement in currency offsets the total cost of the \$40 million. For horticulture in terms

of the subsidy down around \$2 million, that is less of an event. In terms of competitiveness in international markets, the \$40 million is probably almost unrecognisable in terms of its impact at this stage.

Senator MILNE—It has been put to me that as a result of the changes some of the big growers who have worked very hard to get access to difficult markets will now pull out of those markets and go into markets which are much easier; therefore, actually reducing the prices and restricting growth in the product export. What do you say about that?

Mr Read—There were a number of discussions earlier with the horticultural industry around what an appropriate responding set of fees and orders would be with regard to their industry. They are a very difficult industry to set things like fees and charges with because they are made up of so many components to so many different markets with so many different protocols applying. The concept we pursued earlier on was to push the charges out to the end users as much as possible so they were not borne by a few collectively in the middle. That clearly put a lot of pressure on, which is the sort of response that you would have heard that you are probably also talking in response to. Where the fees and charges are positioned now is very similar in a sense to where they are currently positioned in terms of fees and charges. But also with the horticultural industry agreement we have some structures in place which lighten the load on the small air freight exporter so that they can continue to enjoy the current quick access to South-East Asian type markets. In terms of the bigger exports—the cherry growers and so forth—in reality the impact is not significant at all in relation to the complexity of the protocols that are needing to be serviced to enter the markets that that product enters.

Senator MILNE—Is it not the case that, when the growers were told some years ago that this subsidy would eventually be abolished or run out or however you want to describe it, AQIS was also going to make efficiencies so that the costs would be reduced over time so that at the point that their subsidy ran out the costs would be considerably reduced? What efficiencies have been made? I put that in the context of our competitors, say, from New Zealand where they have a very different structure and yet the same sort of priority on quarantine that we have.

Mr Read—There are a couple of points to make in that regard. The first is that, with New Zealand in terms of cost-recovery practices, I would probably suggest that particularly on the meat side New Zealand would have a more robust cost-recovery model than we do. So their industry is in fact paying more than our industry does for servicing export and inspection and, on top of that, they actually also contribute to the market access work which our industries do not. The second point is that from 2001 when this subsidy was put in I have continually represented to industries the fact that something like this subsidy is unlikely to be an ever-going appropriation and at a point in time priorities will be tested and it will be seen as one that should drop off, and there is a need for reform.

The difficulty is that once you start a subsidy with industries they get very comfortable with the subsidy and are then unprepared to go through the pain required to drive the types of regulator industry efficiencies required to reposition both of those models so that you can harvest the efficiency benefits from that. Where AQIS currently sits across all of those programs is that we are continually—three times a year by our industry consultative committee—scrutinised in the services we deliver, the number of staff we have on, the

overheads we operate with, the protocols that we have to markets and the types of arrangements we put in place to continue to drive efficiencies. We effectively operate that regulatory agency with no more cost in it than needed to meet those importing country requirements. So tomorrow I cannot all of a sudden take 40 per cent of the people out of our programs without jeopardising market access into those countries. So to get to a change in cost structure, it will take a significant reform to get to that point.

Senator MILNE—I might say the industry would say the same about AQIS as you have just said about them. You have said that they have gotten comfortable with the subsidy. They would argue in return that AQIS has gotten comfortable with the full cost recovery you are going to get from them, so it is a two-way street here in relation to that. Their criticism is that, with regard to fruit growers such as export cherry growers as an example, they have been trying to get similar kinds of arrangements with agent agreements and so on for a long time and that that has not been progressed. Why is that the case?

Mr Read—There are two points to make. The point I did make was that it was AQIS and industry reform—I am not saying it is one-sided—and I very much have always said with industry that it is a partnership approach with industry. The second point you then refer to with cherry growers is around, I suspect, the two per cent protocol testing on certain products which is where the cost factor comes in. I am not sure I can talk specifically about protocols to markets where the certification agency and those protocol negotiations are conducted by some other areas of the department which would need to talk about specifically where those two per cent negotiations are at.

Senator MILNE—But has that not been going on for some years?

Mr Read—I do not know the history on the protocols with the two per cent; I know that we are required to meet a two per cent inspection which is where the cost essentially comes from with our regulatory services there. I would need to get one of my colleagues to respond as to the time frames and what that—

Senator MILNE—Okay. If you would take on notice please where we are up to in terms of those agreement arrangements and how the New Zealand growers do it compared with how we do it in terms of those inspection services, because there is a strong view that AQIS has not restructured itself to put in place the efficiencies that reduce the costs to growers. You say it is a partnership. I think one side of the partnership feels very hard done by at the moment—

Dr O'Connell—Senator, just to clarify, I think what Mr Read was referring to there was the requirements of the importing countries which are not something that AQIS controls. AQIS is in—

Senator MILNE—No, but they inspect to adhere to those protocols.

Dr O'Connell—Yes, they have to.

Senator MILNE—Of course they do, but how they do it and how much it costs to do it is handled differently in other places. The criticism is that the growers here have been trying to move to a more cost-effective structure and AQIS has not facilitated that. Sorry, you were going to say something.

Mr Delane—There are a lot of allegations around in this space. I have to say my observation over the last six months is that we have had now some years where there has been both the need for and the opportunity for total system reform in various sectors of the industry that is paying the bills to work with AQIS and in fact make some investments in improved systems so that in fact the whole cost could be taken out of our part of the system and costs could be taken out of the client part of the system. In some cases that has occurred. In fact, grain industry representatives have told me that they are paying less now in costs than they were before the subsidies were introduced, and we need to keep driving that forward because the grain industry is changing quite dramatically, as are a lot of the other sectors. So until you actually get down with each of the sectors and within the sectors to see what markets they are trying to access, what the protocols are and the processes that need to be gone through by our agency so that those clients can access those markets and look at the appropriate costings for those, you can make a lot of allegations without really getting to the heart of the issue. I think we are operating quite efficiently.

I think there is actually quite reasonable evidence that in some sectors the client groups have put so much pressure on us to reduce our costs and our price that in a cost-recovered program there is only a marginal ability for us to actually provide the certification that some clients need and certainly no ability to reform IT systems and other measures that are needed so that the clients can operate more successfully and efficiently and we can do the same. That is the discussion that Mr Read, his team and I are now having with all of the sectors. A number of the sectors have identified quite significant reforms in the overall process, including the interface of the clients and ourselves, that will take the whole area forward. In some cases that will require significant investment and the client group needs to work with us on that. In others there are systems or expectations that can be adjusted or processes that can be adjusted within my part of the organisation. That partnership is working both robustly and vibrantly at the moment. It has been much less vibrant over recent years because the focus has been on accepting the subsidy and driving only the price.

Senator MILNE—So having said that about grains—and you mentioned before that we are talking about half a dozen sectors—which are the ones that you assert have not in the last four years done the restructuring, gained efficiencies and so on, as you have just described, when they have known this was coming?

Mr Delane—I think I can actually say that we have not been able to work through all of them with a forward plan. The operating environment for all of these client groups is changing very rapidly and we all know that. Market requirements are changing and business systems are changing. What we need to have on an ongoing basis is a forward work plan which in a cost-recovery environment means a cost-recovered work plan and an investment plan. We have not been able to establish that.

That is the process we are in now. We are having some very successful discussions with those sectors. I expect that this year we will have forward work plans agreed with all of those client sectors so that we are not only able to deal with the issues that exist for market access and services right at this moment but will actually build towards a better ability to provide better and more efficient services as we go forward.

Senator MILNE—I asked which sectors have these plans in place and which ones do not.

Mr Delane—Mr Read can comment more on that. The sectors that have been very heavily involved in these discussions in recent months are: grains; horticulture; live animals; organic foods, which is a little different; dairy; fish; and meat, which is the biggest one. Meat is about three-quarters of the export sector in terms of revenue volumes. So we are having much more detailed discussions with that sector. It is a very large sector and a very diverse sector.

Senator MILNE—Since we do not have those in place for several sectors, do you acknowledge that finishing the subsidy like that is going to have a massive impact on those sectors in the short term—let us say for two years at least—as they try to restructure their operations?

Mr Delane—There are two things that I would say in response to that. This is not ending it like that; this is ending with four years notification and fairly regular reminders over recent years from our people in those discussions. As Mr Read has pointed out, these numbers are equivalent to half a cent movement in the exchange rate. They are also equivalent to about half a per cent of the value of these sectors. Whilst it is a significant amount—and roughly \$40 million of assistance to the export sector will always be very gratefully received—it is not a very large percentage of client revenues or value of those sectors.

Senator MILNE—Having said that this has been four years in the making and that some sectors have their plans in place and some have not, why has AQIS not been much more proactive in the last four years in making sure that every one of these sectors has their plan in place and signed off by the time the subsidy finishes?

Mr Read—AQIS has been significantly engaging across all the sectors in terms of reform. There is a range of initiatives that we at AQIS have put on the table across just about all those sectors. If we go back a little bit, the most significant reforms that occurred to certification services, the positioning of industries and market access were in the period up to 2001. Since 2001, although we have been driving reforms in a range of areas, there has still been a fairly comfortable response from the industries. To drive reform is simply not, as you say, a one-sided equation. It takes significant pain from AQIS to change workforces as well as a lot of negotiation in terms of markets to set those markets up so that change can dovetail into those arrangements. Equally, there is always a cost associated with that transition both in terms of what is needed to change with industries and what supporting systems need to change to enhance that.

Up to this point in time, it could be suggested that there has not been enough impetus to drive the sort of reforms that Australia needs, as Mr Delane already foreshadowed, to position it where it needs to be positioned. Clearly, the signalling of the withdrawal of the 40 per cent subsidy has certainly got all those industries very focused on that place. I have spent a number of months working very closely with those industries. What are the types of repositioning we need to do to ensure that we get the best mileage out of Australia Inc in terms of those export markets?

Senator MILNE—Are you considering averaging across the easy to access and the more difficult to access markets so that you get a lower price for some people but it will mean others will be paying for the first time? Is that something you are working on as a compromise position?

Mr Read—As I mentioned to you earlier, some of the industries actually recognise that to be the best position. The users of the service ultimately should be a contributor to the cost. We have, across a range of industries, a cost structure that seems to capture precisely where the service is provided at the moment. Because of the difficulty, as you have expressed earlier with the examples that you have highlighted, in moving not only a 40 per cent change in price or cost of the service back on to an industry sector but then dropping that on players who have not experienced paying or paying anything like that level, that is almost an impossible task. At this stage, all we have simply done is take, across those industry sectors, what exists now as a fee structure and simply use the minimum we can to bring it up as close to full cost recovery as possible.

Senator MILNE—If the subsidy was to be extended for another year, with a cost to the budget, in order that these industry sectors get themselves organised and look at the efficiencies and indeed the department perhaps looks at the efficiencies and the way other countries comply with the protocols and so on, what would the cost be to the budget?

Dr O'Connell—At present that would be \$37-ish million.

Mr Delane—It will depend on volume. It will be plus or minus a few million dollars of \$40 million.

Dr O'Connell—It is hypothetical.

Senator MILNE—I understand it depends on volumes and depends on seasons and a whole range of things, but we are talking about a ballpark possibly of around \$40 million.

Senator COLBECK—You indicated that there had been a decision made by the previous government to cease this process. Colleagues who were involved in that process indicated to me that that was not the case. The program was in place for four years and it had been extended. It has been put to me that a specific decision to remove this subsidy had not been made and, in fact, there were provisions for a further four years in the forward budget estimates that had been provided for this measure.

Dr O'Connell—I do not think that is correct in terms of the forward budget estimates. I think the estimates cease on 30 June this year.

Mr Delane—The information available to us is that there was never any forward estimate beyond 30 June this year.

Senator COLBECK—That has been quite clearly put to me by the former trade minister.

Dr O'Connell—We can easily look at that in terms of simply looking at the last budget papers. That is very straightforward.

Senator NASH—Perhaps Dr O'Connell or somebody might like to do that now if it is very straightforward and simple.

Dr O'Connell—I think we would have to get somebody to go back and look at the papers.

Senator COLBECK—I would appreciate you doing that. I think that is an important point. We know that programs come to an end and governments make decisions one way or another to extend them—and I have had this conversation with the government in previous estimates where they made a claim that we had made the decision when we were in

government to cease something when we had not. From our perspective, I would like to be able to clear that up once and for all. Ministers in the previous government have indicated to us that they did not make a decision to cease this subsidy. So in that circumstance—

Dr O'Connell—I think there is perhaps a distinction to be made between a program which is scheduled to lapse, which is what this was as is my understanding, and then making a decision to cut a program, which is to cease it.

Senator COLBECK—I am more than happy to accept that as a position because that quite often occurs, and then the government—as a program—

Dr O'Connell—And that is my understanding—

Senator COLBECK—comes to the end of its scheduled life, the government will make a decision one way or the other to continue it or not.

Dr O'Connell—My understanding is that this one was scheduled—

Senator COLBECK—But to characterise this as a decision of the previous government to cease it—I do not think that characterisation—

Dr O'Connell—I do not think we characterised it as that. The only characterisation I would put on it is that it was scheduled to lapse at the end of this—

Senator COLBECK—A decision had not been made by the previous government to extend it. So by virtue of that, it was scheduled to—

Dr O'Connell—The only decision that they have made was for this period. All other things being equal—

Senator COLBECK—The perception that is conveniently being allowed to occur is that we made a decision to cease it. I just want to put on the record that that is not the case. I think we are in agreement about that. Is there a cost-recovery impact statement being considered as part of this process?

Mr Read—There will be a cost-recovery impact statement that will accompany the fees and regulations associated with the change to the fees—the charges.

Senator COLBECK—These changes are due to take place on 1 July. Surely if there is going to be a change of this magnitude and in accordance with the government's own guidelines, which were modified in 2008, a cost-recovery impact statement must be considered by ERC as part of this process. Surely we are not going to bring in a significant further impost to industry without going through the process that the government has in place.

Mr Read—Without understanding fully what you refer to, this is not a new budget measure; this is essentially a program that has been allowed to lapse. In terms of bringing that program back up to full cost recovery, the procedure is that that will require the fees and charges that support the revenue streams in certifying against those industries to be drafted. Prepared in conjunction with that will be cost-recovery impact statements, which will be then provided to the Department of Finance and Deregulation. The other supporting explanatory memorandum supporting those fees and charges will also make reference to those points.

Senator COLBECK—Even though you are only making a change to the process, you are actually increasing revenue by some \$43 million or \$44 million. It is not a small chunk of

money. To have no sense of what the impact of the cost recovery is going to be—effectively, we are just going to impose it on the industry without an understanding of that. The beef industry tell us that it is going to cost them between \$32 million and \$34 million. That is not small and you have characterised that as being small in the context of their overall turnover. But we know that the ETS is going to cost them about \$60 million a year. This is going to cost them between \$32 and \$34 million. The renewable energy target could cost them up to \$20 million. There is \$114 million a year additional impost on just the beef industry that this government is imposing. At least we see—

Dr O’Connell—We should make a distinction between cost recovery for a service and an imposition, if you like, from a policy perspective.

Mr Read—This is a cost-recovery process.

Senator COLBECK—I am trying to make the point that the government has not done the cost-recovery impact statement process. These are their own regulations. They were updated last year—changes to cost-recovery arrangements. It talks about changes to cost-recovery arrangements. If you go to the attachment—and I am happy to give you a copy of this document—there is the question which states:

Is the new or amended cost recovery activity expected to generate gross receipts greater than the threshold for major new policy proposals (currently \$10 million), as defined in the Budget Process ...

If the answer to that is yes, it states that the ERC must consider the relevant cost-recovery impact statement. These are the government’s documents. It is the Department of Finance and Deregulation circular No. 2008/08. That is what the government’s own documentation says. I am not trying to make it up. If you want to have a look at it, that is fine. You say that the minister is going to have a look at this after the deed almost, given that this process will continue on 1 July.

Mr Read—My understanding is that we are not funding a new proposal; we are returning a program that was once at 100 per cent full cost recovery under government cost-recovery guidelines.

Senator COLBECK—This says ‘changes to cost-recovery arrangements’.

Mr Read—In the policy proposals.

Senator COLBECK—It says new or amended.

Mr Read—Did you not say for the new policy proposals when you read that out?

Senator McGAURAN—Or amended.

Senator COLBECK—New or amended. Requirements for new or amended cost-recovery activities.

Mr Read—Then for each of these we will be completing cost-recovery impact statements.

Senator COLBECK—But that does not get considered by the minister until after the process.

Mr Read—We are completing those documents before 1 July.

Senator COLBECK—What about consultation with the industries? Does the industry get a chance to comment on this cost-recovery impact statement?

Mr Read—I have been consulting with the industry on—

Senator COLBECK—No, the cost-recovery impact statement. I am talking about your own statutory—

Senator Sherry—Hang on, you have asked a question. Let the witness answer.

Mr Read—We have consulted extensively with the industry on the structure and the positioning of those fees and charges since January this year. There has hardly been a week gone by that I have not had one sector that I have been talking to over that period.

Senator COLBECK—But they are not having the opportunity to comment on the cost-recovery impact statement.

Dr O'Connell—We would, I am sure, be looking to ensure this arrangement is compliant with the cost-recovery and new policy guidelines.

Senator COLBECK—I do not doubt that that would be your intention, but you have five weeks to do it.

Dr O'Connell—That is right. There is no question, this is—

Senator COLBECK—It is a significant impact. While you would like to characterise things that are occurring in the agricultural sector perhaps in silos, if you look at the beef industry and the potential imposts that this government—and they are coming from different processes, I understand. But if you add them up just from the beef industry, what I have seen over the last four or five weeks is at least \$100 million. It is a lot of money.

Dr O'Connell—My point was more to distinguish between the cost recovery for a service provided, which this is—

Senator COLBECK—But they still have to pay the bill at the end of the day.

Dr O'Connell—Yes. I am concerned that you may be putting this into the same category as some other imposition as opposed to the provision of a service—

Senator COLBECK—No, I am talking about things that are actually going to cost the industry money. I have just picked the beef industry.

Dr O'Connell—The point I am making is that, for this cost, they get the benefit of the certification. So this is a direct cost recovery according to the standard government guidelines.

Senator COLBECK—Yes, but by the same process, previous governments have made the decision that to assist agriculture and to promote exports of agricultural products—and given that we export 60-odd per cent of our agricultural products—the government is prepared to make a contribution to assist that.

Dr O'Connell—There is a distinction to be made between the provision of the subsidy and the removal of the subsidy and the creation of an impost. Removing a subsidy on the—

Senator COLBECK—At the end of the day they still pay the bill.

Dr O'Connell—It is not the same as creating an impost.

Senator COLBECK—However it manifests, the additional costs still come on to the industry. I understand what you are telling me—I am not arguing with your perspective of it—but you still have to pay the bill.

Dr O'Connell—But otherwise it goes into a new policy arrangement.

CHAIR—Dr O'Connell and Senator Colbeck, you are both talking over each other. If we can ask the question and allow the witness to answer. When the witness has finished, you will get the call back again, Senator Colbeck. You are talking over each other. It must be murder for Hansard when they are trying to work it out.

Senator COLBECK—I have every confidence in Hansard.

CHAIR—I have every confidence in Hansard, but I am asking that people do not talk over each other.

Senator COLBECK—So this measure is projected to pick up about \$43.8 million a year. What about the existing shortfalls that fall within the agency? Is there any proposal to pick up some of those costs as well? My understanding is that revenues have been down in recent years because of reductions in exports. I have heard several numbers, but it is about \$700,000 or \$800,000 down in revenues. What are we doing to resolve that shortfall? Is that being picked up as part of this process as well?

Mr Read—As I mentioned a few moments ago, in terms of this changeover ideally what we would do, if you are going to return with all of these dimensions away from it, would be to return the industries back to full cost recovery, recapture all the debt that was outstanding in terms of previous years and put a reserve in place to enable future fluctuations between the service and the activity of the industry to be managed. At this stage, the only line being taken is to get these industries as close to cost recovery as possible without the additional imposts at this time.

Senator COLBECK—So you are not looking to recover the \$700,000 shortfall that is there from previous years?

Mr Read—Most of the industries at this stage, in terms of increases on their current fees, are in the order of only a one per cent increase. In terms of what you are saying, the answer is no. Horticulture at the moment, for example, is performing substantially well in export markets. So, with that particular program, it is unlikely that it has actually had a deficit. It is responding very positively with the new markets and opportunities in recovering against that deficit. The consequence of a fee change with it, again, is on the very conservative side because of the very positive activity in that program.

Senator COLBECK—I am not sure that you have actually answered whether or not you are trying to recoup the \$700,000.

Mr Read—Again, if you keep going, the meat program is probably the one that has the largest deficit at this stage. The reason it has a large deficit at this stage is that it built up a significant reserve back in 2001-02 and it has essentially been offsetting the difference between the fees raised and that reserve for a number of years. That has then brought us to a position where the revenues generated from that program generate about \$75 million but the

cost of running that program is around \$80 million. So, in the case of the fees now, it will be a matter of returning those fees back.

Senator COLBECK—So we are looking to recoup some of the deficits of the past?

Mr Read—No. All I am saying is that we are basically returning it back to a platform of expenditure equalling revenue, without at this stage dealing with any recovery of accumulated deficits in that program. The ideal approach that we would run would be to get the industries back on to that full cost recovery footing and then look at the reforms across each of those sectors. As Mr Lihne said, I have been working with each of those sectors at a pretty hectic pace to identify where we can do business differently, implement that as quickly as possible and try to take any further adjustment pains off those industries.

Mr Delane—Over time, each of the industry accounts has to be balanced. Obviously, with the waxing and waning from year to year and within the cost recovery guidelines, some years there are excesses and in some years there are deficits. I think what Mr Read said is we are working with the industry sectors at the moment, particularly meat, which is running a deficit, to bring them back to cover the costs for the foregoing year. It is likely to run a deficit going through this year, but it will need to balance its books and stay within a narrow range above or below a zero balance.

Senator COLBECK—That is fair enough and I understand that process, but it is a matter of where you draw the line. Are we starting from 1 July and working forward from there? It has been put to me by some in the industry that there is a desire to pick up some of that lost revenue from previous years. I understand that you are trying to balance things out, but it is a matter of where you draw the line in the sand. If there has been a deficit in revenues—particularly because of a reduction in services provided through a downturn in trade or something of that nature, particularly with the effects of the drought and things like that in recent years—I think it would be unfair for the industry to have to pick up its own costs for reduction and returns for reductions because of the drought and local trade conditions and also to pick up the government's cost as well. That is why I am trying to find out whether we are starting with a clean slate from day one or whether we are trying to ask industry to bear their own costs for the drought and reductions in trade and the government's costs as well.

Mr Read—I think I have answered that question in saying that from 1 July the fees and charges that we have worked through with each of those industry task forces now are the most sympathetic and least progressive in terms of where they could be—that is, positioned not to reap from day one large components of outstanding debts or repositioning the industry from a position that was negative into a position that was positive. This is about transitioning as close as we can to full cost recovery with minimum impacts.

Senator COLBECK—So how is the agency then looking to balance its books for the deficits that it currently has? There is a significant deficits, as I understand, in the export but also a much greater one in the import.

Mr Read—I have nothing to do with the import side.

Senator McGAURAN—This does not sound like cost recovery—it sounds like a new tax.

Mr Delane—I am not sure how you would reach that conclusion.

Senator McGAURAN—Cost inclusions year by year, not going back—

Senator Sherry—If that were the case, Senator McGauran, when you were in government you imposed a mighty lot of new taxes, looking at the various levies that were introduced under your government and extended and increased.

Senator McGAURAN—That is not the case.

CHAIR—Senator McGauran, your colleague Senator Colbeck has the call.

Senator COLBECK—So how are we realising the shortfalls that we currently have? There is a shortfall there. It is about \$700,000 or \$800,000, as I understand it. How are we realising that shortfall?

Mr Read—At this stage, those industries will get to 30 June. Some of those industry sectors actually have reserves. Each of our commodity sectors are accounted for in silos, so we are not cross-subsidising between one sector and another and we are not cross-subsidising between the export sector and the import sector. It is about each of those sectors bearing the full cost of meat inspection services. When we get to 30 June, some of those industries have positive reserves and they will be used to offset some of the shortfalls that would be there now, and some of them will carry over some of those positive reserves as of 1 July. Others of them will have slight deficits now and those deficits will carry over to 1 July. As I have just suggested to you, some of those with light deficits will continue to have light deficits, with all things being equal, as of 30 June 2010.

Senator COLBECK—So effectively the industries, at the end of the day, will pick up the deficit?

Mr Read—Over time, yes. It is full cost recovery.

Senator COLBECK—So they are being asked to pay.

Mr Delane—On the information that we have at the moment, the only export program that is likely to have a significant deficit at the end of the year is the meat program, and on the numbers we have it is a deficit likely to be of the order of three per cent or so of annual revenue.

Senator COLBECK—What does three per cent mean?

Mr Delane—It is about \$2.5 million. The others are going to be plus or minus within a small range of a balanced budget and, over time, the program will pick that up. The meat sector will need to balance its industry liability account.

Senator COLBECK—So we are effectively not drawing a line at 30 June; we are going to—

Dr O'Connell—Can I try to clarify, Senator, just what we are looking at.

Senator COLBECK—I think I understand.

Dr O'Connell—The attempt here is to ensure in the coming year the major change is simply the removal of the 40 per cent, but not chasing the previous deficits. But, as has always been the case, there will be the expectation that over time this will come back into balance.

Senator COLBECK—So the new fees will be set to take that process into account?

Dr O'Connell—The new fees will be set, as I understand it, really just to make this shift from the removal of the 40 per cent subsidy and then, in due course, we will be sorting out the other deficits. So it will be an attempt to not do two things at once in this initial phase. Is that right?

Mr Delane—That is right. And we will deal with each of the industry sectors and the consultative arrangements with the trading conditions that will operate in the forward year, and adjustments will be made or not to the fees and charges regime going into the subsequent year.

Senator COLBECK—Yes, but a lot of these costs are effectively fixed costs, aren't they? If you look at, say, for example, a meat inspector that is in a facility full time; they bear the cost of that full time. So they are fixed costs for the industry. They have to bear that all the way. It does not matter what their throughput is; they just have to bear the cost of a meat inspector. If the cost of that is proposed to go from, say, 54 to over \$100,000 under this process, it is a fairly lumpy amount of money, but that is a fixed cost. It is a fixed cost to their business.

Mr Delane—Senator, in all of the sectors meat is the largest and certainly has the most number of staff involved. In all of the sectors we are working through with them to look at systemic improvements that might be made that may involve more or less staff, that will deliver a more efficient service. That means we need to look at all of the strategies. Do they require all of the services that are currently being requested of us? Are there systems that can be turned into e-systems that are currently paper based systems? Are there some services that could be provided by another party that we do not need to provide? We need to work through all of that. I think Mr Read and I and his team are involved in very detailed discussions with each of the sectors. Our focus for the coming months is to work through with each of them to identify system improvements that can be made, that can be made in the short term and can be made in the longer term.

Senator COLBECK—Obviously it is an extremely noble intent and you would expect that that would occur, but surely this process effectively, from what I can understand, has been going on since early this year after the Beale report came down. The decision was made to accept the recommendations of the Beale report and we started the process. But wouldn't it be wiser to actually work with industry to get these processes in place, to find out what the efficiencies were and to implement them, and then put in place commensurate fees and charges? If there are all these things that you have talked about—

Dr O'Connell—That goes to government decision. Effectively what we are trying—

Senator COLBECK—I understand that, Dr O'Connell, and I am not criticising the agency for that.

Dr O'Connell—I do not want to comment on a government decision.

Senator COLBECK—I am not criticising the agency, and Senator Sherry might like to come in on that. That is up to him. Surely you would put the efficiencies in place and then base the fees on the new efficient protocols?

Mr Delane—The only comment I can make on that is that the dynamics of international trade that all these people are involved in, and therefore the dynamics of their relationship with us, are such that this has to be a system of ongoing improvement. So a particular slice through time around this time—

Senator COLBECK—But it is a big change, it is happening very quickly. We know we have not seen the cost-recovery impact statements yet. That has to be done before it is implemented according to the government's own guidelines. It is at a significant expense. You are going to raise an extra \$43.89 million out of this process. That is going to be imposed on Australia's agricultural exports. Can I just clarify that the only thing that you are doing is removing the 40 per cent rebate? That is the only thing you are doing? You are not charging for any services that you did not charge for before? So you are not, for example, going to charge for the development of a quarantine protocol that the government did as part of its service to industry?

Mr Read—Correct. It is a very complex question you ask when you say that, because all our fees and charges are linked to the activities with each of those industries in terms of the services we provide with them. The fundamental is, as I said, we are not using smoke and mirrors to actually drag other things into this so that we are covering, in some way, shortfalls in other areas. That is not what is happening. We are simply looking at the current existing fees and across almost all of those sectors only increasing them by, in most instances, it would be lucky to be 66 per cent which is required to bring them back up to the full cost.

Senator COLBECK—There are some that are a bit more exciting than that.

Mr Read—Some are a bit higher, some a bit lower.

Senator COLBECK—I am aware of one that goes from 350 to 880 in the horticulture sector. I can understand them being a bit excited about that.

Mr Read—I am not sure you have got probably the latest fees and charges. In terms of, again, the horticulture sector, when I look down the comparative list of proposed fees and existing fees it would be very close to that 66 per cent across all of them, particularly when you average them.

Senator COLBECK—So you are not intending to charge for access into markets where there are no phytosanitary requirements, where you are not currently charging fees?

Mr Read—I will have to get the detail of that. As I mentioned earlier with the previous senator's questions, there was an effort earlier to push the costs of delivering these services back to these essential users of that service and that was then going to be picked up in those certificates of sort of non-phyto markets that you described there. What we have done now is essentially take the same fee structure we have now for the horticulture industry and essentially just lever that up enough to recover the 40 per cent. So in the case of those non-phyto markets, it would be the same structure charge that we have applied now, levered up across our fees and charges by an average of 40 per cent.

Senator COLBECK—So you will be charging to access markets where you did not charge to access before? People will pay a fee to access a market where they did not pay to access it before?

Mr Read—Can you just give me a moment to check the answer to that?

Senator COLBECK—Sure.

Mr Read—In terms of non-phyto electronic issuance of certificates, that was always at \$15, so it is not as though they were not charged. I was a bit confused by the question.

Senator COLBECK—So what will the new fee be then?

Mr Read—\$26, which is an increase of 73 per cent.

Senator COLBECK—So are there any markets where previously there were no charges that will be charged in the future?

Mr Read—No, would be my answer to that, based on the numbers in front of me here. As I said before, I cannot see any change between the fee structure we applied previously and what is proposed, except for the difference to bring it up by the 40 per cent. So those that were paying 15 are now paying 26.

Mr Delane—It is important that we work with accurate information because in some of these sectors there have been quite a number of iterations of fees and charges proposals—

Senator COLBECK—And obviously it changes very quickly because my information, which is not all that old, appears to be a little dated.

Mr Delane—And, in fact, in some of the sectors we have put forward a range of proposals to them and they have considered them on balance, for others there has been a whole sequence of proposals. There is a great deal of transparency in the numbers and a great deal of work has been done here. On occasions there have been some significant changes from one version to the next in the consultation process.

Dr O'Connell—Senator, we can probably do a couple of things to assist here. One is confirm that, but also just to make sure that those industries get that confirmation directly as well.

Senator COLBECK—I would appreciate confirmation that no-one will pay for a phyto certificate to countries that did not have phyto requirements previously. I think that is an important point.

Mr Read—I think the question we can answer is: will anyone be charged now who was not charged before? No. I am sure that is the same answer.

Senator COLBECK—It is a slightly different point, I think. If a country did not have phyto requirements that required a certificate previously, are we now going to charge them to export to that country? That is what I am trying to find out. That is different from someone who was charged a small fee before.

Mr Read—I can reaffirm that, for the issuing of a manual certificate, the fee has increased from \$30 to \$51 for a non-phyto market and, for an electronic certificate, if they are on our stock certification system it has increased from \$15 to \$26. They would require those non-phyto certificates for those goods to leave the country, so I am not aware of any markets that they would be going to that should not be paying that fee.

Senator BOSWELL—Do those certificates that you have just stipulated include wool?

Mr Read—No, that is a different issue. That is a non-prescribed good.

Senator BOSWELL—I will ask about wool later.

Senator COLBECK—So what involvement has the minister had in this consultation process with industry to date?

Dr O'Connell—I think there has been very close involvement in the process of working through this. Certainly there has been a request, from the minister's perspective, to set up some working groups which could talk about—

Senator COLBECK—He might have spoken to the department, but has he as yet engaged directly with industry?

Mr Delane—The minister, like most other people, has had a lot of representations made to him.

Senator COLBECK—We have had plenty of representations; I am sure he has, too.

Mr Delane—And there are ministerial task forces established for all of these key sectors. So, with the endorsement of the minister, Mr Read's team, I and others are working through with each of these sectors to get the best set of fees and charges that are possible within the immediate regime and to work through the necessary reform strategies to process—

Senator COLBECK—I understand the department and these groups have been working very diligently on this. I do not doubt that at all. It is obviously a major change. It is going to raise a lot of money. What I am interested to know is the level of engagement personally by the minister with industry.

Dr O'Connell—I think you would have to ask the minister.

Senator Sherry—That will have to go to the minister. We will have to take that on notice.

Senator COLBECK—So the department has no knowledge of any meetings of the minister with the industry?

Dr O'Connell—I think it is best to ask the minister directly because otherwise we would probably get the information not quite right. Certainly the minister has been engaged in this process extensively.

Senator Sherry—If you want the minister's perspective, the minister will provide the response.

Senator COLBECK—What I am interested to know is which industry groups the minister has met with and when he has met with them.

Senator Sherry—That is certainly something the minister's office will have to supply.

Senator COLBECK—Mr Read, can you give us a sense of your schedule with respect to meetings with the industry groups that you have been dealing with on this process?

Mr Read—Do you want my schedule backwards or forwards?

Senator COLBECK—Let us get a sense of history first. I am sure the next six weeks are going to be awfully busy if you are to achieve what the government wants you to achieve.

Mr Read—As I said earlier, we have had extensive discussions across each of those industry sectors from January this year. That really intensified from March. When I say ‘intensified’, that means at least discussions every fortnight with each of those sectors. We have established six task forces—one for each of those sectors. They have met at least twice, and there would be at least three or four phone hook-ups with each of those as well. At the moment we have had the support of those task forces for each of the fees and orders that we are currently developing. We will then take those fees and orders, if we continue at the pace we are moving now, forward to finalisation in the next couple of weeks. Obviously cost recovery impact statements will be developed for those which we are doing at present. That material will be provided to the minister probably around mid-June for his consideration of the package.

Senator COLBECK—So what form does this new process come to the parliament in? Will it be by regulation?

Mr Read—It will come to parliament in the form of both regulations and orders.

Senator COLBECK—Are we going to have a situation like we had with the alcopops tax where we just announce what the regulations are and we have to wait for a period of time and risk the wrath of the parliament? What is the process and the timing as far as the parliament is concerned?

Mr Read—It depends on the minister.

Dr O’Connell—The handling obviously would be decided by the minister. We should not speculate on how that will be handled.

Senator COLBECK—So it is up to the minister when the regulations are presented to the parliament. Regardless of that, the new arrangements will start on 1 July.

Mr Read—That is up to the minister. We will provide the information to the minister. The minister then needs to take a decision. I cannot pre-empt what that decision will be.

Senator Sherry—I think technically it has to go to the Governor-General.

Senator COLBECK—As regulations, is there a capacity for the parliament to have a say? Will they be disallowable instruments?

Mr Read—They are disallowable instruments.

Senator COLBECK—Do you want to ask your questions, Senator Boswell?

Senator BOSWELL—Yes.

CHAIR—No. Sorry, Senator Back has been waiting patiently. I am going to give the call to Senator Back because he has been sitting here all morning waiting to ask questions.

Senator BACK—Thanks, Chair. Can I just go back to the figure of \$37 million that you have indicated will be the saving as a result of the subsidy. Minister, where in the budget papers is the evidence of the \$37 million saved? Does that appear as a line item in the budget?

Mr Read—I need to precisely state that for 2008-09 it is \$43 million.

Senator BACK—It is \$43 million, not \$37 million.

Mr Read—We use plus or minus, but the precise figure is \$43 million.

Senator BACK—Once again, is there evidence of that saving in the budget papers presented the other evening?

Mr Read—It is not a savings measure, as the secretary has already—

Senator BACK—It is a cost, then, not to be incurred presumably in the coming year.

Dr O’Connell—It is a measure that has lapsed.

Senator BACK—So as such it does not appear as a figure.

Senator COLBECK—So it is effectively a cost saving to the government of \$37 million.

Senator BACK—Do governments of our competing countries provide some level of subsidy, be it a percentage or the lot, on products that we are competing with them against in export markets?

Mr Read—There is a range of different charging arrangements across certifying agencies internationally. New Zealand would have at present a full cost recovery model or close to it. A range of other countries, as you would be aware, are covered by their principal governments.

Senator BACK—What about the United States, particularly with beef exports?

Mr Read—The Food Safety and Inspection Service is a service that is funded by the federal government.

Senator BACK—It is funded by the USDA. So the industry is not expected to contribute to those costs of inspection.

Mr Read—Correct.

Senator BACK—Do you have any idea down the line of the impact that is likely to have on our trade, on our exporters and on our producers? I am thinking of beef and the live animal export trade.

Mr Read—When you compare the Food Safety and Inspection Service to an Australian meat inspection service, the issue is that the FSIS, the Food Safety and Inspection Service, is a national service and AQIS is in fact an export certification provider. So unless we have requirements for importing countries for government-to-government certifications then you need AQIS.

Also, in our national system each of our state jurisdictions has responsibility for oversight of meat production, which would then parallel what the FSIS counterpart is. FSIS has also made a range of statements of late, particularly through Richard Raymond, the previous undersecretary of FSIS, around it seeking to move to more risk based inspection services. Because of the arrangements they have at the moment, they currently spend large amounts of money meeting regulations that require 1.7 second physical inspections of birds which, as you know, against the risk profile of birds in terms of human health, is a meaningless process.

Senator BACK—Meaningless.

Mr Read—We operate, I would like to think, in a more fast paced space, to ensure that we can lever, wherever we can, efficiencies between partnerships with regulators and the industry. That has to be in combination with a very strong market access strategy and

international standards. We have to keep that particular game very much aligned and, if we do, then we are supercompetitive into a range of markets.

Senator BACK—In terms of the introduction or the removal of the subsidy, we have been told that discussion has been going on for some three to four years. Was any consideration given to staggering and reducing the subsidy over a period of time rather than doing it all in the one year, to help industry adjust?

Mr Read—Certainly each of those industry sectors has been reminded about the onset of the potential of full cost recovery. As I mentioned earlier, there are, across each one of those sectors, a range of groups that I work with and chair that continue to chip away at improved regulatory oversight, removal of duplication, dovetailing into state regulatory arrangements and improved market access. They are initiatives that we are continuing to drive. In terms of the response to the transition, Beale set that up with a recommendation it made that was considered in light of ABARE advice, and the decision is clearly as the decision stands now.

Senator BACK—Presumably your inspection and other related fees going forward for the next 12 months have been set if it is a full cost recovery.

Mr Read—Correct.

Senator BACK—Subsequent to those fees having been set, have you any sense of whether there is going to be a decline in demand for services as a result of downturn in economic activity et cetera? The obvious question is: will the fees then be adequate or will they have to be adjusted serially through the year?

Mr Read—Not as a consequence of the fees. What we find in the business that we are in is that it depends on the season. As we enter droughts our meat inspection service impact accelerates because of the throughput of cattle, yet in the horticulture industry certain sectors come back, which they have done. Also, this year it has actually been very progressive in a range of other export market arenas. As a consequence of drought, dairy has certainly dropped back. But, in terms of this charge on that industry, it is such a small component of the overall value of the industry it would hardly be anything of note. There has certainly been a slowdown in the meat industry because of weather, given some of the northern rains and the potential implications. We are yet to see where that is particularly going to come out, but we would expect next year to be similar to this year.

Senator BACK—I have the 2007-08 figures for AQIS programs and, if I am reading them correctly, your airports program recovers two per cent or just under \$2 million in a \$79 million exercise. Am I reading that right? Effectively, AQIS is subsidising \$78 million to airport inspections, or are you recovering it from elsewhere?

Mr Read—I do not think that we can say that.

Senator BACK—Mr Chapman might be able to help us here.

Mr Chapman—I am afraid I might not be able to. Could you please repeat the question? I am not sure if I fully understood it.

Senator BACK—The table I have in front of me indicates that the airports program in 2007-08 had a cost recovery of two per cent. The total was \$79.8 million and the cost recovered was \$1.89 million—in other words, two per cent. I can follow it for all the other

activities—meat inspection 60 per cent; live animal exports 59 per cent; horticulture 59 per cent; international mail seemed to get away with only recovering 17 per cent; and airports seemed to only recover two per cent. In dollar terms that was a figure of \$78 million contributed and \$18½ million for international mail. I am just wondering whether I am reading it wrongly.

Mr Chapman—I am not sure if you are reading it incorrectly. The airports program is fundamentally budget funded. It is not a cost recovered program. There are very small elements in mail where Australia Post provides some funding but, by and large, the airports program and the mail program are not cost recovered. They are budget funded because of the community benefit across the board.

Senator BACK—I hope the community comes to realise the effect, the impact and the value of agricultural exports as well. On the cost side, some of the feedback I have had in the industries with which I am associated is that they are appreciative of the consultative process. Can you give us some idea—and again I am speaking largely of meat and live animals now—when you will be likely to come to some recommendations to provide to the minister, determined as a result of this consultative process, about costs and the extent to which costs will be recovered and therefore reduced overall to industry?

Mr Read—We would be in a position to provide advice, as I mentioned earlier to the minister, by early to mid June. There will be a lot of decisions to be made around that and they will sit with the minister. Again, I would not like to pre-empt what that decision might be.

Senator BACK—Neither you nor industry are optimistic at the moment that you will claw back a significant proportion of those lost subsidies?

Mr Read—Particularly with the live animal export sector, there are a range of opportunities there where we can claw back and reposition both the regulator and industry in a place where some efficiencies can be garnered without compromising a regulatory oversight of that industry. I would foreshadow that every one of the other sectors equally has that opportunity.

Senator BACK—This is probably not the time, but I would like to participate at some time in a discussion about just where some of those may be. In general terms, do you still see live animal exports as a high-risk enterprise or do you see it as increasingly a low-risk enterprise now, with the professionalism in the trade?

Mr Read—I think where you have life you have death. I think, though, that there are a range—and you would have read this in many transcripts—of factors that can cause problems with the shipment of animals; it is multifactorial. The industry and the regulators have substantially improved in removing what is required of a culmination of factors that can cause a problem. We certainly are much more proficient in that space at the present time, and that is clearly demonstrated by the performance of the industry over the last two years. Particularly in the last 12 months it has been an outstanding performance. But we need to maintain vigilance and continue to keep improving our understanding of handling practices to take the risk further down.

Senator BACK—I guess that is my question: will these outstanding performances be rewarded where it counts and hurts most in terms of not relaxation but an alternative approach in some instances, particularly where risk is deemed to be low and the track record of industry is regarded as being best practice?

Mr Read—That is clearly on the table and we are clearly working through the dimensions of those types of questions.

Senator BACK—My final question, Chairman, you will be relieved to hear, relates to the animal quarantine stations. I am just wondering what the current status is. I see that there is a very high degree of cost recovery, but I am particularly thinking of Cocos. What is the current status of the animal quarantine station at Cocos Island? What is its future? Is there anything we ought to be aware of as a committee?

Mr Delane—Perhaps if I could just open, there is no animal quarantine station at Cocos Island—there has not been since 1997. The Australian government still owns land on Cocos Island which is potentially available for quarantine and other purposes, but it is not a quarantine station.

Senator BACK—Not a station or not stocked?

Dr O'Connell—It is not a station.

Senator BACK—So the animal quarantine stations that you have mentioned here are all onshore mainland Australia, then?

Mr Delane—Yes. All the stations are onshore.

Senator BACK—So for importation of animals, then, excluding horses but other animals, what is the protocol—for example, sheep imports and cattle imports?

Mr Chapman—All live animal imports require an import permit, which has a range of conditions for them, and post-entry quarantine. Not all animals can be imported into Australia. Obviously the largest numbers are cats and dogs and ornamental live fish. Horses are imported. Where there are higher risk animals, in a number of cases the importation of those animals has been suspended or has not taken place for some time.

Mr Delane—Currently we have facilities such as Byford on the outskirts of Perth for cats and dogs, Spotswood in suburban Melbourne for a range of animals, Torrens Island in South Australia for eggs and Eastern Creek in Sydney for cats, dogs, horses and bees.

Senator BACK—But Cocos remains under the ownership control of the federal government should a decision be taken at any time that it is needed for that purpose?

Mr Delane—Yes. The land at Cocos is under the management of the Attorney-General's Department that administers those sorts of territories, so its use remains at the discretion of the Australian government.

Senator BACK—Wonderful. Thank you, Mr Chairman.

Senator BOSWELL—I am not sure that I have the right people here, but can someone tell me the cost increase for electronic and manual certification services for the wool industry? What percentage increase would that be?

Senator Sherry—The wool industry? We did not quite hear.

Senator BOSWELL—The wool industry, yes. Do you want me to repeat the question?

Mr Read—In terms of EXDOC certification, the increase is from \$16 to \$64.

Senator BOSWELL—\$16 to \$64?

Mr Read—Correct.

Senator BOSWELL—Has anyone ever thought of outsourcing this project?

Mr Read—Outsourcing it?

Senator BOSWELL—Yes, outsourcing the issuing of certificates.

Mr Read—The certificates that are required are required by importing countries. They are government-to-government certificates and they need, in terms of systems, appropriate controls to ensure the integrity of those processes and supporting systems. This is one of those examples where \$16 was for a long time a cross-subsidised number by a range of other charges, and that was to entice users to uptake EXDOC. At this time it is really only bringing it somewhat in line with what the cost of that service is, and I still suspect it is probably \$20 under what its full cost probably is.

Senator BOSWELL—What does the industry get for the cost of electronic and manual export certificates?

Mr Read—What do they get?

Senator BOSWELL—Yes. What is the work involved in it?

Mr Read—They get a certificate that entitles them access to an importing country. Behind that also, depending on the commodity, sit a range of verification assertions we need to make on this side around those non-prescribed goods.

Senator BOSWELL—So you go out and inspect each one of them?

Mr Read—Depending on the risk, we will go out and inspect the supporting systems around the declarations we need to make.

Senator BOSWELL—In the case of a health certificate, is it the case that there is no actual inspection of the wool at all? So if you are asking for a health certificate, you do not go out there at all?

Mr Read—I will take that on notice. I cannot answer that off the top of my head.

Senator BOSWELL—Has there been any consideration of replacing health certificates with wool certificates of origin?

Mr Read—At the moment, as I mentioned earlier, we are only in the place we are in, as being AQIS export certifiers, because of the demands placed on us by importing countries for government-to-government certificates. If we do not need to be in that place we will not be in that place. If there is another way of doing business then we would welcome those suggestions to us. So whatever suggestions the industry wish to make in that space, we are very prepared to engage in that regard.

Senator BOSWELL—I am asking these questions on behalf of the wine industry. What other non-food industries will have fee increases because of the budget?

Mr Read—Any commodity that requires a certificate to enter the boundaries of an importing country that are not captured under our legislation are what we call non-prescribed goods. They are wool, skins and hides, rendered products, pet food, a range of pharmaceuticals and a huge bunch of product that goes out that requires our certificates with them to enable them to be traded into markets. So there is a very big industry out there that is supported by these certificates.

Senator BOSWELL—How does Australia's level of support and funding for inspection services in non-food industries compare with world benchmarks, specifically with our competitors in these non-food industries?

Mr Read—I will take that on notice.

Senator BOSWELL—With the increased inspection fees—and I am referring to beef here—can you tell me what the increase will mean on a per head basis for live animals over those on the hook?

Mr Read—I will take that on notice.

Senator BOSWELL—How does Australia's level of support and funding for inspection services in the meat industry compare with world benchmarks, specifically with our competitors such as Brazil and the US? I think they fully pay for the inspection services.

Mr Read—As I mentioned earlier, I think they fully pay for services but I am not sure their benchmarks are anywhere near as effective as the ones we provide in this country.

Senator BOSWELL—I just want to ask a couple of questions—

CHAIR—Senator Boswell, we have gone past one o'clock. Do you have many more?

Senator BOSWELL—I have two questions I want to ask about bananas; that is all. Has the department received many applications from Philippines authorities or Philippines banana exporters to export bananas to Australia?

Dr O'Connell—No.

Senator BOSWELL—Has the department commenced work on negotiations with Philippines authorities to develop any work plans, operation manuals or protocols for research and commercial trials relating to the importation of bananas?

Dr O'Connell—No.

CHAIR—On that, then, it is now past lunchtime, so we will take an hour break and we will recommence at five past two.

Mr Read—Sorry, Senator, but I just want to clear two things quickly. The first thing with FSIS is that they do charge for overtime services provided to the industry. So that is one charge. With regard to the second point on the horticulture question, I just want to put this on the record so I am not contradicted: there is a registration charge on premises. That is a new fee, but it will be designed in a way where small participants going to niche markets can use another person's point of export. In terms of the burden on some of those players, it should

not be significant at all. We are still working with industry as to how to ensure that is implemented as effectively as possible.

CHAIR—Thank you, Mr Read. We will recommence at five past two.

Proceedings suspended from 1.05 pm to 2.07 pm

CHAIR—We are in continuation with the Quarantine and Biosecurity Policy Unit, Australian Quarantine and Inspection Services and Biosecurity Australia.

Senator FISHER—What is happening with the volume of imports—up, down, indifferent?

Mr Chapman—There is quite a long story I can tell about import clearance fees and charges. As you would be aware, it is an entirely cost recovered program.

Senator FISHER—Yes, and it has been for quite some time, in terms of imports. But what is happening with the volume of the imports?

Mr Chapman—Since the onset of the global financial crisis, volumes of imports have gone down. There was a quite significant dip in December and January, but it has flattened out a bit since then. As a consequence of that, there have been fewer fee-for-service services delivered by AQIS.

Senator FISHER—There was an article in the *Financial Review* yesterday suggesting that, due to the decrease in volume of imports, the government would consider increasing import fees by up to 50 per cent, which the industry is arguing will ultimately be a price passed on to consumers. The story, written by Emma Connors, appeared on page 3 of yesterday's *Financial Review*. She said:

The federal government is preparing to increase import charges by up to 50 per cent after a sharp drop-off in the volume of goods coming into the country left a \$30.4 million hole in government coffers.

To what extent is that suggestion accurate?

Mr Chapman—The suggestion is largely accurate, but some of the figures are not. At the beginning of this financial year, the import clearance program was expecting a surplus of \$7 million by the end of the year because of the decrease in import activity. We are now looking at a \$9 million net deficit for the end of the year. If we do not increase the fees and charges then we are looking at around about a \$26 million deficit by the end of next financial year. That is on the models that we have used with trade volumes. The thing that is important to note is that the import clearance fees and charges were always due, with the agreement of industry, to be reviewed this year, so this is a review that was always scheduled.

Senator FISHER—The minister is reported as saying, at the end of the article:

... an audit of the AQIS import clearance cost recovery arrangements will soon get under way.

Are you referring to the audit or a different review?

Mr Chapman—The review of the fees and charges is the process by which we determine the appropriate fees and charges to properly cost-recover the activities we perform on behalf of importers. We conduct that with industry. We work with industry to determine the appropriate fees and charges to ensure that they are fair and that they meet the cost recovery guidelines. The audit that has been referred to is an internal audit, which will look at AQIS

cost recovery arrangements. One of the areas that import audit will look at is the import clearance program, because it is the largest cost recovery program. It will be looking at things such as: are our cost recovery arrangements in accordance with the cost recovery guidelines? Is there any cross-subsidisation? Do we work appropriately with industry in setting those fees and charges? So it is separate from the review of setting the charges.

Senator FISHER—Thank you. Earlier you said that the article written by Ms Connors was largely accurate, but you said some of the figures were not. Is the article largely right in suggesting that the government may increase import fees by up to 50 per cent?

Mr Chapman—That is right.

Senator FISHER—Thank you.

Mr Chapman—It is probably worth while putting that 50 per cent into context. The two charges which have the highest percentage level increase—and I will just make sure I am precise in this—are the import declaration fee, which for air cargo goes from \$10 to \$15, and for sea cargo, which goes from \$10 to \$14. While it is 50 per cent, it is a \$5 amount. The other area is our container inspection fee, which goes from \$16 to \$24 and from \$4 to \$6 for a load of less than a container. Both of those are 50 per cent increases, but one is \$8 and one is \$2. The other thing that is really important to note is these fees and charges were set in very close consultation with industry. The model that we have in determining these fees and charges is the product of a—

Senator FISHER—When?

Mr Chapman—It commenced in February of this year, as it was always scheduled to, and concluded about six weeks ago. Industry agree with the modelling of these fees and charges. They are simpler, clearer and, in industry's view, better balanced than the previous arrangements.

Senator FISHER—Some of them are quoted as disagreeing with the concept in Ms Connors' article.

Mr Chapman—There are some segments of industry which do not disagree with the modelling but which disagree with the total amount to be recovered. They are obviously expressing their concerns about the impact they say it may have on them in the current economic environment. One factor which has been explained to them is that there are very few discretionary costs in this area. We have reduced all of our costs as far as we can, and the only way that they could be reduced further would be by laying off a significant number of staff.

Senator FISHER—What percentage of AQIS's overheads, however you characterise them, are allocated to and offset by import fees?

Mr Chapman—I am not sure of the percentage.

Mr Delane—We would have to take that on notice. It would take some working through to make sure we had the accurate figure for you.

Senator FISHER—That answer suggests that a proportion of AQIS's overheads are allocated to import fees. Is that correct?

Mr Chapman—That is correct, and that is actually one of the items which we will have looked at in the internal audit. It is appropriate that import clearance pays overheads for the support it gets from other parts of the organisation. The issue that industry may have is: is that level of overheads fair and appropriate?

Senator FISHER—Look at the question the other way: what percentage of import fees paid result from an allocation of AQIS's overheads?

Mr Delane—We can take that on notice. We can provide the figure, but we would have to take that on notice.

Senator FISHER—Thank you. If, as you predict, not only have imports decreased but the volume of the imports is likely to continue trending down, isn't it a fair question for importers to ask the extent to which AQIS is reviewing its overheads in provision of the service—because if there are less imports you guys have less work to do, at least on the face of it? So is it not a genuine question from the industry—the extent to which you are curtailing your overheads, in a sense, rather than seeking to continue your current overheads and recover those 100 per cent from the industry?

Mr Delane—I think there are a number of responses. Firstly, the latest advice I had from industry people was that they thought the import business was starting to bottom out a bit, if you like, which would be rather nice for everyone. The other—

Senator FISHER—Sorry, Mr Delane. Yet Mr Chapman says the government is considering a 50 per cent hike in fees. Continue.

Mr Delane—For some fees. Clearly it is already articulated that there is a shortfall because of recent trends, and we need to budget on the best scenario we can predict working with them for the coming year. So that factors in to the fees that we have agreed with industry. We have reduced our costs and we will continue to drive costs out of the sector where we can by redeploying permanent officers to other funded programs where we have the opportunity to do that. We are working closely with the sector and, I think, are hosting a workshop with them on Thursday looking at co-regulatory arrangements and whether there are opportunities for more efficient ways of achieving the quarantine outcome. So we will keep working through with them on how to do that.

The internal audit initiated by us will look at the appropriateness of the overhead charges, the allocation to the import clearance program and generally the appropriateness of costs; I think it is those things combined. We are making a pretty reasonable attempt at this and we continue to work very closely with this sector. This is a large program. It has a very vibrant consultative committee that knows our business extremely well. We are very transparent. They have lots of spreadsheets of the detail of our business, and we will continue to operate like that.

Senator FISHER—In terms of the questions that you are answering on notice, would you be so kind as to compare the 2007-08 year with, at least, the 2008-09 year. What paperwork exists in respect of the internal audit to which you have referred?

Mr Chapman—The audit has not commenced yet. Ernst and Young performs internal audit activities for DAFF. There has been an opening interview where we have discussed the general arrangements, but the actual audit has not commenced yet.

Senator FISHER—What about AQIS's internal review?

Mr Delane—The review is with the clients. It is with the consultative committee, so that phase of the review has been completed and has resulted in the new fees and charges. That is now followed by an internal audit for which there are terms of reference available, but the hard work on that has only just begun. We will continue to review, through all consultative committees, with the importers as to whether the fees and charges can be amended. This is a sector that dynamically manages its business, or our business, with that sector. If the fees and charges need to be reset up or down—and certainly, I am sure, if we start to over-recover midway through the year—they will be working with us to see if we cannot reset the fees during the year so that we are not over-recovering.

Senator FISHER—Mr Delane, has the paperwork that you have said is with the consultative committee been made public?

Mr Chapman—All of the cost modelling which has been used to determine the fees and charges is not publicly available, but the relevant industry sectors who have been involved with us in determining how the new fees and charges should be set up do have copies. So industry representative sectors are well aware of the modelling and, as I said, they are actually the co-designers of the modelling.

Senator FISHER—Are you able to make public the industry-based paperwork?

Mr Chapman—I am not sure if I fully understand the question. The way that the—

Senator FISHER—In terms of the modelling. That is what I am particularly interested in.

Mr Delane—I am not sure that that would be our preference. These things are quite detailed—just as detailed as the export fees that we discussed before lunch—

Senator FISHER—Indeed.

Mr Delane—and quite easily open to misinterpretation. So we work with the import consultative committee, who are quite familiar with this area of the business, and they crawl all over those numbers. I do not think it would be terribly constructive to share those models and spreadsheets over email and find that they were being misinterpreted for whatever purpose.

Mr Chapman—I will just add to that. For the changed fees and charges to come into effect requires an amendment to the quarantine fees determination, so all the explanatory detail in that as to what fees and charges have been amended and on what basis will be available as part of that process. Similarly, when the new fees and charges come into effect, we will be explicit in providing information to industry on what they are and the broad basis of that. But we will not be going into all of the negotiations and discussions about why you add \$4 here instead of \$3 and why you add \$3 here instead of \$4, because there is quite a complex and large array of services which we charge for.

Senator FISHER—I understand what you are trying to suggest, Mr Chapman, but the difficulty with the complexity of services for which you are trying to charge is that it can be seen by some to hide the direction of the allocation of, essentially, AQIS costing—sorry, hiding its intent to blur, to—

Dr O’Connell—I think what Mr Delane was just talking about was the preference in handling these things. Outside anything that is commercial in confidence here, there would be no trouble in providing whatever is required.

Senator FISHER—Thank you.

Dr O’Connell—It is simply a question of the fact this is partway through a process and we are not quite there yet, so things can be taken out of context. But there is no problem with providing whatever is needed—

Senator FISHER—Perhaps you can consider doing so on notice.

Dr O’Connell—Absolutely.

Senator FISHER—If you would like to discuss it further, I am happy to. Finally, Senator Colbeck asked questions of you in the context of export fees about a cost recovery impact statement. You have talked about an audit and a review. You have talked, Mr Chapman, about telling everybody the end result. At what stage will the government do a cost recovery impact statement in terms of the importing and the import sector?

Mr Chapman—We had two assessments done by the Office of Best Practice Regulation, and they advised that a cost recovery impact statement or regulatory impact statement was not required in this case.

Senator FISHER—Why not? Did they say?

Dr O’Connell—That will be because this is a modification of a standard set of fees within normal parameters, so it is not what they would be looking at in that case as if this were a very large set of shifts or was otherwise new or significantly amended. Normally, where cost recovery arrangements are just modified as a process of review, there may not be a requirement, but these things are very much matters of—

Senator FISHER—Arguably that is holding the import sector hostage to the fact that they have had 99 or 100 percent cost recovery for some time. The advice that you say, Dr O’Connell, you got from—

Mr Chapman—I need to correct what I just said, I am afraid. We have had a cost recovery impact statement. OBPR said that we were not required to do a regulatory impact statement, but a cost recovery impact statement has been signed off.

Senator FISHER—Are you able to provide a copy of that to the committee?

Mr Chapman—I do not see why not.

Senator FISHER—Thank you. On what basis was the advice that there was no need to do a regulatory impact statement?

Mr Chapman—I assume it was because—and I am not sure—there has been no change to the way we conduct any of our regulatory activity. This relates only to the fees that we recover from industry for our services.

Senator FISHER—So by that do you mean regulations are not proposed to be changed or something different?

Mr Chapman—Regulations are not being changed, nor is the way that we conduct our regulatory activity with industry.

Senator FISHER—I understand it is just the price but just the price at odds with this. One comment Dr O’Connell tried helpfully to put to the committee was the comment reported in the article in the *Financial Review* yesterday attributed to the Customs Brokers and Forwarders Council:

The increased import charges will be felt across the economy, putting more pressure on the many links in the supply and logistics chain and ultimately result in higher prices for consumers ...

It is just a cost increase but at least some in the industry are saying it will be significant and it will be felt by shoppers in a time of, we are told, global financial challenge at the very least.

Mr Chapman—It might be useful if we put the AQIS fees and charges into context. Fifty per cent does seem like a large increase. The dollar amount per consignment per container is actually—

Senator FISHER—How much will it raise?

Mr Chapman—The total amount is broken down into some segments, but the anticipated income for 2008-09 for our import operations is \$68.2 million. That covers things such as the fees we have for import declarations, assessments and lodgement of declarations. They all have quite discrete fees which attach to them. For our treatment and inspections, which is where that \$8 increase comes in—the \$16 to \$24—it is \$72.5 million in round figures.

Dr O’Connell—Is that additional or—

Mr Chapman—No, that is total. That is not additional.

Dr O’Connell—That is total for the fees; that is not additional.

Mr Chapman—To put that into context—and I think it is quite useful. The fee from Sydney port to bring a 40-foot container in there is about \$580. The AQIS fees for one of those containers will be \$38. The Sydney port fees are about to rise by 6.2 per cent, and that is an \$11.20 increase for a 40-foot container. While it is only a 6.2 per cent increase, it is a much larger actual dollar increase than the Customs fees. So when you look at the total cost for an importer for bringing a container into a port there are going to be some Customs fees, there are going to be some Quarantine fees and there are going to be some fees for the port operations. The AQIS fees are by far and away the smallest component of any of that. It was in fact advice from industry which indicated that the fee increase we have is equivalent to five minutes truck waiting time. So in context it is—

Senator FISHER—In that particular example you gave, Mr Chapman, and you suggested \$38 by way of AQIS fees. What are the components? What is the makeup of the \$38 fee?

Mr Chapman—The makeup that I was referring to there would be \$14—that is, under the new arrangement for the import declaration—and \$24 for the container inspection.

Senator FISHER—So, essentially, they are fees for services provided by AQIS personnel?

Mr Chapman—That is right.

Senator FISHER—They are for the reimbursement of overheads, if you like.

Mr Chapman—As far as possible, and in accordance with the cost recovery guidelines, the fees we charge have to be directly related to the cost of the service which is provided. There has to be a direct relationship.

Dr O’Connell—These cost recovery guidelines really have not changed over the years. You must have a close direct relationship with the services being provided to charge.

Senator FISHER—How do you explain that? Clearly, the import declaration must be for this particular product and the container inspection must be of that container. What else are you suggesting by the requirement in that example for a direct relationship?

Mr Chapman—For instance, in clearing or assessing an import declaration there is the time of the officer involved in that process but also factored into that are the costs which underpin that officer—that is, a combination of IT, systems development and all of that.

Senator FISHER—Yes, overheads. Thank you.

Senator FIELDING—This is to do with costs recovery for exports in this case. I just want to hear it again if I can. Do you believe the decision to scrap the 40 per cent subsidy for quarantine inspection and certification is going to help export businesses like those in the horticulture and meat industry in these difficult times?

Dr O’Connell—I think that is not a question that we can be asked to answer in a sense. What we are trying to do is give effect to government policy. The previous government’s program lapses at 30 June this year and there needs to be full costs recovery following on, so what we are doing is giving effect to that. We are not making calls about what is good, bad or indifferent for the industry in this. We are trying to manage this to ensure that the industry can handle it well and that we have got agreement as much as we can with them about how this is going to be implemented in the normal way. Other than that we are really going to be operating normal cost recovery policy that governments have operated over the last while.

Senator FIELDING—I may come back to that. What kind of modelling has the department undertaken in relation to the effect of this policy we have on Australian exports and the horticultural industry and the meat industry?

Mr Read—The first is the broader economic implications which ABARE has provided advice on. Effectively, the conclusion of that work was that the \$40 million—\$32 million of that being with meat and the remainder being with the other five commodity groups—was essentially washed away with a half a cent movement in currency valuations.

Dr O’Connell—We are not trying to suggest that this is a trivial amount. It is rather to put in context the scale of the increase. It is equivalent to, roughly speaking, a half a cent movement in the value of the dollar. It is a question of understanding the scale of it in the context of the overall cost structure of these enterprises.

Mr Read—In terms of each of the industry sectors, we have worked extremely hard with every sector across the types of businesses they operate. You mentioned horticulture. There are a varying array of different delivery mechanisms within that industry and it would not be an exaggeration to say that we have at least had maybe 10 to 15 discussions with participants in that industry to structure the fees in a manner services every one of those export market arrangements that are pursued out of that particular commodity group. As I say, it is very complex. Some are very big exporters with certain protocols that they need to meet; others are very small, quick, reactionary exporters using airfreight to other types of markets. If you burden one too heavily, then you put them in a position that it takes the viability out of that market. We have been very sensitive and listened very carefully to ensure that we have structured this in the best way so that we can provide return to full cost recovery with the least disruption to those various components within the sector.

Senator FIELDING—What modelling has the department undertaken in relation to the effect that this policy will have on the meat, horticultural and other industries?

Mr Read—There is a government decision, which you would be aware of, that was taken on 18 December to return these industries back to full cost recovery. They were at full cost recovery in 2001. We were required to develop cost recovery impact statements for each of those sectors, which we will do.

Senator FIELDING—The policy decision is another issue—you have to follow your orders. You have not done any modelling, though, have you? Between that decision in December until today has there been any model on what the impacts are going to be?

Dr O'Connell—Earlier on we were saying that ABARE had provided some assessment of the broad scale impact, and the cost recovery impact statement will provide an assessment for government of the impact.

Mr Read—That is correct—across each of those commodity areas.

Senator FIELDING—But I do not think there has been any specific modelling. This is a \$40 million cost to various industries—\$32 million to one industry—and I would like to know what impacts the department have considered.

Dr O'Connell—And I have said, repeating what Mr Read said, that ABARE had provided the gross percentages of the impact and the cost recovery impact statement, which will be provided with the regulatory changes and will do the closer analysis.

Senator FIELDING—I am not satisfied with that, but I do not think I am not going to get any other answer. Has the government thought about phasing in the higher costs or phasing out the export rebate, rather than doing it in one hit at one time?

Senator Sherry—As has been explained, the subsidy was the policy of the previous government for a limited period of time, and it has lapsed. Cabinet have made a decision about the current and pre-existing policy—which has been around for many years; I can remember discussing levies in various sectors in Senate estimates when we were last in government—and it is one of cost recovery. As to whether the government considered anything else, that is obviously a matter for cabinet and a minister. I will take it on notice.

Senator FIELDING—It seems the government wants to use the term the ‘global financial crisis’ in defending things, but a perfect stranger would not use that as an excuse for a \$40 million cost.

Senator Sherry—This will not be the only sector that faces an examination of its levies. I am well aware that in the financial services sector there are a range of levies that apply and that are reviewed from time to time. Let’s be very clear about this: the reason we have a decline in imports and a decline in exports has been because of the world financial and economic crisis. That is the fundamental cause of this, and this is an example of an impact that has flowed through to the Australian economy. There are many other examples of that as well.

Senator FIELDING—So why would you slug export companies with high costs at this time?

Senator Sherry—We are not slugging. The previous government had a policy of subsidy, and I do not know what the justification of that was for a period of time, but that policy has lapsed. The existing policy of cost recovery—and, I might say, the previous government’s policy of cost recovery—now applies, and the policy has been considered in that context. The global financial and economic crisis has had a number of impacts in a significant range of areas and this is, unfortunately, another example of that.

Senator FIELDING—As I said, I do not necessarily want to go head to head with you. I just think it is a very strange time to be introducing a \$40 million cost—and it is a cost to them—in addition to what they are currently paying under a global financial crisis, in which they are already struggling. It is just the wrong time.

Senator Sherry—At these estimates and, I am sure, at others—and I am not focusing on you individually—non-government senators have been querying and questioning a range of issues in terms of budget expenditure reduction. You have not stated your position, but I am not sure whether the opposition is suggesting these measures in the budget should be opposed. If they are, I would argue it is incumbent on them to correct the higher budget deficit that will flow as a consequence. We have set out in this budget—

Senator COLBECK—If Senator Sherry wants to make that allegation, that is fine. But he should not blame it on a previous government policy.

CHAIR—Senator Colbeck, you have had more than your fair share of time. You do not have the call.

Senator COLBECK—Senator Sherry is implying something about the previous government.

CHAIR—Twice today I have had this argument with you about talking over people, and you continue to do it. Show some decency. It is Senator Fielding’s turn, not yours.

Senator COLBECK—Do not shake your finger at me and try and bully me, because I will not put up with it.

CHAIR—What are you going to do—slap me with a lettuce leaf? You have been interfering, Senator Fielding has the call and the minister is halfway through an answer.

Senator COLBECK—Senator Sherry cast an aspersion on the opposition and I am entitled to deal with it.

CHAIR—It is not your turn to deal with it. The minister was answering, and I ask you to show some decency and zip it. When your turn comes, you will get the call.

Senator COLBECK—If he wants to blame the opposition for this policy then I am prepared and willing to deal with it.

CHAIR—Minister, would you like to answer Senator Fielding's question?

Senator Sherry—Yes, I am just concluding my answer. Senator Colbeck, you are perfectly entitled to ask questions—just wait your turn.

Senator COLBECK—Thanks very much for the lecture.

Senator Sherry—I am responding to Senator Fielding's question, not yours.

Senator COLBECK—If you want to cast aspersions on the opposition, I am entitled to deal with the matter—and I will.

Senator Sherry—Wait your turn and deal with it then.

Senator COLBECK—Thank you for the lecture.

Senator Sherry—And I do not cast an aspersion; I make an accusation. You front up querying and criticising a range of budget measures. At the end of the day, where are you going to reduce the budget deficit? I will be making that point time and time again.

Senator COLBECK—If you want to blame these measures on the previous government that is fine, but you are casting the aspersion that they were our policy, and they were not.

Senator Sherry—To return to Senator Fielding's question, which I was dealing with before I was so rudely interrupted, we are used to robust discussion within the standing orders and within the orders of the questions. That is the situation we face, Senator Fielding, and that is not unique to this area.

Senator FIELDING—I am wondering whether you said to the meat industry, '\$32 million more we are going to slug you,' while the Prime Minister and Cabinet staff increases by 65 staff members—millions of dollars extra costs there—and at the same time you are slugging the meat industry and others. I think there are some savings there that could be made. You have invited that response from me, because, frankly, I think this is the wrong time to be introducing a mammoth cost all in one hit, when they are already struggling. It is the wrong time to be doing it. I understand that there is a ministerial task force that has been established to work with the agriculture export industry. Is that correct?

Dr O'Connell—We went through this in some detail before the break.

Senator FIELDING—There are some cost savings that may be found within that, and that is not public yet. Is that right?

Mr Read—Senator, across each one of the six commodity areas, we have established a ministerial task force. The responsibility of that ministerial task force was (1) close scrutiny of the fees for the purpose that I outlined earlier to ensure that we introduced these in the most sympathetic way we could to each of those industry sectors. The second thing is to map out, if

you like, a reform agenda for those sectors, not aimed always at just efficiency, but equally aimed at where we can get costs out of the supply chain, market access improvements, systems improvements; a way of reinforcing our capability of meeting importing country requirements because at the end of the day, \$40 million does not mean a lot if you lose a market, and it is about just the sustainability of those systems in a global context that, in terms of trade, is getting more difficult.

Senator FIELDING—Is there a possibility that the costs, or the productivity gains and efficiencies may eventually compensate for the increase or the reduction of the rebate? Is there a possibility that could be nearly the same at some stage without actually—the savings that you will make by the efficiencies versus the extra costs that the industry—

Mr Read—I understand the question. There are obviously some hard decisions to take, but on that point, if those decisions are taken and those reforms driven hard, then there is the potential that a large component of that amount can be clawed back by the industry.

Senator FIELDING—Is there some possibility to tie them in together, in other words, partner with the industry? You phase it in and then you phase the efficiencies in? Does that really make sense? You cannot get the efficiencies overnight—

Mr Read—Again, within the scope of the delivery of our services, and as I mentioned before, every year AQIS has been scrutinised in terms of the costs that underpin our delivery services, and if you screw them back too tight, then in terms of our regulatory oversight it becomes frail. If it is reviewed by importing countries, there is the risk that they will actually delist the country from accessing that market. So you have to run that regulatory framework in a robust way without imposing any unnecessary additional costs on the industry sector.

So you need to maintain an infrastructure there. Yes, there is a capacity to create efficiencies, and I concede that point, but I do not concede that you could ever create a 40 per cent efficiency without actually putting at risk export markets. So I think there is a big percentage that is an efficiency opportunity. I think there is also an investment there that gives you sustainable long-term benefits, in terms of export market opportunities and the robustness of our system in the face of very difficult international trade environments at the moment. So there is a bit of a balancing act between those two items.

Whether you can then go forward and offset the cost recovery against the efficiency; that is not what is on the table at this stage. It is essentially the decision to return to full cost by 30 June, but equally, as I have said before, we are working very closely with each of those sectors to map out what would look like a very positive response in terms of each of those industry sectors.

Senator Sherry—Senator, if I could give you another example which highlights the same principle and the same practical issues you are raising. The budget has a measure to index the ASIC regulatory fees, which are mainly flat money, I think, if not exclusively flat money—we are dealing with flat fees here. To index them is a new decision. I cannot recall off the top of my head how many millions that raises, but it raises extra moneys because of the new indexation provision.

I think it would be very difficult to suggest—and I certainly would not entertain it—that a financial regulator, ASIC, should be reducing its staffing and surveillance in the current

environment. So there is a similar set of issues around fees, their movement, the staffing of an organisation and the necessary regulatory and supervisory oversight in that area. I have no doubt there will be other areas where a similar set of issues will need to be addressed, but that is one I am familiar with. The only other point I would make is that, if ASICs fees are not indexed and the resulting revenue flows to the government for the provision of the services that it provides, then the money has to be found somewhere else: higher budget deficit otherwise.

Senator FIELDING—Or maybe cut back to 65 extra staff in PM&C. Again, you invited me to make that comment—

Senator Sherry—Yes. Well, I can think of some other places we could cut back if we want to get to staffing sooner.

Senator FIELDING—Yes.

Senator Sherry—But I am not going to personalise the debate, and you know what it is.

Senator FIELDING—I am happy for you to go for it.

Senator Sherry—We could all take a cut, Senator, if we want to get into that area.

Senator FIELDING—The meat industry have told me that their costs in my state will go from around \$700,000 to \$1.4 million for each of their plants. That is more than CPI and that is in one hit. I do not understand—

Mr Delane—I am not sure about the numbers for your state, Senator, but the simple maths on this is: take away 40 per cent, then the remaining fees and charges have to go up about 66 per cent.

Senator FIELDING—Yes.

Mr Delane—So that is in a no-change situation. And as has been pointed out, what is fundamental here, particularly to the meat sector—and they have reminded Mr Read and I of this many times—is that market access is absolutely critical and must not be put at risk. This means that the integrity of the AQIS certification must not be put at risk. We cannot afford to compromise the integrity of that certification in the process of trying to achieve efficiencies, and I think the meat sector is certainly one that well appreciates that.

Senator Sherry—Senator Fielding, you have obviously had some concerns raised with you, and it is your right to raise them here. You may be somewhat reluctant to raise specific examples of specific constituents who have represented to you. I do not know whether or not you are reluctant to do that; but, if you are, I think it would be perfectly reasonable for you to be provided with a private briefing by the officers. We can speak to the minister about that, but I am sure it would be granted. And if you want to raise particular examples confidentially—as I say, it is up to you whether you want to raise them here—about specific instances and issues, I am sure the minister would be happy to provide that briefing to you or at least respond to, if not answer, the specific concerns you have.

Senator FIELDING—I have not been given the approval to release their names, but I will take you up on that. I will ask them and see whether it is worth it, unless someone else has maybe got an example of—

Senator COLBECK—I was going to ask Mr Read about whether there has been work done at an enterprise level—and I will take on board Senator Sherry's comments about talking about specific cases. I am aware of one export abattoir that is in a very precarious situation. Its entire future is being considered at the moment, and an extra \$40,000 or \$50,000 a year imposed on its costs could mean something fairly nasty for that site. That would have a major impact on the local economy. They are the sorts of concerns that we bring to the table as part of this equation. I think Senator Sherry might actually understand what I am talking about and the site that I am referring to—

Senator Sherry—I suspect I do.

Senator COLBECK—and would be quite sensitive to the issue, as I believe the local member would be. So it is not necessarily for any political process that we are discussing this here today. It is because there are genuine concerns about the real impacts of this on the ground that we are discussing it, as there is with some of the other issues that we are raising. It is something that potentially has very vital impacts for the community and, quite rightly, we are extremely sensitive to that.

Dr O'Connell—I do not think we have dealt with—

Senator COLBECK—I appreciate that. Have we looked at enterprise level stuff with the modelling that we have done? That was the basis of the question.

Mr Read—As I said, we have been doing this for the last five months and there has probably been, across each of those commodities, a large number of proposed fees and charges. This has been an iterative process. We have had those consultative committees continually come back to us with: 'No, that will not work here. We've got these players going to that market. We need to address that by this.' It has been, as I have said, an iterative process over about five months with these industry groups to get these fees and charges to the best position we can given the tough tasks that were set at the onset. My reading of those task forces and the participants on them who are taking advice from a range of participants in the export arena was that where we are now is probably as good a spot as you can possibly be at. We have picked up every comment we can. We have been as soft-handed in this approach as we can. This, in combination with what I talked about—which is, yes, \$40,000 or \$50,000—does have a significant impact, as you have just described, but what has a worse impact is if your system becomes a little fragile and if market access is at all compromised. In a very difficult international arena, as I described earlier, that is where a greater issue lay than simply returning this. The consequences of returning this are that on each of them the task forces are working through how we can actually do that job better.

Senator COLBECK—I understand the work that you have been doing, and I do not diminish that under any circumstance. I do understand that what you are doing is implementing a government decision. I do not get away from that, but I just wanted to know whether you got to that level of investigation with the modelling work that you have done and that Senator Fielding has been talking about. I just wanted to put on record the reasons that we are so sensitive about this, because there are genuine, real-life concerns that come off the back end of this.

Senator Sherry—Yes, and that is understood, Senator. I think you would have been in a position as a parliamentary secretary dealing with fees—

Senator COLBECK—I did, and cost recovery impact statements and all that sort of stuff.

Senator Sherry—I think we all know how sensitive it is.

Senator COLBECK—I understand.

Senator Sherry—The department is making its very best efforts to reach agreement or consensus, but it is very, very difficult, as we know, given the complexity of fees and the different individuals and organisations we are dealing with. I have the same difficulty in financial services—perhaps not quite to the same extent, but the same set of issues to deal with. I can remember, 13 or 14 years ago, consulting directly with commercial markets about extending the horticultural levies. I see you are smiling, Senator. I tell you, I could not wait to get out of that meeting fast enough.

Senator COLBECK—I have been there, and I had the same T-shirt.

Senator Sherry—It was suggested that they should be paying some sort of levy, as other industry players were. Anyway, it is always going to be a tough area, and there is certainly no questioning of the validity of you raising the issues. That is your right.

Senator FIELDING—Can I just finish off? I have just got one more to go from there. The AQIS cost recovery policy states:

Where possible, cost recovery should be undertaken on an activity (or activity group) basis rather than across the agency as a whole.

How will the industry know whether that is actually the case when they look at individual charges? For example, an electronic health certificate that currently costs \$12 for exporters will rise to \$104, a 767 per cent increase. I am just trying to work out how we actually test that. Do we just take your word for it? How does the industry—

Mr Read—Just to update you, Senator, I think you are using a meat number there. It is actually rising from \$12 to \$49 on EXDOC certificate.

Senator FIELDING—Thank you.

Mr Read—As I mentioned earlier, what we do across every one of these six commodity groups is that we have cost modelling that sits below every one of those. So, in terms of the personnel that support those, they are attributed to those models. In terms of systems like EXDOC, the generation of the electronic certification system or the certificates from those systems, the number of certificates is then apportioned back to the cost of running that system. So that is where the number of \$49 comes from. The costs of running those systems are not insignificant. They are big systems; it has 24-hour support on those systems for exporter access, information and help. We model that, and then we are transparent in how we share that within the industries. The industries want to know what the raw data is, and we are very prepared to give them all the raw data we have.

Senator NASH—I would like to follow on, asking just one or two quick questions. I am genuinely at a loss. When there is so much funding being allocated to creating jobs, there is the potential impact this is going to have in job losses in regional areas. Very genuinely, to

me, that is just totally inconsistent with what the government seems to be trying to do to create jobs. This is going to do exactly the opposite, particularly in regional Australia, which is probably the one sector—agriculture is probably the one sector—that has actually held up and is really part of the backbone of driving us back to some kind of recovery. So this just seems a bit ill-conceived, I guess, in terms of incentive and getting stimulus out there in the economy.

My question is: has there been any work done on potential job losses within the industries that are going to be impacted themselves? Also, has there been any work done on the impact of the flow-on effect from the charges on the processes and those costs? With all my discussions with industry and people actually in the regions, there is a very real concern that those costs are simply going to be passed back to the primary producers and they are going to have to deal with those costs there. Could you answer those for me.

Mr Read—The answer to the first one is that there is a cost recovery impact statement that we are working on which I have already described, and components of your question will be picked up.

Senator NASH—I will just ask you something on that, Mr Read. Why was the cost recovery impact statement not done before the charges were set?

Dr O'Connell—The charges have not been set yet. The state of play is that Mr Read and others are discussing with the industry to settle the position on what the charges may be. When that is settled and we are ready to go to the minister, alongside that will be the assessment of the impact of the new cost recovery charges.

Senator NASH—My understanding was that there was a very concise, very comprehensive set of charges that had already been set.

Dr O'Connell—No, they have not been set. I think you are probably referring to some draft documents which were used as part of the consultation process.

Mr Read—Nothing has been set.

Senator NASH—So when are those draft documents likely to be set?

Mr Read—We spoke of this earlier. The package will go to the minister in June. Really, the decision of when that goes forward is up to the minister.

Senator NASH—Okay.

Senator HEFFERNAN—This matter—

Senator NASH—Hang on, Senator Heffernan. So, between now and then, industry does have a bit more time, obviously, to discuss with the minister any of its concerns about what are obviously draft figures that are in a very comprehensive form?

Mr Read—Industry, through the task force, have been feeding information to us regarding the draft fees that we have at the present time.

Senator NASH—I bet I am right if I say the consultation with industry is not a public document.

Mr Read—No.

Senator NASH— Perhaps you could then provide for the committee—and this may have been asked before, and I do apologise if it has been—a list of the industry participants that you are consulting with.

Mr Read—Certainly.

Senator NASH—And, perhaps, release any of that information that is not confidential that has come to you.

Mr Read—Certainly.

Senator NASH—The other question is about whether or not there has been any work done on the cost flow-on back to primary producers from the processors—which, if I were a processor, I would probably do too.

Mr Read—As I said, whatever requirements that we need to pick up—and I just do not have that information at hand; we could take that on notice—

Senator NASH—Okay.

Mr Read—But, certainly, through the cost recovery impact statement process there will be a range of things that we need to consider in developing that package.

Senator NASH—Just to be absolutely clear, that cost recovery impact statement will be to the minister next month?

Mr Read—It accompanies the fees and charges.

Senator NASH—So the minister will be able to, very clearly, look at that impact statement before he makes his determination on whether or not to agree to the draft charter fees and charges.

Mr Read—The cost recovery impact statement, the package of material around the fees and charges and the explanatory memoranda will be all up with the minutes for his consideration.

Senator HEFFERNAN—That is to be implemented on 1 July?

Mr Read—The ultimate implementation date is with the minister.

Senator HEFFERNAN—So it is not 1 July?

Senator NASH—Is 1 July an ambition or a definite date?

Senator HEFFERNAN—The industry has been told by your mob that it is 1 July. Is it 1 July or not?

Mr Read—I have explained we are providing a package of material to the minister, and the date, in terms of date of effect and the commencement of this process, will be a decision the minister will make.

Senator HEFFERNAN—Will someone tell me if it is proposed—

Senator NASH—Senator Heffernan, hang on just a second. So realistically, if 1 July is the start date, the minister is pretty much going to have to tick off on what the department sends up in June, isn't he. If there are going to be any substantial changes, it would be quite difficult to still effect that 1 July start date, wouldn't it?

Dr O'Connell—The subsidy comes off at the end of June. The minister will have a package in good time, which is the result of the consultations with the industry sectors. The minister will then make up his mind as to what to do next with that.

Senator HEFFERNAN—If you do not implement it on 1 July, are the fairies going to pay the way?

Dr O'Connell—If it was not implemented on 1 July, the current charges would be maintained for the time being, and we would go into a deficit very quickly.

Senator HEFFERNAN—So, if you are stuck, you will just continue on?

Senator Sherry—We are not at that point, and the minister has a procedure he has to go through.

Senator HEFFERNAN—A minute ago we were told it is not 1 July, but it is 1 July.

Dr O'Connell—No. What we are saying is that we will provide the minister with the box and dice, and the minister will make his decision.

Senator HEFFERNAN—Yes, I understand that.

Dr O'Connell—What Mr Read, quite rightly, is trying to do is avoid telling the minister when to make his decision. The minister will make his decision; we will—

Senator HEFFERNAN—Very well.

Dr O'Connell—provide the material to the minister.

Senator HEFFERNAN—But it is proposed for July.

Dr O'Connell—The date that is operative is the date on which the subsidy drops.

Senator HEFFERNAN—Yes, that is right.

Dr O'Connell—Which is the end of June.

Senator NASH—The date on which the subsidy drops is the end of June, okay, and then they revert to—

Senator HEFFERNAN—That is a longwinded way of saying it is 1 July.

Dr O'Connell—You may put words in my mouth.

Senator HEFFERNAN—Were the processors consulted on the deal process?

Senator Sherry—I think we have indicated we are going to give a list of organisations that we have consulted with in response to—

Senator HEFFERNAN—No. This is my question—

Dr O'Connell—My friend can answer that.

Senator HEFFERNAN—I understand they were not.

Dr O'Connell—Which deal?

Senator HEFFERNAN—Just on the guts of what we were just talking about—were the processors—

Dr O'Connell—I think it is a disagreement with you. Ms Freeman can comment further, but I think we have already provided a question on notice, advice—

Senator HEFFERNAN—Yes, but would just love you to answer it here.

Dr O'Connell—Advice of the deal?

Ms Freeman—Senator, yes—cost recovery was one of the broader terms of reference of the review, and the Beale panel met with a whole range of groups, including an extensive list of relevant meat industry people on cost recovery.

Senator HEFFERNAN—Did they meet the processors?

Ms Freeman—Their representatives, yes. I can read you out the list, if you like.

Senator HEFFERNAN—You will supply that. Do we know whether there are going to be efficiencies achieved now that we have decided to drop the subsidy? Australian lamb is cheaper in Canada than it is here, and bear in mind that the US pays the bill, which puts a lot of pressure on our costs. Do we know how this is going to be distributed amongst the industry to pick up the difference? Will there be efficiencies by way of—

Dr O'Connell—We talked about this at length before lunch—

Senator HEFFERNAN—Yes; I am sorry.

Dr O'Connell—So this would be the third iteration of it, which I am happy to do, but the—

Senator MILNE—Yes.

Dr O'Connell—I might appeal to the chair myself.

Senator MILNE—Chair, there have actually been several iterations of the same issue. Do you think we can sort this?

CHAIR—I am sorry. I was just talking about horses here, actually.

Senator HEFFERNAN—Yes, I thought I was getting away with it. So you answered the question earlier?

Dr O'Connell—We did, in detail.

Senator HEFFERNAN—So could I go to sausage casings?

CHAIR—As long as we do not have some real exhibits that you intend to table.

Senator HEFFERNAN—The prawns are on the barbie—sausage casings.

CHAIR—Senator Heffernan, your colleague has some intelligent questions that he wishes to ask, and it is the first time he has got the opportunity to ask them.

Senator HEFFERNAN—Are you saying that these are not intelligent?

CHAIR—I am saying that, for the third time today, you have wound the record back too long. Your colleague wants the call.

Senator HEFFERNAN—I want to ask some questions in due course about sausage casings.

CHAIR—Your colleague has the call—

Senator HEFFERNAN—You are the boss.

CHAIR—Are these direct questions?

Senator HEFFERNAN—Of course they are direct questions.

CHAIR—It is the first time you have asked them?

Senator HEFFERNAN—That is right.

CHAIR—Do not look at me with that smile on your face; I know what you are up to.

Senator HEFFERNAN—Sausage casings.

CHAIR—Sausage casings. Good.

Senator HEFFERNAN—I have two questions. So the process now is that we send a lot of sausage casings to China because they have a lower cost—their labour costs are 28 times cheaper than ours—and some of those casings then go, as I understand, to the US, and some of them then come back here. What steps does AQIS take to ensure casings from China are disease free?

Mr Liehne—My understanding is that we do not import casings from China. We do allow Australian casings to go offshore for processing.

Senator HEFFERNAN—We do. Are you trying to tell me that we actually track the casings when our casings go to China? I am sure their factories know they are our casings when they come back out of the factory! Are you are trying to kid me?

Mr Liehne—I will take that on notice. My understanding is that we do not import product from China, but I would need to check that.

Senator HEFFERNAN—Yes, but we import Australian casings that have gone to China and then the States and have then come back here.

Mr Liehne—My understanding is that we export casings to the United States for processing, and those same casings can come back here with appropriate government certification.

Senator HEFFERNAN—Do they send them to China?

Mr Liehne—If they go to China, the requirements are that they get processed in the United States.

Senator HEFFERNAN—In the Japanese casing industry, they have compulsory sterilisation procedures for casings coming into the country. We do not have that.

Mr Liehne—I will take that on notice. We normally bring them in in brine, as I understand, but I will confirm that and take it on notice.

Senator HEFFERNAN—What the Japanese are concerned about is the low hygiene in some of these factories. You can imagine, depending on how well the gut is cleaned out, how on the nose they are. In Australia, I understand, all you have to do to submit your US sheep casing permit is to submit your casing permit to AQIS, and the US companies will arrange the rest. Is this true?

Mr Lihne—In order to bring the product back in, they have to have an import permit, and each consignment must be accompanied by appropriate certification, as required on the permit.

Senator HEFFERNAN—But who does the certification? Does AQIS take an active role in the certification? Don't ask me how you track casings when they have been to China and then America and then come back here. I do not know the answer to any of that. All I know is that this seems to be a pretty slack system.

Mr Lihne—We do not actively involve ourselves in the direct certification. We rely on US government agencies to provide that certification.

Senator HEFFERNAN—So you do not think that is being irresponsible?

Mr Lihne—The systems that apply for trade rely on government-to-government certification, and this is part of that system.

Senator HEFFERNAN—But that is jiggery pokery. We rely on desktop studies from the OIE for some things. It just does not happen.

Mr Delane—Sorry, Senator. Can I be clear—are you suggesting that we ought not to rely on a certification by the US Department of Agriculture?

Senator HEFFERNAN—I realise the labour disadvantage that we have compared with China. You are telling me that none of our casings go to China?

Mr Lihne—No, my understanding is we do not import from China. The fact that they export to China is a different matter. I cannot comment on that.

Senator HEFFERNAN—But you accept that they may well go to China, then over to the US, and then back here?

Mr Lihne—That allegation has been made. My understanding is that that is being investigated by our compliance people and, at this stage, they have not found any evidence that that is the case, although I have heard that same allegation.

Mr Read—I think, just to add further to this, we would need to take it on notice. I know that we have actually raised this issue with FSIS. I know FSIS have investigated from their perspective. I also know we have a high level of trust in FSIS and they have a high level of trust in us. We provide certification to that government for meeting a range of export market requirements to there and they equally reciprocate.

Senator HEFFERNAN—That is the allegation, and the allegation is that, unlike Japan and other countries, we do not do the sterilisation thing.

Mr Delane—I will take it on notice. If you have or obtain any evidence—

Senator HEFFERNAN—In due course, Mr Chairman, we might have a briefing on this, because it is quite a serious issue.

CHAIR—We will wait for them to come back to us with that question on notice, Senator.

Senator HEFFERNAN—I want to ask a question on AQIS procedures at airports. Would now be the time to ask that?

CHAIR—It would, but Senator Back has been waiting.

Senator HEFFERNAN—Can I just ask one quick question before we go to Senator Back? Mr Delane, if you and I go fishing at the weekend and I use those green prawns as bait are we going to break the law?

Mr Delane—I suspect not, but we will take that question on notice and we will provide you with clear advice as to your legal position.

Senator HEFFERNAN—Thank you very much. I would not like us to be breaking the law if we go fishing with my green prawns.

Senator O'BRIEN—It would be the most expensive bait you've used!

Senator BACK—Whatever you do, Senator Heffernan, do not eat them. Can I move away from food animals for a moment and just ask you where we are currently with equine influenza and the preparation for the coming breeding season. What changes have been put into place as a result of the last outbreak we had of equine influenza in Australia?

Dr McDonald—I will go through a few of the changes since the equine influenza outbreak. In response to the Callinan inquiry we have implemented improved procedures pre-border, border and post-border. Pre-border we have looked at the pre-export quarantine facilities around the world and made sure they comply with our requirements. We have upgraded facilities at the airports and also at the quarantine stations. We have improved the import conditions for horses, both pre-export and at the quarantine station. So, in other words, we have got changes for swabbing for equine influenza, two tests pre-export and three post-arrival. We have implemented new instructional material or upgraded instructional material for our AQIS personnel and also for non-AQIS personnel. We also have oversight by the Interim Inspector-General of Horse Importation and also by Professor Peter Shergold, who have provided favourable reports during that time.

Senator BACK—Could you give me some indication of the cost per animal from leaving Europe or wherever by the time it is through quarantine here in Australia?

Dr McDonald—The costs of importing from the US, for example, the importers tell us is around about \$10,000 to \$12,000 at the moment.

Senator BACK—And the time to go through the quarantine exercise by the time an animal is actually released?

Dr McDonald—The import process pre-export requires two to three weeks pre-export quarantine and then post-arrival again it is two to three weeks, mostly three weeks, depending on where the horses are from and the reason for import and so on. The new import measures that we have put in place have increased the costs for the program. We are talking with industry now about what those costs mean. We are a cost-recovered organisation. We are looking at what those costs mean in terms of the fee that we might have to charge for industry for the daily quarantine of horses in the future.

Senator BACK—I wonder if you could just give us an indication of your communication with the industry. Which representatives of the industry are you in communication with for quarantine purposes?

Dr McDonald—Since the government accepted the recommendations of the Callinan inquiry, as part of those recommendations we have established a Horse Industry Consultative

Committee. That consultative committee has members from among the horse importers—there are three major horse importers that we deal with. There is also representation from the thoroughbred breeders, from the racing industry, from the Australian Veterinary Association, from Racing Victoria and from the two airports of Melbourne and Sydney. We also talked to the airlines themselves. From that main industry body we have also established a finance subcommittee of the Horse Industry Consultative Committee. That consists of the three main horse importers.

Senator BACK—Can you just give me an indication of the current policy with vaccination against equine influenza?

Dr McDonald—You mean for—

Senator BACK—Horses that are here now.

Dr McDonald—I can only talk about imported horses.

Dr O’Connell—Mr Aldred can help on that subject.

Mr Aldred—At the moment vaccination is not allowed as a routine measure within Australia.

Senator BACK—Thank you. In the event of another outbreak is it back to that Horse Industry Consultative Committee that you will go in terms of decisions to be made about future vaccination programs?

Mr Aldred—In the event of another outbreak, we do not have the horse industry as a signatory to the Emergency Animal Disease Response Agreement, so the absolute mechanisms that sit under that cannot be applied. Under those circumstances any response decisions would be a matter for states and territories.

Senator BACK—States and territories?

Mr Aldred—States and territories would need to look at the response arrangements that they would put—

Senator BACK—Unilaterally?

Dr O’Connell—It is essentially a consequence of the defeat in the Senate of the horse levy, which would have paid for Commonwealth action underwriting a state action. When that was defeated then there was no capacity for the Commonwealth government to take action in this area.

Senator COLBECK—You blokes voted against it, is what he is trying to tell you.

CHAIR—But your expertise at the time could have been used, Senator Back.

Senator BACK—Thank you, chairman.

CHAIR—Are there any other questions?

Senator NASH—On different issues?

CHAIR—No, anything to do with AQIS and biosecurity or quarantine and biosecurity.

Senator NASH—I have some questions around the organic program. Would you outline for me the organic program, what it does and what it has done?

Mr Read—Dr Schipp can elaborate if I am short on this. But essentially we have AQIS recognised certifying bodies in Australia. There are seven of those. They operate under the Export Control Act as a prescribed arrangement. At this stage the program is essentially one where the requirements for organic certification are prescribed as opposed to operating to a national standard, if you like. There is a significant amount of activity on that front. The development of an Australian standard is currently underway.

Senator NASH—An Australian standard for?

Mr Read—Organic production.

Senator NASH—I just wondered if there was a need to clarify that any further.

Dr Schipp—The organic industry, together with other stakeholders in the organic sector, are developing an Australian standard with Standards Australia.

Senator NASH—Who are the other stakeholders in the organic sector?

Dr Schipp—Retailers, consumers, certifiers and the like.

Senator NASH—Is the organic program going to continue? I seem to remember some suggestion that it was not going to continue.

Mr Read—We are still working through the arrangements around the organic program. The organic program in itself is not a commodity based program. The other programs that we have talked about this morning are all commodity based programs. We have a range of other labelling programs. One is organic. Another one is halal, so there are certain requirements of importing countries in terms of some of the attestations around those truth-in-labelling claims where they require official certification in that regard and organic is one of those. We are currently working with the Organic Consultative Committee about what the best future framework is for the organic committee or for the delivery of organic services or organic certification services.

Senator NASH—Can I just interrupt there? With the organic program itself, were there any changes made to that before the period of consultation you are now in with the committee?

Mr Read—There is no change, as I understand it.

Senator NASH—No changes?

Mr Read—No.

Senator NASH—Sorry, go on.

Mr Read—So the proposition at this stage, as I also mentioned earlier to you, is that where the regulatory services of AQIS are not required to be in a particular space for importing country requirements then there is a need to test the ongoing nature of a prescribed arrangement—

Senator NASH—Could you say that in English for me?

Mr Read—The other way of viewing that is that there is a bunch of countries out there that probably no longer require an AQIS certificate declaring that this product is organic.

Senator NASH—What do you base that on?

Mr Read—That is based on the requirements of those countries.

Senator NASH—So they have specifically said to you, ‘We no longer require the regulatory mark.’ Is that—

Mr Read—Not specific to us but in terms of exporting products to those markets they recognise through mutual recognition arrangements the certification by a range of private providers of those services.

Senator NASH—I understand it is the regulatory mark that now certifies organic for exporters. Is that correct?

Mr Read—That is correct.

Senator NASH—That is correct.

Dr O’Connell—Senator, that is really the only function AQIS has in this business.

Senator NASH—Marvellous. I am right on the money then.

Dr O’Connell—Yes.

Senator NASH—Is that going to continue?

Mr Read—At this stage nothing is stopping. At this stage we are in discussions in the consultative committee around the best operation of that program and there are two competing views in that program at the moment with the participants that Dr Schipp is managing in that consultative committee. There is a range of views around de-prescribing organic certification, which means, essentially, AQIS will only issue a certificate with that organic stamp on it to those markets that require it and for the other markets that do not require it the organic certifier, through mutual recognition, can do it themselves without us being involved. The second issue is if we leave it as it is now then it means having a fully regulated organic service where everyone has to be continually channelled through us.

Senator NASH—Why is that an issue if there is a regulatory environment that obviously appears to be working? I understand you have said that some countries do not need it any more but that sounds a little bit wishy-washy.

Mr Read—There is a cost with regulation.

Senator NASH—I thought it was cost recovery—the way the program ran.

Mr Read—There is a cost with putting an imposition of a regulatory overlay over certifiers that do not require regulatory overlay for their certification of that product range to enter an importing country.

Senator NASH—But you cannot give me a significantly substantive view on what the judgment call is—the measure from other countries needing this or not.

Mr Read—I have already stated that there are a range of export markets out there that state they do not need AQIS certification for that product with an organic certification with it to enter that market, so there are private providers of those certification services that can provide product to the United States, Japan and other big markets. It does not have to be AQIS. It does not have to be regulated by AQIS.

Senator NASH—On that then, how do you have quality control of the industry going into export markets?

Mr Read—Effectively where we provide certification we are required to have attestation systems behind that in terms of verification of the declarations that are made. In the current case we are required to audit each of those certifying bodies to ensure that, in fact, they are complying with what is prescribed in legislation that they need to do in regard to the certification of organic product. Where countries elect through their own review of those individual companies to agree to accept their certification not ours then they will run their own quality control arrangements over those private providers, not AQIS.

Senator NASH—That sounds horribly messy. Just to be absolutely clear, so there is no particular organic program at the moment that is being abandoned? You are not looking to or considering changing current arrangements and farming out, if you like, some of those arrangements to different individual areas—say, meat and grain or something like that? That is not being considered at all?

Dr Schipp—That is one of the options.

Senator NASH—Now we are getting somewhere.

Dr Schipp—That is one of the options that is being considered at the industry consultative committee, yes.

Senator NASH—How is there any cohesion if you then put organic out through each individual area and isn't there going to be a cost of running those programs even if they are not with you? If you farm them out isn't the cost to government still going to be the same?

Dr Schipp—As Mr Read has already explained, it is no different to halal. Halal is also a label description.

Senator NASH—Sorry, I am not interested in the—

Dr Schipp—We do not have a halal program so—

Senator NASH—No. My question was: if one of the options is moving those to other areas then surely the cost of running those is going to be similar?

Dr O'Connell—I think the point here is that the business is really done on a commodity basis, by and large, and it is potentially actually more cost effective to look at the organic component on a commodity basis rather than as a separate program. That is really the fundamentals of it, isn't not?

Mr Read—Correct.

Senator NASH—With the regulatory mark that currently exists, if one of the options is to get rid of that, how does that affect organic producers who are currently exporting using that to countries that want to see it?

Mr Read—There are two scenarios. When you say 'get rid of it', all we are saying is that it is not prescribed. What you will have are countries that require an AQIS certification and there will be other countries that do not require AQIS certification. For the countries that require certification then we will be providing attestations that it meets that specific label, as you are familiar with. For the other countries that do not require our certification, like some of

those companies into the United States or some of these companies into Japan, they will recognise the particular label provided by that private certifier.

Senator NASH—If the export consultative committee would prefer to keep arrangements as they are—and they put forward very good arguments as to why they should be as they are; and it obviously seems to have worked reasonably well thus far—will a decision then be to keep arrangements as they currently are? Is keeping the arrangements as they currently are an option?

Dr Schipp—At the last industry consultative committee that was the decision.

Senator NASH—Sorry, what was the decision?

Dr Schipp—The decision was to keep the arrangements as they are and to pay the additional cost resulting from the removal of the 40 per cent contribution. However, as soon as that decision was reached those members in the committee who did not agree launched a campaign in the media and elsewhere to reverse that decision and so we have had to revisit that.

Senator NASH—I am just not very clear about that. So you did discuss this with the committee?

Dr Schipp—Yes.

Senator NASH—And you did reach agreement from the committee as to what should be the way forward?

Dr Schipp—Yes.

Senator NASH—Even though you are telling me now there is a range of things being considered, you agreed to one particular way forward with the committee?

Dr Schipp—Yes.

Senator NASH—What was that?

Dr Schipp—That the present arrangements, with the additional fee increase to pick up the removal of the 40 per cent, would apply.

Senator NASH—So they were happy with current arrangements and they were agreeable to taking up the 40 per cent increase, which we know is a dog. So they were agreeable to picking that up anyway. So what happened then?

Dr Schipp—Yes. The two of the seven certifiers who did not agree with that decision then sought to reverse the decision.

Senator NASH—What happened then?

Dr Schipp—We are in a situation now where we are revisiting that exact same issue in the next industry consultative committee meeting tomorrow.

Senator NASH—Just so I am clear, because I do not necessarily understand the process, you need to have a unanimous decision of that committee for the view of the committee to be taken forward by the department?

Dr Schipp—That is not necessary, no.

Senator NASH—Not necessary?

Dr Schipp—It was a majority decision.

Senator NASH—Then why are you looking at other options when only two out of seven had a different view?

Dr Schipp—Because the two largest certifiers did not agree and it was thought that their concerns were sufficient to warrant a revisiting of that decision.

Senator NASH—So what did they not agree with and what did they want?

Dr Schipp—Their view was, as Mr Read has stated, that the role of AQIS was an unnecessary regulatory burden and could be done with and that we should look at other ways to deliver the program at a lower cost.

Senator NASH—Will you go back to the committee once you have gained the information necessary on the view put forward of the minority of two?

Dr Schipp—We have put four options to the committee for discussion.

Senator NASH—So there are now four options back to them and they are discussing that tomorrow?

Dr Schipp—Yes.

Senator NASH—You have some work to do, don't you?

Dr Schipp—As always.

Senator HEFFERNAN—Can you tell me what makes a lamb organic? This is the greatest marketing ploy of likeable rogues. How do you certify that a lamb is organic? Can you please explain that to me?

Mr Read—We can give you some information on notice about how you can get an organic lamb.

Senator HEFFERNAN—But if you drench a lamb, is it organic?

Mr Read—We will put that in the question on notice.

Senator HEFFERNAN—You do not know, do you?

Senator Sherry—That is why he is taking it on notice.

Senator HEFFERNAN—It is the greatest con job of all time. That is why these countries do not really want you involved, because it is a marketing ploy and if you believe it is organic, well, good luck to you.

CHAIR—Senator Heffernan, Mr Read said he will take it on notice. We do not have to get into a debate on what senators think.

Senator HEFFERNAN—What my question was leading to is that the AQIS organic approving certifying organisation has taken the position allowing its members to use livestock feed additive that is not in accordance with the national standard for organic and biodynamic produce to avoid a prosecution for not adhering to the national standard. I do not know who prosecutes or how they find out. ACO—that is, Australian Certified Organic—has deemed that the finished livestock product be labelled 'domestic only' and 'not for export'. However,

these products are not necessarily labelled 'domestic only' and 'not for export'. Why doesn't AQIS require products certified by an organic certifying organisation and intended for the domestic market to be labelled 'domestic only' and 'not for export'? The whole thing is a con. You blokes do not know the answer and neither does anyone else. It is like bottled water. If you could give me some answers on what you think an organic lamb is? Bear in mind I am in the business and we are all likeable rogues.

Dr O'Connell—Our job through AQIS is, essentially, to certify for other countries that a certain standard is met.

Senator HEFFERNAN—You would think the department, in its wisdom, would know what makes something organic.

Dr O'Connell—That is, as you know, a long and torturous debate, otherwise you probably would not have raised it, I suspect.

Senator HEFFERNAN—If the beef comes out of the back of the Channel Country, where there obviously are no chemicals and there isn't any spray drift, there is a chance, but a lot of this organic stuff is interesting.

Mr Delane—I think Mr Read clearly articulated that it is not our job to set the standard; it is our job to, if required, certify, where an importing country requires.

Senator HEFFERNAN—How can you certify if you do not know what it means?

Mr Delane—I think Mr Read has offered to provide that information on notice to you.

Mr Read—Just to be fair, we have experts in organic certification in the department. It is just that I am not familiar precisely with what the requirements are for lamb.

Senator HEFFERNAN—Yes, good. We will look the other way.

Dr O'Connell—There is also the development of an Australian standard as well, under Standards Australia, which I think probably would help you a great deal when that is completed, if it is completed.

Senator COLBECK—Can I come to that process and just ask Mr Schipp where the organic standard is that is being prepared through Standards Australia? It has been a fairly long process to date.

Dr Schipp—It has. I understand that the draft standard will be released publicly next month for vote.

Senator COLBECK—Next month? So what is the approval process for that? It is a process that Standards Australia will deal with or does it have to go through a process similar to the one you have just been describing?

Dr Schipp—No, it is a Standards Australia process.

Senator COLBECK—Industry has been fairly closely involved with Standards Australia in the development of that, have they not?

Dr Schipp—They have, yes.

Senator COLBECK—A draft is released for public comment, I presume, for how long? Do you know?

Dr Schipp—I do not know. I would have to take that on notice. It is not run out of AQIS; it is run out of—

Senator COLBECK—The Department of Health and Ageing. If you could take that on notice, I would appreciate that so I can get a sense of the time frame.

Dr Schipp—Certainly.

Senator COLBECK—Would that development of that standard assist in the discussion that we have just been having, and also the requirement for AQIS to remain involved in this space?

Dr Schipp—Certainly, it would assist if there were a single standard that was applied to both domestic and export product, so that the issues that Senator Heffernan raised would not arise in that case.

Senator COLBECK—I understand that the AQIS organic mark has some status and there has been some discussion about its future. Is there any discussion in relation to that with the arrival of the Standards Australia process?

Dr Schipp—Not as yet. It is a consequential issue.

Senator COLBECK—But obviously, at an international level, it does have some recognition and status.

Mr Read—They are two separate issues.

Senator COLBECK—I understand that.

Mr Read—Standards Australia will deal with the current variability between what happens domestically with organic stamps on most things, as opposed to what we certify against organic against our prescribed requirements for organic production. In terms of then the next step of what AQIS does and does not provide certification with, if we are providing certification, that will have the AQIS-recognised stamp on it. If we progress to a stage where other companies can go directly from those companies to importing countries, they will ipso facto be recognising the official stamp of that certifier.

Senator COLBECK—I understand that; believe me. But what happens with respect to the requirements of AQIS's involvement is not necessarily something that is in Australia's hands. It may be something that is in the hands of other countries and what they require of us as a country and certification for material leaving the country. It may be that AQIS continues to have an ongoing role in that space.

Dr Schipp—That is correct. The EU and Switzerland are two markets that have stated they require AQIS's ongoing involvement.

Senator COLBECK—Thanks.

Senator HEFFERNAN—So why don't you make them brand them 'domestic only'?

Mr Read—We only regulate those participants seeking to export, so there will be a range—

Senator HEFFERNAN—But I mean, it is an obvious loophole that if you do not have to brand them 'domestic only' if they have eaten this additive.

Mr Read—Well, that is up to the certifiers to see themselves, Bill. That is not something—

Senator HEFFERNAN—But it is flaw.

Dr O'Connell—It is a domestic market issue.

Mr Read—And it is up the certifiers.

Dr O'Connell—The AQIS job is to regulate essentially on behalf of the importing country and certify that we meet the standards; that is all.

Senator HEFFERNAN—Anyhow, you are going to supply me with the details of what makes lamb, chooks, cattle organic. If you fed grain to a chook that has been sprayed, it cannot be organic.

CHAIR—Senator Heffernan, you have already asked that and Mr Read is going to take it on notice. I know you have added chooks and beef.

Senator COLBECK—Bill, you might like to go out and read one of the seven organic standards that are out there at the moment.

CHAIR—You guys might want to talk about organic until the cows come home, but I want to know if there are any other—

Senator COLBECK—I want to go to budget issues with relation to the Quarantine and Biosecurity Policy Unit.

CHAIR—That sounds like a dashingly great idea. Let's move on.

Senator HEFFERNAN—When will I ask the airport question?

CHAIR—You can ask that tomorrow.

Senator HEFFERNAN—No, I will do it now. I have had several complaints from people—really keen, enthusiastic, good Australians—who have come through the airport. One rang me yesterday. He had been on a farm somewhere overseas. I think I have raised this here before, because it always happens. It happened to me. You come to the airport and they say, 'Have you been on a farm?' You tick yes and nothing happens. This bloke had gone to the trouble of putting his boots in a bag and he insisted—this is only a couple of days ago—that the AQIS officer take the boots out of the bag and wash them—

Dr O'Connell—We will get to the relevant people, but if there are specific cases then if the information can be given to us we can then look at the compliance for the exercise—

Senator HEFFERNAN—I will do that.

Dr O'Connell—and go back and check the particular flights and what happened on that flight.

Senator HEFFERNAN—Because you can understand people getting slack.

CHAIR—That is good, Dr O'Connell, because Senator Milne has a question on this.

Senator MILNE—As you are aware, we have had quite a few discussions here about Filipino bananas and apples and so on and so forth, and I have had several emails from people saying that the Qantas flight into Australia had bananas provided to passengers as part of their lunch and saying, 'How can that be when we have quarantine arrangements in place—that we

are actually serving bananas as part of the passenger food?' So can you just explain to me what the relationship is between the airlines and AQIS and so on around fresh fruit being served as part of passenger meals on incoming flights?

Mr Parker—The arrangements for waste on aircraft are that all waste on international aircraft is treated as quarantine waste and needs to be disposed of in a quarantine approved manner.

Senator MILNE—Are you satisfied that people who just put the banana in their handbag or put it in their kid's bag, or whatever, and just keep going, see the bins. It is not so much the waste that I was worried about; it was more that people just think, 'I will keep that and have that for after,' and just do not think about it.

Mr Parker—Senator, there are a range of measures we use at the border to intervene with passengers who potentially could be bringing in quarantine risk material. Those measures are basically X-raying of baggage, use of detector dogs and also use of physical inspection. That material being brought through—if they did not choose to use one of the amnesty bins—would be picked up by one of those measures.

Senator MILNE—Are you sure about that?

Mr Parker—I do not run a zero risk at the border, but procedures are in place to mitigate the risk of material being brought in.

Senator MILNE—Is there any discussion with the airlines about avoiding this situation occurring in the first place with things like picking up bananas from the Pacific and bringing them in on New Zealand flights?

Mr Parker—They are not doing anything illegal.

Senator MILNE—No. I know they are not.

Mr Parker—The waste is treated as quarantine waste. I understand, from a press release I saw from Qantas a while ago, that they are going to cease using Philippines bananas on those particular flights, but they are very much commercial decisions about where airlines tend to provision their aircraft from. Our job is to ensure that none of that material enters Australia.

Senator MILNE—Thank you.

Senator COLBECK—I want to go to Budget Related Paper No. 1.1. 'Average staffing level' on page 69 shows the cut of 125 jobs in 2009-10 from the previous year. Where are those unfortunates coming from?

Dr O'Connell—Sorry, from—

Senator COLBECK—We are on 69.

Dr O'Connell—Page 69?

Senator COLBECK—'Average staffing level' shows a cut in jobs from the previous year—

Dr O'Connell—No. At the start of the estimates yesterday, as you may recall, we had a very long conversation about average staffing levels. This is included in that conversation. If you recall, in my opening statement, I made the point about drawing attention to note 2:

The change in average staffing levels ... will be managed by efficiencies in support function without impacts on front line operations.

I mentioned that under outcome 2—

Senator COLBECK—Yes, I understand that.

Dr O'Connell—AQIS exports and imports were in outcome 2, and I said that we would not be impacting front line AQIS export and import operations.

Senator COLBECK—So, in the context of what impact on this area is going to be, we are trying to maintain service but with greater efficiency.

Dr O'Connell—Yes.

Senator COLBECK—We did talk about the fact that two of the embassies were going to lose the junior of the two levels of staff. So I think I will whack some of that stuff on notice; that will save us some time. Have we recovered our Russian red meat markets as a result of the processes with kangaroos that occurred last year? The relevant staff have just gone to the back of the room.

CHAIR—Yes. Unfortunately—

Senator COLBECK—They are not organic kangaroos, are they?

CHAIR—They thought that they were over it.

Senator COLBECK—Senator Heffernan has gone too.

Senator Sherry—Did you want to invite him back?

Senator COLBECK—I did hesitate when I got to the end of the statement, Senator Sherry.

CHAIR—So there is a question regarding kangaroos?

Senator COLBECK—We did discuss, at previous estimates, the issues relating to the export of kangaroo meat into the US and Russia, and I am just wondering where that is, whether we have had an assessment of the impact on the industry from the loss of that market and whether it has recovered or not. We had some abattoir inspections to carry out and complete, as I recall.

Mr Read—Yes. The answer to the questions are that there were three of those suspended game meat plants inspected as part of that Russian audit at that time. We have been pressing for the conclusion of that audit report. That has not yet occurred, and we have certainly been continuing our liaisons in that effort. At the moment that still leaves, across all plants, 19 plants that are still suspended in terms of access to Russia. The question is: is that substantial for the industry, particular the kangaroo industry? The answer to that is yes.

Senator COLBECK—Yes. So we are still waiting on the completion of the audit by the Russian authorities?

Mr Read—The finalisation of the audit report by the Russian authorities will add some light on whether they accept what they saw in those kangaroo establishments as a consequence of that audit.

Senator COLBECK—How long is it since the site visits?

Mr Read—I beg your pardon?

Senator COLBECK—How long is it since their site visits to do the audit?

Dr Schipp—Those site visits were in February.

Senator COLBECK—In February this year?

Dr Schipp—Yes.

Senator COLBECK—What iterations are the communications at? Are we still communicating with the authorities? They have been, they have seen and we have not heard anything since? Is that—

Mr Read—We were hoping that we would have that report, probably, in 30 days. That still is not finalised now. As I mentioned, on every occasion that we have had to engage with our Russian counterparts, we have done that.

Senator COLBECK—So we were hoping 30 days and we are now waiting in hope, effectively? They have given us no indication of what the time frame might be?

Mr Read—Soon—that is the continual response.

Senator COLBECK—I do not know that I will get too much further with it, so I think I might leave that there. I will go to your irradiation of cat food. There was a notice posted on the department's website in March, and permit holders were contacted on 11 March to discuss a potential code of practice for the manufacturing and marketing of pet food. Can you give us an update on where that whole process is? It follows on from a discussion we had at the last estimates and question on notice No. 1,449.

Mr Chapman—Senator, do you want an update on what is happening with importations of pet food at the moment or do you want—

Senator COLBECK—The issue surrounds irradiation of pet food. You would have seen, I suspect, over a period of time, the significant publicity that that has received, particularly with dry pet food for cats.

Mr Chapman—Yes. I understand the question, I think, Senator.

Senator COLBECK—I am just wanting to know that is where we are at. I understand that you have put a notice on your website and you have contacted importers. I just want to know where that is progressing.

Mr Chapman—What has happened since is, as you are aware, some reports came out, and some studies, which were quite recent and some of which were unpublished, which indicated that feeding cats on an exclusive diet of irradiated cat food might cause some neurological problems for the cats. As a consequence of that, we did advise importers of cat food of these studies and that they needed to take advice on whether they wanted to proceed with irradiation.

Where we are at with that now is that we have sought further advice from BA. There have been more international studies which suggest that the causative link between irradiation and neurological problems in cats is quite plausible, and we will be removing irradiation as an option for treating cat food as a quarantine measure in future. There will be no more permits

issued along those lines. We are also seeking advice as to what we can do with the existing permits which are in place at the moment.

Senator COLBECK—When is the removal of that process going to occur?

Mr Chapman—We will be removing the option of irradiation as a quarantine treatment for cat food as soon as we can.

CHAIR—Senator Colbeck, we know that you have got quite a few questions, but it is four o'clock, so we may as well go straight to a quick break.

Proceedings suspended from 4.00 pm to 4.15 pm

Senator COLBECK—Mr Chapman, effectively we are ceasing the irradiation of the cat food as soon as possible.

Mr Chapman—We received further advice from Biosecurity Australia last week which took account of the further studies. As a consequence of that advice we will be ceasing to offer irradiation as a quarantine treatment for imported cat food.

Senator COLBECK—So the importers of that product will have to find another way to satisfy our biosecurity arrangements?

Mr Chapman—The preferred quarantine treatment for imported cat food is moist heat treatment. When the importers or the manufacturers cannot use moist heat treatment as a quarantine treatment, we have offered irradiation as an alternative. As you would be aware from my previous answer to the question on notice, we do advise them, or we always did advise them, to seek advice as to the potential effects of that. As you are aware, there have been recent studies, and it is a consequence of those that we are proposing to withdraw irradiation as a quarantine treatment for cat food.

Senator COLBECK—And I presume you will be issuing a notice to that effect?

Mr Chapman—We be will advising industry accordingly; that is right.

Senator COLBECK—You do not have a time frame on that?

Mr Chapman—I do not have a time frame. This is literally information which came to my office at the end of last week and we needed to seek some legal advice, which I got late on Friday night. So it is—

Senator COLBECK—Hot off the press.

Mr Chapman—the very latest developments.

Senator COLBECK—Thank you.

Senator SIEWERT—Can I just follow that up? Irradiation was an issue a number of years ago, and now further information has come to light that it can be, in fact, damaging, and I am just wondering how extensively it is used on other products, and has a similar amount of review gone into its use on other products?

Mr Chapman—As far as I am aware, irradiation only appears to have a harmful effect on the health of cats who are fed a diet pretty well exclusively on irradiated dried cat food. As far as I am aware, irradiation is a safe quarantine treatment for other species.

Senator SIEWERT—As far as you are aware.

Mr Chapman—I am not a scientist.

Mr Liehne—There is no evidence of harm. We have seen no evidence of harm in other circumstances.

Senator SIEWERT—But how widely is it used now?

Mr Liehne—It is offered as an alternative treatment for some products where the quarantine risks associated with the ingredients are not effectively managed by the manufacturing process. A small proportion of dried and semi-moist dog food gets irradiated. It is a very small proportion, compared with the vast bulk of material that comes in. It is in a small number of those cases. It is used for some of the dried pigs' ears and those sorts of things, those treats that come in. It is used to irradiate those, and there appears to be no issue associated with those products at all.

Senator SIEWERT—Is it possible that to get a list or is that going to cause too much work?

Mr Liehne—The difficulty that we have is that we issue permits that have that as an alternative treatment, or as a treatment, but the volume of material coming in and the products that are irradiated are very hard to determine because some products do not require it because the origin of the ingredients—the quarantine risks associated with that do not require additional treatment. We can provide you a broad grouping of permits that would have that as a condition, but, as to volume or product, that is impossible to identify.

Senator SIEWERT—That list would be appreciated.

Mr Liehne—Yes.

Senator SIEWERT—Thank you. If we move quickly, we might get through the biosecurity issues.

Senator COLBECK—Just going on to the government's proposals for a new Grown in Australia label, where is that process up to? We had the Australian Grown brand that was developed under the previous government. What has happened to the Grown in Australia label?

Mr Souness—The voluntary Australian Grown logo is very much alive, and I am sure a lot of people have seen it being used in food retailers now, especially in the fresh food produce. Coles, Woolworths and Aldi have signed up to use the logo. The Agricultural Productivity division is monitoring that program and is preparing advice for the minister.

Senator COLBECK—So the process is: sign up and pay a fee to use the label?

Mr Souness—As I understand it, Agricultural Productivity is working with Australian Made Campaign Limited on that logo, and they are probably best placed to give a more accurate description of how the system works.

Dr O'Connell—They are on later.

Senator COLBECK—I am happy to deal with that. Details about whether it is voluntary and all that sort of stuff should be dealt with at that point in time, Dr O'Connell?

Mr Souness—Yes. I could give some historic knowledge, but I think the up-to-date knowledge is within the Agricultural Productivity division.

Senator COLBECK—I am happy to wait until then.

Senator NASH—Where does the horticulture code come in?

Mr Aldred—That is for Agricultural Productivity as well.

Senator COLBECK—Right. I will put the rest of my quarantine and biosecurity stuff on notice.

Senator NASH—Have we finished with quarantine and biosecurity?

Senator SIEWERT—We have not done plant health.

CHAIR—Have we finished with quarantine and biosecurity policies so they can go home?

Senator NASH—I have just got a couple of quick questions. I have been out of the room a bit, so, please just bear with me if these questions have already been asked, and I will simply stop asking. In the budget papers, on page 68, on program 2.1: ‘Quarantine and export services’, ordinary annual services had a decline of around \$25 million or \$26 million. What is that cut?

Dr O’Connell—If you bear with us, Senator, we will see if somebody can give you that.

Senator NASH—That would be excellent. While we are waiting, perhaps—

Dr O’Connell—I think it will be a set of things. Can we take that on notice?

Senator NASH—Yes. I will just see if Senator Colbeck has something further. We are coming to the end of quarantine, but, if he has something further while we are waiting, Senator Colbeck might like to—

Senator COLBECK—If we want to keep things moving, I might put them on notice. There is a range of budget measures, but I think we could put them on notice and move on.

Senator NASH—All right. It seems to be proving a little difficult.

Dr O’Connell—We will have to confirm it. I will have to take it on notice in the event that it is not right, but I think that is predominantly the export subsidy reduction. I am just not absolutely sure because our CFO is not around at the moment.

Senator NASH—All right. I am happy for you to take it on notice.

Dr O’Connell—We will take that on notice, Senator.

Senator NASH—Further, also on page 68, under program 2.1, there is ‘Quarantine and Export Services’ and ‘Revenues from Independent Sources’, and that is an increase of what looks to be around \$35 million. Could you let the committee know what those independent sources are that you are gaining that \$35 million from?

Mr Delane—Senator, I am reasonably confident that is the subject of a long discussion around the 40 per cent cost recovery.

Senator NASH—If you would like to take it on notice and just check—

Mr Delane—We can confirm that.

Senator NASH—If we could have some detail around both of those, that would be useful. Thanks.

Mr Read—Senator, I presume you were talking about 2.1?

Senator NASH—I think I said it was on page 68, 2.1: ‘Ordinary annual services’.

Mr Read—Essentially, you are seeing in both the numbers the ordinary annual appropriations. That reduction from 121 to 95 is the cessation of the subsidy, and then you see the increase in section 31, from 184 to 219, and that is essentially offsetting recovery through increased fees and charges on the input.

Senator NASH—There is a discrepancy in the difference between those two, though, isn’t there, so there has got to be something else in there from independent sources.

Dr O’Connell—There will probably be other ons and offs, as well.

Senator NASH—Perhaps you could take it on notice and come back.

Dr O’Connell—We will give you those.

Senator NASH—Thanks.

CHAIR—Thank you very much. Are there any other questions of Biosecurity Australia? There are none. That is fantastic.

Dr O’Connell—Can we confirm then that Quarantine and Biosecurity, AQIS and Biosecurity Australia are done with?

CHAIR—Yes, that is all done. Thank you very much too.

[4.32 pm]

Australian Wool Innovation

CHAIR—We welcome Mr Merriman and Ms McGahan from Australian Wool Innovation. Do you wish to make a brief opening statement before we go to questions?

Ms McGahan—Yes, we are happy to.

CHAIR—We have only got half an hour. You do not have to. You are free to if you want to.

Ms McGahan—Yes, we are happy to. Thank you very much for the opportunity to be here today. My name is Brenda McGahan and I am the new Chief Executive Officer of Australian Wool Innovation. I am here today with my AWI Chairman, Wal Merriman, who I think is known to all of you. We are very pleased to say that over the last three months since I have joined the company—it is the end of my 90 days so it is almost getting to the 100-day mark—we have spent the time, particularly the last couple of weeks, sharing the first step of our annual operating plan with our growers. In the first 90 days I have spent time listening to our growers here in Australia and to our customers—wool processors, manufacturers, brands and retailers in our major overseas markets—and, as a result of that feedback, put together an annual operating plan that we shared with our major woolgrowers at a meeting last week in Sydney. So I am happy to be here. It is good to be back in the industry. Most of you know that I was formerly the Executive Director of The Woolmark Company prior to the merger of the two companies. Probably the most satisfying thing for me in coming back is that not only

have we merged two businesses—the marketing arm and the R&D arm of the Australian wool industry—but this has given us in the international marketplace the opportunity to speak with one voice.

CHAIR—Very good; so it is not like groundhog day.

Senator HEFFERNAN—The last time Australian Wool Innovation was here it was pretty spectacular. Obviously, there are a lot of things that we thought were untidy. Could you explain to this estimates committee some of the actions, under the new management of AWI, that have been undertaken to tidy the place up?

Ms McGahan—One of the first things the new board did was commission a study called the Bandy report and I think it was shared with some of you last time. Since I have joined the company as the chief executive officer we have reviewed all of the expenses and operations of the business—the teams here in Australia and overseas—and had an opportunity to review where we make our investments with a view to having that as input to this next year's annual operating plan.

CHAIR—Thank you, Ms McGahan. Now there are some questions.

Senator McGAURAN—It was reported that you were dropping the 'Australian' out of 'Australian Merino'. What are the true facts here in your promotions?

Ms McGahan—I think it just goes to show that you should not always believe what you see in certain newspapers.

Senator McGAURAN—Sorry, Minister, did you say something?

Senator Sherry—I said, 'I hope you're accepting her advice.' It is very perceptive.

Ms McGahan—We have at the centre of our marketing and branding strategy the Woolmark. The industry has done lots of research to prove that it is a very big and powerful and global mark. That is at the centre of our branding strategy. In addition, the industry is blessed with brand assets, including Australian Merino, Superior Merino, Sportwool, Cool Wool and various others—up to 50 brands in our brand portfolio or our brand wardrobe that we can use when and where appropriate. The Woolmark is the centre of our branding strategy, supported by other brands, as we see fit, in various markets. What was reported was, in fact, not correct.

Senator McGAURAN—But I am not all that clear on this. When you promote, will you be promoting with the word 'Australian' still with 'Merino'? I know the Woolmark is still there. Will it be related to Australian wool?

Ms McGahan—We have that as an option. Yes, we do.

Senator McGAURAN—Prior to the option, what were you doing? It was always known as Australian Merino. You have now dropped out the 'Australian' and you are going to optionally use it, are you?

Ms McGahan—From 2006-07 to 2008-09, Australian Wool Innovation spent \$9.8 million on consumer market research and branding expenditure, and \$4.9 million on brand related promotion and PR for the new Merino brands; so I absolutely intend to ensure that the investment the Australian wool growers have made in those brands is leveraged and is used.

Senator McGAURAN—What did you find in that research? That promoting Merino wool is superior to promoting Australian Merino wool?

Ms McGahan—It is horses for courses.

Senator McGAURAN—What courses and horses are we talking about? What country would you drop ‘Australia’ out of?

Ms McGahan—I would not drop ‘Australian Merino’ and I did not ever say that. That was incorrectly reported. Australian Merino Wool, Superior Merino, Merino Perform, Cool Wool, Sportwool, Woolmark Blend, Woolmark, are all brands, up to 50 brands, we have in our brand portfolio, to use when and where appropriate, market by market, partner by partner.

Mr Merriman—Senator, just to try and clear you up on that, this will come from our partners. They will say which brand they want to use.

Senator McGAURAN—Mr Merriman, what is Dr Meredith Shiel’s connection these days with the drug Tri-Solfen?

Mr Merriman—I could not tell you that.

Senator McGAURAN—She is on your board.

Mr Merriman—That is correct. She is a shareholder of a group called Animal Ethics. The relationship between Animal Ethics and Tri-Solfen, I could not tell you.

Senator McGAURAN—You ought to know.

Mr Merriman—It is not my business to go through the private business of all my directors. Do you want me to go and ask Senator Fletcher how many things he is on?

Senator McGAURAN—I will put to you why you should know: because you have publicly commented that when matters of discussion of perceived conflict of interest come up in the board, you are taking legal advice as to when a particular board member should leave the room. Fair enough. Therefore—

Mr Merriman—I would like to correct you: I do not take legal advice. Those directors leave; they automatically leave. When they perceive they have a conflict, they declare it and they leave.

Senator McGAURAN—In a letter to the *Weekly Times*, you said in the last paragraph:

AWI has taken legal advice to guide the board in managing conflict and potential conflict of interests of board members.

Mr Merriman—That is correct—general legal advice in managing conflict.

Senator McGAURAN—Meredith Shiel, to her credit, was at the forefront of developing Tri-Solfen, but it would be an interest she would have to declare if she still had an interest in Tri-Solfen. It would be neglectful of the board not to know her interest; it would be neglectful of her not to spell out her interest.

Mr Merriman—Meredith Shiel does declare her interest. As does Director Olsson.

Senator McGAURAN—What is her interest?

Mr Merriman—They are shareholders of a group called Animal Ethics which invented, for want of a better word, the anaesthesia product called Tri-Solfen which has been on-sold to Bayer.

Senator McGAURAN—So she still has a commercial interest in the product?

Mr Merriman—I could not tell you. But I know she absents herself.

Senator McGAURAN—You ought to know.

Senator HEFFERNAN—Can I just ask a question over the top of that. Mr Merriman, do you have a commercial interest in wool?

Mr Merriman—Yes.

Senator HEFFERNAN—There you go. Now he is on the thing, too; he has got a commercial interest as well.

Senator McGAURAN—You ought to know the commercial interests of Dr Shiel in Tri-Solfen, given that the board frequently discusses the matter, as I believe.

Mr Merriman—And they absent themselves.

Senator McGAURAN—Does she?

Mr Merriman—Yes. I just said ‘and they absent themselves’.

CHAIR—They being, just to clarify?

Mr Merriman—Sorry, Mr Olsson and Dr Shiel.

Senator McGAURAN—On what grounds?

Mr Merriman—Because they presume there would be some presumption of conflict. If you want to take this to the nth degree, every time we talk—

Senator McGAURAN—Is this a perception, or is it real? Does she have a commercial interest still, or is it just a perception for others?

CHAIR—Sorry, Senator McGauran—

Senator HEFFERNAN—Can I just clarify—

Senator McGAURAN—No, you cannot clarify. You are not here to jump on the other side of the table. Mr Chairman, for once—and this is a serious matter—

Mr Merriman—If you will just give me a minute—

Senator McGAURAN—These are just normal questions that everyone in public life gets, Mr Merriman. Don’t get your back up—we get them too, you know.

CHAIR—Senator McGauran—and I am going to give you the call; there are no dramas—I just wanted to say to you, you have asked Mr Merriman questions. Just let him answer and then please continue your line of questioning when he has answered. Now, Mr Merriman, you were part way through an answer before Senator McGauran asked the last question.

Senator HEFFERNAN—Did you want to continue?

Mr Merriman—I just forget what it was. I just reiterate what I have said: for matters concerning pain relief, those two directors absent themselves and, in their own mind, declare whether they have a conflict or not.

Senator McGAURAN—You are none the wiser whether it is a perceived conflict or a real conflict?

Mr Merriman—No, and I do not think it is up to me. On that basis, I can challenge a vast range of directors on any perceived interest or even a real interest. For instance, Director van Rooyen is on a spinning company. When we come to spinning matters, does he leave the room? No, he does not. Similarly, with me when we do fine wool projects; do I leave the room? No, I do not. You would have half the board out.

Senator McGAURAN—If it is commercial interest, it is way more direct a link.

Ms McGahan—I can add some information that, I think, may help.

Senator McGAURAN—Thank you. The ignorance is profound.

CHAIR—Senator McGauran, I do not think that remark was called for and I would ask you to retract it.

Senator McGAURAN—If a chairman does not know people's perceived or real interest—

CHAIR—No, Senator McGauran. That last comment was absolutely—

Mr Merriman—Senator McGauran, would you like me to show the disclosures in our board papers for those directors?

Senator McGAURAN—All right. What I would like to know is whether it is a real or a perceived conflict of interest. Does Dr Shiel have a commercial interest in Tri-Solfen still? I have no objection if she does, by the way, but I would just like to know the ground rules.

Mr Merriman—I will show you the conflicts disclosures.

CHAIR—Mr Merriman, sorry, I just want to come in there. The last time there was information provided to this committee it gave a lot of heartburn and grief to your board. I would ask you just to think about what you are offering. Thank you very much, anyway.

Mr Merriman—Thank you, Mr Chairman.

Senator Sherry—I think that can be taken on notice, because whilst I am all for declarations of conflict, perceived or otherwise, to a board, it does not necessarily have to be made public. There could be some embarrassment to those individuals that is not related to their responsibilities and duties on the board. We will take that on notice. That is not saying no, but we will take it on notice.

Mr Merriman—Anything I say on this will be because the board allows me to. The board will vote on anything I bring back here.

CHAIR—Thank you very much, Mr Merriman.

Senator McGAURAN—Can I make the point—

CHAIR—You can, in a minute, Senator McGauran. Just take on notice what the minister was saying, Mr Merriman. It might be a lot more convenient for you. Ms McGahan was going to answer one of your questions, Senator McGauran; then you have the call.

Senator McGAURAN—Before she does, I agree with the minister; I do not necessarily need to see who is walking in and out of the board, but I think I have a right to ask—and people ought to know, let alone the chairman ought to know—the interests of his board members, perceived or real, direct or indirect, particularly in this matter.

Ms McGahan—Senator McGauran, may I—

Senator HEFFERNAN—Can I make a declaration?

Senator Sherry—No, just let—

Senator HEFFERNAN—Well, I want to declare an interest.

Senator Sherry—No—how about allowing the witness who was asked a question to answer the question. Ms McGahan.

Ms McGahan—I have some additional information that I think may help. I think I hear a concern about governance, and since I joined the company as CEO, I have increased the governance of the business by bringing to the business a very, very experienced company secretary/legal counsel, by the name of Sue Myers. She has an agriculture and government background, 30 years experience as a company secretary and corporate lawyer, and I think that that experience, that depth of experience and that strength, deals with your concerns, Senator. I hope it does.

Senator McGAURAN—Excellent, and it ought to be transparent, would you agree?

Ms McGahan—It is.

Senator McGAURAN—Well, not too transparent at the moment.

Senator Sherry—Given what the witness has just outlined, we can take this on notice. I am sure that the board and the new governance director, who is the company secretary can take on notice what their procedures and processes are in this regard.

Senator McGAURAN—It was reported—and I read this to Mr Merriman; a yes or no answer to this will suffice:

AUSTRALIAN Wool Innovation has committed \$400,000 for the registration of the mulesing pain-relief treatment, Tri-Solfen.

Is that true?

Mr Merriman—Could you repeat that?

Senator McGAURAN—It was in the *Weekly Times* of 1 April.

Mr Merriman—I was about to ask what your source was.

Senator McGAURAN—Yes or no: Australian Wool—

Mr Merriman—Just repeat it, please.

Senator Sherry—Senator, you do not have the right to insist on a yes or no answer. Witnesses are allowed to answer the question in their own words, in their own form.

Mr Merriman—If you could just repeat the question please.

Senator McGAURAN—It was reported:

AUSTRALIAN Wool Innovation has committed \$400,000 for the registration of the mulesing pain-relief treatment, Tri-Solfen.

Mr Merriman—N-o.

Senator McGAURAN—The article continues:

In a meeting with WoolProducers last week, AWI chairman Wal Merriman said AWI would underwrite the research required for the registration of Bayer's Tri-Solfen and the pre-operative pain-relief chemical, carprofen.

Mr Merriman—They are not my words, but our CEO will explain the chemical compounds in that project.

Ms McGahan—There have been misleading reports in the media recently about AWI's funding Bayer's registration for pain relief Tri-Solfen research. AWI is not funding Bayer's research. We are investigating how to improve the flow of veterinary medicines onto the Australian market. This will potentially open up competition and provide access to cheaper agricultural and veterinary products for wool growers. AWI have requested Australian Pesticides and Veterinary Medicines Authority, APVMA, to review their current species-specific guidelines on setting meat residue limits. Europe, for example, allows cross-species metabolism studies between sheep and cattle. This could increase the potential for private investment in the metabolism studies, as well as from other R&D organisations and government R&D funding sources, if private sector investment cannot be secured. These projects are similar to the project that AWI has undertaken with Cobbett Technologies with the intradermal technology. This project was going to take 10 years, but focused investment from AWI meant that these options are now being developed faster for growers. A change in policy by the APVMA on this issue would also relate to other chemicals, such as drenches and vaccines for sheep and cattle.

Senator McGAURAN—Is that where the \$400,000 is being spent?

Ms McGahan—I am not familiar with that number that was in the paper.

Senator McGAURAN—It was reported that \$400,000 was underwriting Bayer, but, given that you say it is not, what is the budget for this program you are undertaking?

Mr Merriman—My memory is that the two components are about \$400,000 each, but we can take that on notice and get it back to you. The upshot of this is that, if those two chemical compounds get the meat residue level testing done and passed, it opens up the field for every other company now to come in and take up patent of it and therefore lessen the price.

Senator McGAURAN—I am not doubting it is not a worthy project.

Mr Merriman—Could you just answer me a question, please, sir? I thought this information was given to you by our staff previously. Is that correct, or did you not receive it?

Senator McGAURAN—I will give you two answers. First of all, I ask the questions. Secondly, no.

Mr Merriman—Our staff did not supply you with background material on this project?

Senator McGAURAN—No.

Mr Merriman—Thank you.

Senator McGAURAN—I have not spoken to your staff.

CHAIR—Senator McGauran, do you have any further questions of Mr Merriman or Ms McGahan? Can I take that as a no.

Senator McGAURAN—I reserve my right.

Senator Sherry—This is not a court of law! The chair has the right to determine the questions.

CHAIR—I already have. Thank you, Minister.

Senator McGAURAN—It is just a term. I am glad to see you are easily amused.

CHAIR—Senator Adams.

Senator Sherry—Your Perry Mason-like interventions for the last two days have been noted, Senator McGauran.

Senator McGAURAN—I am being advised by the chair not to bite.

Senator ADAMS—On the marketing of Australian merino wool, I go back to estimates on 20 October. I asked a question regarding the latest initiative of spending \$120 million in marketing Australian merino wool. I received this answer from Mr van Rooyen who, at that stage, of course, was the chair. He stated:

Over three years, the intention is to spend \$120 million in marketing Australian merino wool to our key target base overseas. That includes our key account management program and our total marketing program that we have in place for that. So the round figure over three years is \$120 million ...

Later, each comment he makes refers to marketing Australian merino wool—that was the reason for Senator McGauran asking that question. What has happened with that \$120 million that you were using to market Australian merino wool?

Ms McGahan—Is it possible that instead of referring to the brand, Australian Merino Wool, it was a reference to marketing merino wool from Australia?

Senator ADAMS—So that is still going on? Are you still including Australia in it or not?

Ms McGahan—Two answers. We are marketing the wool of our Australian wool growers. Most of that is merino, and some of that is cross-bred. Secondly, we are still using, and have as an option to use, the brand Australian Merino, and the graphic included in that brand as part of our suite of branding options, yes.

CHAIR—Senator Adams, we did cover this. This was Senator McGauran's first question.

Senator ADAMS—I am just quoting from last October, when it was actually stated that it was Australian merino wool that was being pushed in that advert, so that was really why I wanted to—

CHAIR—I fully understand, but Ms McGahan has answered.

Senator ADAMS—Yes, I was here and I was listening, and that is the reason I raised the issue.

Senator McGAURAN—It was worthy of follow-up, because—

Senator ADAMS—Because it was the past chairman who had actually stated ‘Australian merino wool’, in that \$120 million advert, which I think I had a graphic description of last time.

CHAIR—I am confused, because I thought Ms McGahan had answered it quite thoroughly earlier on, so maybe I missed something.

Senator ADAMS—Well, I still wanted to—

Senator McGAURAN—But would I be right in assuming from your answer that there will be occasions you promote Australian wool and there will be occasions when you will not promote the ‘Australian’ in the wool?

Ms McGahan—The third part of the question, the \$120 million, I will come back to. The focus of our marketing activities is the Woolmark, and around the Woolmark we have a suite of 50 brands, including Australian Merino Wool, Superior Merino Wool, Sportwool, Cool Wool and others. Each of those will be used where and when appropriate. We are blessed with brand assets.

Senator McGAURAN—So you will not call it ‘Australian Superior Merino Wool’?

CHAIR—Mr Merriman answered this very clearly, I believe, when he said it depends on your clients. Is that what you said, Mr Merriman?

Senator McGAURAN—Explain to us why it depends on the clients.

Ms McGahan—There are two different brands. One is Australian Merino Wool—one brand name with a particular graphic—and there is another brand called Superior Merino with another graphic. They are two separate and distinct brands.

Senator McGAURAN—Why won’t you promote the Superior as Australian—

Senator Sherry—Senator McGauran, please give the witness—

Senator McGAURAN—We are entitled to know why they are spending the money that way.

Senator Sherry—You are entitled, but she is entitled to answer.

Senator McGAURAN—She is repeating herself.

Senator Sherry—You are interrupting.

CHAIR—The questions are repetitive too. But, Ms McGahan, you were partly through your answer. Please continue.

Ms McGahan—Thank you. The reason we are focusing on the Woolmark as the centre of this is that we had over, as you know, almost \$15 million worth of research to tell us that it is an absolutely classic brand asset. Some 22,000 consumers worldwide were surveyed by Millward Brown as part of one of those research studies and the recall, as a trust mark, was over 90 per cent. So it is, and will remain, at the centre of our branding work in international marketplaces and we will use other brands when and where appropriate with our partners. There is a third component to Senator Adams’s question, which was the \$120 million. That was over a three-year period. Unfortunately since that time the world has gone into a global

financial crisis and we do not have the funds that we did last year. The clip is down this year as a further result of the drought, so we are in the process of recasting our budget to see what we now can afford. Marketing is still at the forefront of our investments, balanced with sensible partnership with R&D, but \$120 million may now be out of our reach over a three-year period.

Senator ADAMS—Can I just take you back to the Woolmark brand. When you did the survey were people aware that that wool came from Australia? Did you ask any questions around the Woolmark brand as to where the wool came from?

Ms McGahan—I am not aware. We might have to just take that question on notice. I do not know.

Mr Merriman—Yes, Brenda was not there when a lot of the stuff came in. But my recollection is ‘no’ and we would like to take it on notice and bring it back to you.

Senator ADAMS—If you could. I think it is very important because the Woolmark brand does say, ‘Well, this is a woollen garment,’ and whatever else goes with it. But the Woolmark brand was Australian. So that is really what I want to know.

Ms McGahan—I will take the question on notice.

Senator ADAMS—I was asking questions about control procedures and I would just like to see if you have gone on with your corporate social responsibility program. That was to support the natural biodegradable and sustainable marketing goal. That was a three-year project which I was informed was due to start in early 2009. Has that started?

Ms McGahan—It is absolutely underway. Yes, we have trials running in a couple of countries.

Senator ADAMS—Which countries?

Ms McGahan—In Italy and in China.

Senator ADAMS—Thank you. Now, to get on to mulesing, as far as the mulesing and the clips go, have you had more farmers take up this option?

Ms McGahan—We have released and handed over the clips now. We have done the technology transfer into the commercial arena and AWI released a press release in May announcing that Leader products would have clips available for growers this year, this season.

Senator ADAMS—So have you followed up on that, seeing it was your initiative in the start, as to how popular it has become?

Ms McGahan—We have certainly followed up. We just issued the press release a couple of weeks ago announcing to all our growers and to the world generally that Leader now are the commercial partners—

Senator ADAMS—Yes, I saw that press release, but I am just asking, are you going to do a survey just to see how Leader are going as far as their sales of clips goes? Are people taking up this option or what are they doing?

Mr Merriman—It will take some time. It is only in the last two or three weeks that we have had the first lambing season.

Senator ADAMS—I suppose lambing would have been in October. The way you were going when you were speaking about it at the estimates in October, not all farmers were taking up the option of the clips?

Mr Merriman—In the lambing season just before this one that is about to start there was demand from growers who wanted clips. I think AWI sold about 130,000 or something like that. I will stand corrected.

Senator ADAMS—That is not many. As far as non-mulesed wool goes, my first question is: what demand has there been from your overseas clients for unmulesed wool? Has that gone up since last October?

Mr Merriman—There has been two sales of unmulesed wool. Both have sold some 20c a kilo below the market price. The industry now has what they call clip declarations, national vendor declarations, where you can declare your wool unmulesed, ceased mulesing or mulesed with pain relief. And that is the vehicle for any of these overseas companies that—

Senator WILLIAMS—Sorry, what were those declarations again—those three that you said?

Mr Merriman—It is called unmulesed, ceased mulesing and pain relief. That equates to about 10 percent of the clip. And that is the vehicle for any of these retailers who say they want unmulesed wool to come through and source it.

Senator ADAMS—And my second question was about the demand from overseas markets for this wool. Has that increased?

Mr Merriman—You would have to ask an exporter, but I have not seen any.

Senator ADAMS—I would have thought that it was in your business. You have been running with this program as far as trying to find an alternative to mulesing, and you were funded to do it. I would have thought that you would be fully aware as to whether there has been a further demand for unmulesed wool.

Mr Merriman—As I said, we have had two unmulesed sales—both sales with a 20c a kilo discount.

Senator ADAMS—Yes.

Mr Merriman—That is what I know.

Senator ADAMS—You are not really answering my question. I am asking you about overseas buyers. Are they actually coming out and trying to source unmulesed wool or are they just buying wool whether it is unmulesed or mulesed?

Mr Merriman—I presume they are just buying both, because there is no major uplift in the unmulesed section.

Senator ADAMS—Would you like to take it on notice and just let the Senate know if there has been a demand from countries to—and it does not matter what they paid for it—source unmulesed wool or whether they are still going along with the normal wool?

Mr Merriman—I will take that on notice. Just to make sure I get this right, you want to know the amount of unmulesed wool that has been bought out of Australia compared to the rest?

Senator ADAMS—No, that is not the question. I just want to know if buyers from specific countries are asking for unmulesed wool rather than normal wool.

Mr Merriman—Yes, some are. Yes, some are and some are not.

Senator ADAMS—So would you be able to give me a list of where those demands are coming from?

Mr Merriman—Yes, I will take it on notice; and the company can provide you with a list. There are some companies saying they want unmulesed wool. At the end of the day they may not be buying unmulesed wool.

Senator ADAMS—That is really what I was getting at. Do they end up buying normal wool?

Mr Merriman—This is where I am talking about the market.

Senator ADAMS—It is all normal wool.

Mr Merriman—It is not showing in the market. It is showing at a 20c a kilo discount in the two unmulesed sales they have had.

Senator ADAMS—So for all the effort that you go to trying to provide wool from unmulesed sheep it is very, very difficult for the farmers to get carried away with this. As you are talking about the global financial problem it makes it even harder, because of on-farm costs. Of course, your returns are nowhere near what they were. So it is a problem. The next thing is the phasing out of mulesing in December 2010. Where are we at with that?

Mr Merriman—We have a range of alternatives. I will let Brenda deal with them.

Ms McGahan—Australian wool growers are continuing to deliver the best welfare for their sheep. That is our No. 1 priority. Our role as the research and development body is to develop humane alternatives that assist the long-term goal of phasing out mulesing based on good-quality welfare science. Some of that science, as you know, works and some of that science, as you also know, does not work. Our approach has been to make sure that growers have a range of alternatives for the range of environments they face.

Western Australia is quite different to Armidale and environments around there. As you know, there are no silver bullets and we have had to make sure that we continue research. Our long-term goal is to find a genetic solution for the flock. So it is an evolution. It is a step-by-step approach that we are taking, as I said, based on sensible research. It is not up to us to enforce a 2010 deadline. We are the R&D and marketing body and we support the industry decision to phase out mulesing through ongoing research. We support the industry with all those endeavours.

Many of our growers, as you would have heard, have stopped surgical mulesing, traditional mulesing, already and many others are phasing it out. A very significant number of merino lambs this year, we think about 50 per cent, will not be mulesed. So significant progress has been made, both on the research front, on the management practice front at the farm and

through the genetics. In fact, mid this year Merinoselect will be releasing a breeding value with a wrinkle indicator, which is a genetic marker for flystrike vulnerability. So on all fronts progress is being made.

Senator ADAMS—As far as those people that have moved out of merinos or keeping merino ewes and going to cross-bred sires to produce fat lambs, are you doing any work on that? I come from Western Australia, one of the biggest merino areas, and a number of our farmers have certainly changed. They are keeping the merino ewes and going into fat lamb breeding instead of wool. So are you doing any work on that, as to how many people are actually moving out of the industry or moving across to meat sheep rather than wool?

Ms McGahan—We fund the forecasting, a piece of forecasting work or data collection work. AWI funds that and part of that tracks people's intentions in terms of their flock.

Senator ADAMS—So have you got any results?

Mr Merriman—I can help there. It is generally considered there are some 40 million merino ewes and the figure last year we were given was that half of them last year were joined to terminals.

Senator WILLIAMS—What was that again?

Mr Merriman—Some 40 million merino ewes in the flock, of that, some half of them were joined to terminal sires. That is the figure we have been given. I presume it is ABARE and the other bodies that put those figures together.

Senator HEFFERNAN—You would be mad if you didn't.

Mr Merriman—It is a problem for the wool industry. If we do get an increase in price, it is going to take a long time get up supply. Also it is a future problem for the lamb industry because their skins are worth nothing without some merino content.

Senator ADAMS—As far as 31 December 2010, what is going to happen to those people that are still surgically mulesing and not changing? Is there going to be any penalty? Where are we at with that?

Mr Merriman—It is not our job to apply penalties—

Senator ADAMS—No, but you would be fully aware. I do not know who is going to be actually overseeing that particular issue. I am just asking you what is going to happen to the farmers that have not complied with trying to find another solution.

Mr Merriman—We presume most farmers will make a decision for what is best for their animals. Before we had mulesing, sheep were dying a slow and painful death from fly strike.

Senator ADAMS—Yes, I know; tell me about it.

Mr Merriman—Mulesing became an animal welfare practice. Since then we have had improvements to mulesing, and are trying to get alternatives. Some of those alternatives have not been as successful as we would wish. But it is an ongoing thing of animal welfare.

CHAIR—As someone who has absolutely no declaration of interest here, except for what is best for Australian growers, what happens if, as you say, Mr Merriman, 50 percent of lambs this year are not mulesed and there is a massive increase in strike?

Mr Merriman—I think it is 50 percent of lambs, we were including the terminals as well. Not that we are; that is survey work being given to us. I just want to clear that misperception up. I think it is about 20 percent of merino lambs.

CHAIR—Thank you for clearing that for me. But for someone who is not a farmer—

Senator HEFFERNAN—Mr Chairman, could I just explain that ‘terminal sire’ means that the product of that joining ends up in the abattoir and you do not breed out of the female section of it.

CHAIR—But if we have a massive increase in fly strike, where do we go then?

Mr Merriman—That is the problem.

CHAIR—Sorry, it is probably a loaded question.

Mr Merriman—That is a bigger animal welfare issue than any—

CHAIR—It is all about the mulesing. Sorry, it is a hypothetical.

Senator WILLIAMS—Mr Merriman, just on the fly strike, is Vetrazin still an effective product?

Mr Merriman—Yes.

Senator WILLIAMS—I remember when it came out in the late seventies it was brilliant; I just did not know whether it had broken down or was still a very effective jetting fluid.

Mr Merriman—Yes, but there are other products. I would not like to comment on the products because it is a commercial area, but it has been effective and there are other products around now that are quite effective.

Senator WILLIAMS—I always found it a very good product. With the sale of wool, is there still a lot of blending going on with merino wool overseas?

Mr Merriman—Yes, there certainly is, and blends are in our marketing program.

Senator WILLIAMS—Have you done any research of areas like Thailand? Is there much finished product exported into Thailand, that you know of? The reason I ask that is there are a lot of tailors there. I was over there for Anzac Day, and there are a lot tailors. Every second shop is—

Senator HEFFERNAN—Declare an interest.

Senator WILLIAMS—Yes, I bought a suit there. What I am saying is there is a big tailoring industry in Thailand. You can go to Ko Samui island or you can go to Chang Mai in the north, and a lot of these people are Indians who have migrated to Thailand. I bought a suit there once which was wool and cashmere blend from the UK, and I thought, well, surely we can flog the Poms on quality when it comes to wool. Has anything been done about expanding the market into places like Thailand?

Mr Merriman—That is in what I call the tailor trade. They would get their cloth from, you say, London. But these days there is no processing done in England and a lot of that cloth would be Italian, through a London brand.

Senator WILLIAMS—Has anyone ever focused on marketing into Thailand?

Ms McGahan—It is in the consideration set but it is down the list because of its size.

Senator HEFFERNAN—Can you just explain to the committee, at the present time, the percentage of wool that is being processed by China, to get all this into perspective?

Mr Merriman—The last couple of weeks it has been 85 percent. That brings another problem that I would like to tell you about while I have the opportunity, and that is credit insurance for particular European processes.

Senator ADAMS—Is that 85 per cent of Australian wool?

Mr Merriman—Of our clip, has gone to China. This has changed in the last couple of months.

Senator WILLIAMS—What is the supply of shearers, shed hands and wool classers like these days? With only 90 million sheep, do we have an adequate number of shearers?

Mr Merriman—We are just there. Every year all the sheep seem to get shorn. In Western Australia there has been a bit of an increase due to people coming back out of the mines, and, as you probably know, we have shearer and shed hand training programs within AWI to make shearers more efficient and train some new ones.

Senator WILLIAMS—Do you do any work with TAFE to train shearers?

Mr Merriman—Yes, in most instances the TAFEs deliver the program. We leverage dollars with the state TAFEs.

Senator HEFFERNAN—The clips that have now gone out to commercialisation, are they biodegradable?

Ms McGahan—Not at this stage. Work is underway to see if that can be brought into the market in 2010.

Senator HEFFERNAN—As you would be aware, they are a bloody nightmare the way they are. Could I also ask one other question with your indulgence, Mr Chairman. You had a national wool grower day recently; what was the feedback?

Ms McGahan—Thank you for the question. Last Wednesday we asked our growers from across Australia—large growers, small growers across the spectrum of wool growing districts and wool types—to Sydney, about 80 growers. For the first time we had just the growers, not the other industry bodies as part of that, and the feedback was very positive: first, because growers were asked for their input before the plan was set in concrete, and secondly, because it was just wool growers being asked for their point of view by their industry body, and the day was structured for a series of presentations and a series of discussions, with the growers giving the company feedback about what they wanted changed, done differently, and what they appreciated. There was very positive feedback, as reported on ABC radio.

Senator WILLIAMS—Just on the promotion of wool in Australia, as we come into winter, the colder months, does AWI put any money into advertising to promote the product, to encourage the sale of woollen products here in Australia?

Ms McGahan—We call the approach we take to our marketing B to B to C and what we mean by that is business to business to consumer. So we work through our partners to reach the consumer, and one example is if you have a look at the knitwear in Country Road, you

will see the Woolmark swing tag off the knitwear, the copy that we developed with Country Road. We also worked with them in developing their supply chain and some of their partners that they now use to source their yarn. That is the partnership that we have with Woolmark licences.

Senator WILLIAMS—Is the limiting to advertising simply a limit of money for you?

Mr Merriman—Yes. We just cannot go out and put a billboard up saying ‘wool is good’. We have not got that sort of money and I do not know if it would even work, but this targeted leverage system does work.

Senator BACK—We had the opportunity to meet with you when you spoke at an industry seminar in February at Wagin Woolorama, Ms McGahan, when you had only just started. The real concern around the room that day was how many participants there would still be in the industry. I think the comment was made at the time that, if a bale was around \$700, what would it require for those in the room to stay there, and they said \$1,000. The other comment was, ‘Not so much ourselves, but our sons, they would be requiring \$2,000.’ I think you made the observation that within a hundred days of you starting you would give us some direction and indication as to where you saw the main priorities being. Can I ask you, then, can you give us an indication as to where you see the main priorities being and how we might be able to drive that price of wool up to a level that is going to keep existing people in and bring some of the grain producing sons back into the wool industry?

Ms McGahan—As I explained to the wool growers last week—we presented the draft annual operating plan to them—there are three strategic themes. The first is focusing on marketing and selling wool, through our business-to-business partners overseas with leveraged funds. So for every dollar that the Australian wool grower puts in, we leverage those funds with our partners here and overseas. So our funds are matched at least one to one, sometimes two to one and better.

The second strategic theme is to integrate our R&D platforms where both on-farm and off-farm research projects are linked in the one team. About 60 percent of our research portfolio is coming to a natural end this financial year, in the next couple of months, and this gives us an opportunity to look at where we are investing our money, and we have focused our investments from 300 projects, often smaller projects, into 80 larger, significant projects under six platforms.

The third strategic theme is cutting the cost of doing business. For the first time, clearly, ever in this joint company’s history, but certainly in the wool industry, I think, the budget has been cast as living within our expenses. So our revenue and our expenses net off at zero. For the first time, we will not be using reserves.

Senator BACK—Can I ask you what the feedback has been from producers in the early stages since you have made this public?

Ms McGahan—It is in Media Monitors, it is on Google; profound applause from all of the major growers who were part of that group and that feedback last week.

Senator McGAURAN—In wrapping up, Ms McGahan, what relationship, financial or otherwise, does the AWI have with Bayer, if any at all?

Mr Merriman—None.

Ms McGahan—I will have to take that question on notice, Senator.

Senator McGAURAN—Mr Merriman says none.

Mr Merriman—I would say none. I am happy to take it on notice. I have been there four years and I know of no relationship with Bayer.

Senator HEFFERNAN—Neither do I.

Senator McGAURAN—That was the question: ‘what, if any?’ If there is none, then I would look forward to that answer.

Mr Merriman—That is my recollection, and Brenda will research it.

Senator McGAURAN—What is the status of Zegna in regard to buying Australian superfine wool? Do you know?

Ms McGahan—I certainly do. Despite recycled media of recent times, AWI is working closely with Zegna, as we always have. They are an important customer for wool.

Senator McGAURAN—They are still a buying customer?

Mr Merriman—I would presume so, yes. They have said nothing about not buying Australian wool. But I would like to take that further, because you have would be referring to comments in the press that the Zegna organisation, with their wool awards, have said they are only going to have unmulesed fleeces. Is that correct? Is that what you are talking about?

Senator McGAURAN—I think the article actually says that they are just not buying Australian wool.

Mr Merriman—No, I am sure that is incorrect. I would like to see that article, because that article is incorrect if that is what it says.

Senator McGAURAN—No, you are quite right, it is from mulesed sheep. Is that true?

Mr Merriman—Count Paolo Zegna made that statement after our company went overseas and told him that we had these silver bullets ready, this FSP1 and FSP2, and there would be no problem sourcing Merino wool. After that statement, he made his statement that he would only source unmulesed wool. Now that those two projects have fallen over, he has already made the statement, so he is stuck with it.

Senator McGAURAN—So Zegna will not source Australian mulesed wool?

Mr Merriman—Sorry, I do not think it says that. It says Zegna will conduct his fleece competition with unmulesed wool.

Senator McGAURAN—Sorry, what was your point? I will read you the first paragraph:

Zegna has pulled its support of Australian wool from mulesed sheep amid mounting pressure from animal activists.

Mr Merriman—I do not think that is correct.

Senator HEFFERNAN—But that is not the use of the wool; that is this flairising in the advertising. There is a lot of difference. They are all likeable rogues, these fellows.

Senator Sherry—Yes, but, unfortunately, Senator Heffernan, you are not the witness.

Senator McGAURAN—So Zegna is still a customer?

Mr Merriman—Yes. He gives a prize every year. They have the Zegna competition, highly respected.

Senator McGAURAN—Then it goes on to talk about how they have pulled their funding from the prize.

Mr Merriman—That is correct, which they have done. Not the funding. They have stopped that prize. In future, they will have the prize for unmulesed wool. That is the point of it all.

CHAIR—If there are no further questions, thank you very much, Mr Merriman and Ms McGahan, for your time today.

[5.28 pm]

Product Integrity, Animal and Plant Health

Australian Pesticides and Veterinary Medicines Authority

CHAIR—I welcome Product Integrity, Animal and Plant Health and the Australian Pesticides and Veterinary Medicines Authority and we will go straight to questions.

Senator ADAMS—I would just like to ask APVMA several questions. Is there any plan for APVMA to review the cost and time taken to approve chemical use as in applications coming forward? It is something that I have raised with you before, but has any review been done on the time? You did explain to me about the sequence last time. I was wondering, with the review of cost recovery arrangements that you have undertaken, whether anything has happened?

Dr Bennet-Jenkins—We are in the final stages of completing the cost recovery review. Submissions closed in February. I think that is when we spoke about it last. We have got some 46 submissions that we are considering carefully. We are in the final stages and we expect to be able to share the final review with the Department of Finance and Deregulation who check it against the government's cost recovery guidelines and make sure that we will be complying with the cost recovery guidelines before we will put it to Minister Burke for consideration.

Senator ADAMS—As far as any application coming forward is concerned, nothing has been done since—it was October, actually, when I spoke last to you.

Dr Bennet-Jenkins—No, the cost recovery review has not been finalised but it is in its final stages.

Senator ADAMS—Is there any plan for APVMA to remove duplication in the process of processing and reporting of registration applications? There seem to be a number of comments about the duplication of the process.

Dr Bennet-Jenkins—On a number of different fronts we are working with other agencies to streamline our processes. Probably the most important one that is in process at the moment is to streamline the MRL being placed into the Food Standards Code, so that is also to streamline the processes and make sure that there is no duplication in the activities that Food Standards Australia New Zealand do and the activities that the APVMA does; and, similarly, we are working with other agencies to see where we can, into the future, streamline some of

our processes so that we can work share, perhaps, and look for any duplication, but work share to see where we can actually help each other out.

Senator ADAMS—There are concerns that a lack of customer focus increases the possibility of encouraging illegal use of chemical products through restrictions. Is there any plan to review APVMA's review of customer focus?

Dr Bennet-Jenkins—We have got quite a lot of internal reform programs going on in terms of better stakeholder engagements—improving our stakeholder engagements—which includes whether it is industry, in terms of the chemical industry, or the user industry. That is one of our key priorities for this year and next year.

Senator ADAMS—In 2008 you issued a review of cost recovery arrangements, the draft cost recovery impact statement, and this document noted that APVMA's operating costs were to increase by a proposed 28 per cent over 2008-09 to 2013-14. Has that commenced?

Dr Bennet-Jenkins—The cost recovery review has not been finalised. We are still looking at the comments that we have received from our stakeholders. There were two aspects to the cost recovery increases over the time. One part of it was to introduce some new measures to increase our efficiencies and the way we will be able to deal with our applications, and the second one is a matter of cost increases through indexation as it would occur over a period of five years. But the final cost recovery impact statement is not finalised yet.

Senator McGAURAN—We just had before us Australian Wool Innovation, AWI, and they said—and I quote from a letter to the editor they also wrote:

AWI has requested the Australian Pesticides and Veterinary Medicines Authority to review its current species-specific guidelines on setting maximum residue limits. This would increase the potential for further investment in metabolism studies.

What can you tell us about that request and its status?

Dr Bennet-Jenkins—Yes, we have received that request, which we are considering very carefully. In terms of regulatory environments, internationally all the regulatory environments rely on evidence-based decision making, on data that you need to be able to make a decision, but there are differences in the details of how you actually do the risk assessment framework. It is quite a complex area, so we are considering AWI's proposal quite carefully.

In moving forward we also have to take into account the needs of a range of stakeholders, not only the livestock industries but also the meat processors and the exporters, and in that context it is important to note that as part of our regulatory decision making we also need to be satisfied that there is no undue prejudice to trade, so any change in the way that we might require data or assess chemicals needs to be quite robust. We are still working on the suggestion from AWI. We will be writing back to them and we also intend to publish an operational notice that will clarify that to all stakeholders.

Senator McGAURAN—And does Bayer have a registration request before you in regard to Tri-Solfen?

Dr Bennet-Jenkins—We have an application for registration for Tri-Solfen before us, yes.

Senator McGAURAN—Is a decision imminent?

Dr Bennet-Jenkins—No. A decision on that registration application is not imminent, because we are still lacking key data in relation to metabolism studies.

Senator McGAURAN—And the two are separate? AWI's request and Bayer's request are separate?

Dr Bennet-Jenkins—They are quite separate.

CHAIR—Dr Bennet-Jenkins, could you give us an update on the alternatives to 1080?

Dr Bennet-Jenkins—I would have to take that on notice because I do not actually have the information with me here, but we are aware that there is research going on into alternatives to 1080. We are certainly working together with the people that are researching it, to make sure that they are quite aware of what our data requirements are and are able to make sure that when they come to apply for a registration application, they have all the information that we need to be able to assess their application.

CHAIR—While you are at it, I believe there is something already being used in New Zealand, an alternative, that you may have some more information on, too.

Dr Bennet-Jenkins—Yes. We will do that.

Senator BACK—In regard to the cutbacks in the budget for the overall department in the coming year, where will the impact be on yourselves?

Dr Bennet-Jenkins—The Australian Pesticides and Veterinary Medicines Authority is cost recovered, so it is quite a separate budget to the departmental budget. We are fully cost recovered through application fees and levies.

Senator BACK—So the cutback will have no impact?

Dr Bennet-Jenkins—No.

Senator BACK—I notice you are also budgeting for a \$1.4 million increase in your revenue in the coming year. Can you explain where you expect that increase to come from? Will it be increased inspection fees or undertaking more evaluations?

Dr Bennet-Jenkins—For the coming year the increases will be largely in the areas of continuing to work on COAG's regulatory reform agenda. That is one area where we wish to be able to continue some of the regulatory improvements. It is also to inject resources into working with the current workloads. We have very high workloads and, in some areas, backlogs—we want to work on those.

Senator BACK—Can you give me some indication as to how many chemicals in any year or at any time are likely to be before you for evaluation and how many perhaps would be waiting for that process to commence for them?

Dr Bennet-Jenkins—I will just get the precise numbers, but we have before us about 2,500 applications for registration at any one time, and we finalise about that many applications per year. On top of that we also have around about 700 or so permit applications and we finalise around about 700 or 800 permit applications a year.

Senator BACK—Are the permit applications for chemicals that have already been certified elsewhere in the world? Is that the difference?

Dr Bennet-Jenkins—No, a permit is when you have got an existing chemical which has not been registered for a particular use, and you are giving a particular grower industry permission to use that chemical, so you have to assess it for its safety whereas a full registration is where you have a product fully available for sale in Australia and for the use pattern that is indicated on the label.

Senator BACK—Can you give us some indication of how many chemicals actually originate in Australia itself? How active are we now in actually developing and researching, for veterinary chemicals, particularly, for the industry, and how many of that 2,500 are actually in from overseas? Are we still active in the game?

Dr Bennet-Jenkins—I would have to take that question on notice. I do not know the proportion of products that would be developed in Australia, but a large proportion of the chemicals are developed overseas, globally, and then come to the Australian market.

Senator BACK—Sure. I notice, with regard to staffing, you actually have an increase of staff in this coming year, which is most interesting. Can you tell me where? Is it in the inspection and evaluation areas that these staff are likely to be deployed?

Dr Bennet-Jenkins—We have anticipated an increase in staff of only about three people for the next year. We anticipate it to be in the area of regulatory reform and dealing with backlog in applications, but we also anticipate there is going to be an increased workload in terms of the proposed new FOI provisions, which will require us to be prepared next year and have staff on board to be able to get that in place.

Senator BACK—Freedom of information?

Dr Bennet-Jenkins—Freedom of information.

Senator BACK—Why would you expect that there would be a change? Is it part of the natural process, or are you all of a sudden the subject of far more interest and scrutiny?

Dr Bennet-Jenkins—No, we are already very open and transparent in terms of the information that we put up on the web, but there will be an increasing expectation that we will be putting more information onto the web—detailed information about our processes, which, at this stage, we have not; they are working, internal documents that we have for our own staff.

Senator BACK—Does the agency take responsibility for the regulatory side in terms of compliance, or is that conducted elsewhere within the department?

Dr Bennet-Jenkins—We are responsible for the compliance for the supply of product, so our jurisdiction is to the point of and including retail sale. When it comes to the control of the use of the products, that is done at the level of the state and the territories. So we do compliance in the field to make sure only registered products are out there and that the registered products comply with the registration conditions.

Senator BACK—And there is not overlap there? There is not duplicity between the federal and state agencies?

Dr Bennet-Jenkins—No, not at all.

Senator BACK—Excellent. Chairman, I just have one more question, totally unrelated to this area. It is with regard to product integrity. Can anybody comment on the whole question associated with melamine in milk in China late in 2008? Is this an area, Dr O'Connell, that the department is able to comment on at all?

Dr O'Connell—I think our AQIS colleagues can probably do that, but they have gone, so we might take it on notice, if that is helpful?

Senator BACK—Yes. I will prepare that question on notice. Thank you, Chairman.

CHAIR—Thank you, Senator Back. Now, are there any further questions? Senator Colbeck.

Senator COLBECK—I have a couple of follow-up questions on the APVMA. We talked at the last estimates about the minor use and where you are at with that. I notice that there is a budget allocation of about \$130,000 out to 2012-13. What sort of work does that allow you to complete? And, in respect of your minor use liaison office, could you give us some background as to the work that that is doing, how far down the track it is in dealing with some of the store of off-label products that you are using, and the minor use products?

Dr Bennet-Jenkins—Yes. In terms of the minor use, the primary responsibility for the APVMA is to assess the permits for minor use, and we have a team of five full-time staff that look at minor use permits. In addition to that, we have two specialist residues evaluators who spend time on minor use permits. In terms of the work that we do to enhance the cooperation, the initiatives that we are following through in collaboration with states and territories and grower groups are to enhance the registration of minor use onto labels, and as we go through the years of assessing permits, to try and translate them into a registration so that they appear on a registered product label.

We also do a considerable amount of stakeholder engagement to help the minor use grower groups with their applications for the permits with the APVMA, and we play a very significant role on the international agenda in trying to streamline data that we could perhaps use from overseas situations for Australian situations and streamlining the processes so that we can capitalise on what information other regulatory agencies might already have available or that is being generated elsewhere.

Senator COLBECK—So this is an allocation of the APVMA out of government? It is not out of your normal cost-recovery processes?

Dr Bennet-Jenkins—That is right.

Senator COLBECK—This is an additional allocation that has been made. So you see this as making a reasonable inroad into dealing with the issues that you have in your interactions with the industry?

Dr Bennet-Jenkins—We consider it part of our work, and a very important part of our work, to do the minor use liaison, so we are very grateful that we get an appropriation to do that work.

Senator COLBECK—Is the group that is doing the work that you are doing in relation to 1080 doing that in conjunction with some funding that came out of the Tasmanian Community Forest Agreement a couple of years ago?

Dr Bennet-Jenkins—It is not work that we are doing, but the research group might be doing it. I am not entirely sure, so we would need to take that question on notice.

Senator COLBECK—Yes, if you could take that on notice, I would be interested where the focus of that work is coming from and if it is coming from the source that was funded from the 2004 election. I think there was about \$1 million put into that research at that point in time.

Senator BOB BROWN—On the question of 1080, there is an apocryphal story about a man in America having ingested a lethal amount—or nearly sub-lethal, because he survived. But he had the spasms that we see so often marsupials having in pictures after they have been poisoned in Tasmanian logging areas, and he said afterwards that he experienced no pain. Is that a factual story, or is it an invention?

Dr Bennet-Jenkins—We are aware of the story. I cannot comment on whether it is factual or not. We certainly are aware of the story.

Senator BOB BROWN—Could you help me by finding out whether it is factual, if there is any literature on that?

Dr Bennet-Jenkins—I certainly can, yes.

Senator BOB BROWN—I would be much obliged. Thank you. I want to go to the triazines: Atrazine, Simazine and that family of pesticides. As you know, there has been contention in the Tasmanian media about Atrazine and Simazine being discovered in the Hobart water supply and in the supplies of a number of other towns and, in fact, a whole range of rivers in Tasmania—and I am not just here because the Liffey River is amongst those. But I note that in 2004 APVMA concluded that the label instructions for Atrazine were inadequate and they were going to improve that labelling. What has happened there?

Dr Bennet-Jenkins—We implemented those recommendations from the review a year ago. In early last year, in 2008, those label changes were made.

Senator BOB BROWN—And what did they do?

Dr Bennet-Jenkins—At this stage, those label changes are to strengthen the instructions to the user on how they can and should avoid runoff in terms of the use of Atrazine. We had originally made quite extensive changes to label instructions many years prior to 2008, so the major part of the label recommendations had already been put in place and monitoring studies were required to be conducted and showed that the extent of runoff or detections of Atrazine in waterways had considerably reduced. The recommendation in the 2004 report was that the label instructions could be clarified further, so that is what we have done at this stage. Those have been in place for about a year, and what we are intending to do is to go back and revisit, particularly with our colleagues in the states and territories, to request whether they have any information that would cause them to believe that we need to revisit the label instructions again or whether they believe that they are adequate.

Senator HEFFERNAN—Do you think that is more associated with the rate?

Senator BOB BROWN—Have you got any reason for reopening that labelling debate?

Dr Bennet-Jenkins—Not at this stage. We believe that the water detections that we are aware of that have come through the various monitoring studies are well below the levels of concern that would cause us, from a regulatory perspective, to reopen the instructions on the label.

Senator BOB BROWN—Are you aware of CSIRO work expressing concern about this group of pesticides?

Dr Bennet-Jenkins—I am not aware of the particular work that the CSIRO is doing in this area, no.

Senator BOB BROWN—The CSIRO has expressed concern about endocrine disruption, hasn't it?

Dr Bennet-Jenkins—In terms of the Triazine group of herbicides, we looked at the endocrine disruption potential in quite extensive detail with the Atrazine review, and we were unable to conclude that there was sufficient evidence that it was going to occur at a level that would be harmful to humans. We are continuing to—

Senator BOB BROWN—Were you able to conclude that it would not occur?

Dr Bennet-Jenkins—The weight of evidence suggests that it would not occur in humans. Having said that, we are continuing to investigate all the research that is going on in the area that is suggesting that there may be other modes of action that may not have been taken into account, and we have asked the Office of Chemical Safety within the Department of Health and Ageing to review all the newest literature and provide a report to us. We expect to have that report finalised in the near future.

Senator BOB BROWN—What was the CSIRO's opinion on the matter?

Dr Bennet-Jenkins—I would have to take that on notice. I do not specifically know what the CSIRO have stated on that matter.

Senator BOB BROWN—Could you find that out for us. What is the reason for the prohibition in Europe?

Dr Bennet-Jenkins—It is my understanding that Atrazine is no longer available in Europe as it is no longer included in the listing of approved chemicals. It was removed not for the reason that there were human health concerns; it was removed for the reason that the panel that made the decision decided that there were insufficient monitoring studies for them to be able to be satisfied that it would not get into waterways. It was more their concern about it possibly getting into waterways and not having sufficient information that would allow them to say that would not get into waterways.

Senator BOB BROWN—So they have taken a precautionary approach.

Dr Bennet-Jenkins—The European approach framework for assessing chemicals is different to the one that we use in Australia. In Europe, they have a regular re-registration program where the companies have to put in a full submission of all the data and there is a new assessment made from scratch. Then, when they come to the end of that assessment, they decide whether they have all the data and either include the chemical or exclude the chemical.

In Australia we have a program reviewing new concerns with chemicals and, at the end of the process, if we come up with a concern about the chemical, the legislation actually requires us to look for risk mitigation before we can remove the chemical. So, in our instance, we also came to the conclusion that there were insufficient monitoring studies when we looked at Atrazine, but we actually went out there and required the industry to generate those monitoring studies so that we would be able to make a decision with the knowledge rather than without the knowledge.

Senator BOB BROWN—Can you tell the committee that Atrazine and Simazine and that group of pesticides are not endocrine disruptors?

Dr Bennet-Jenkins—Our knowledge to date is that the weight of evidence suggests that their mode of action is not as an endocrine disruptor that would cause us to say that it was a problem for human health.

Senator BOB BROWN—So you are confident that it is not a problem for human health?

Dr Bennet-Jenkins—Today, with the information that we have before us, we are confident. If new science comes up, which happens in these areas continuously, we keep an eye on any new developments. But we can only make a decision today based on the information that we have before us today.

Senator BOB BROWN—What was the problem with the Europeans with these chemicals getting into catchments of water that people would drink if the weight of evidence is that it is safe?

Dr Bennet-Jenkins—It was more to do with that the Europeans have a default level that they will set for chemicals to go into the water level and if they are not certain whether, in all situations—and Atrazine is the one that I am most familiar with—they are satisfied that this default level would not be exceeded in all circumstances. It was more about not getting into waterways at a certain level rather than, if it gets into waterways, it is going to be a human health concern.

Senator BOB BROWN—Now we know that it is in many waterways in Tasmania where testing has been done, does that not concern you?

Dr Bennet-Jenkins—From a regulatory perspective, it would concern us if it was above the safety threshold.

Senator BOB BROWN—What is the safety threshold?

Dr Bennet-Jenkins—For Atrazine in environmental waters, it is 13 parts per billion, I understand, and our agencies advise us on the safety thresholds in the different areas for Atrazine. I understand that the department of environment has advised us that the threshold would be at 13 parts per billion and, then, of course, there are drinking water guidelines which are also put in thresholds.

Senator BOB BROWN—This is the federal department of the environment?

Dr Bennet-Jenkins—Yes, The Department of the Environment, Water, Heritage and the Arts.

Senator BOB BROWN—On what do they base 13 parts per billion being the critical level?

Dr Bennet-Jenkins—They would look at the sensitivity of various environmental factors, whether aquatic species or plant species. They look at any non-specific effects in the environment, and they will look at the sensitivities of the various species. They set this level, if you look at a bell-shaped curve, at the middle part of the curve—the area where it is least likely to affect any other species. We would have to ask detailed questions, though, of the department of environment, as to precisely how they came to the 13 parts per billion. I would say it would be detailed in our assessment report, and we could provide that information to you.

Senator BOB BROWN—But you are accepting that level?

Dr Bennet-Jenkins—We have accepted that advice from the department of environment, yes.

Senator BOB BROWN—Has that always been the level that you have accepted?

Dr Bennet-Jenkins—I would have to go back to the report for Atrazine. We can give you—

Senator BOB BROWN—It was not 30 or 40 parts per billion before?

Dr Bennet-Jenkins—I think what you might be referring to is the Australian Drinking Water Guidelines. The health value for those is set at 40 parts per billion. That is a guideline that is set by the NHMRC.

Senator BOB BROWN—So the level for drinking water is three times higher than the level for environmental concern?

Dr Bennet-Jenkins—Yes.

Senator BOB BROWN—Can you explain that?

Dr Bennet-Jenkins—You are looking at different sensitivities of different organisms. In the environment, you are looking at organisms that might be in the water. I do not know what the least sensitive species was that determined what that level might be.

Senator BOB BROWN—Is it true that Atrazine and these similar chemicals have been shown to create massive abnormalities in aquatic species?

Dr Bennet-Jenkins—Not that I am aware of, no. All those aspects will have been assessed, and you might find abnormalities in an in vitro—in a test tube—situation, but you have always got to relate it back to what the risk and the likely exposure of those organisms is to such chemicals in the environment.

Senator BOB BROWN—There was a recent case in Queensland that you may be aware of, where there was speculation about contamination from a macadamia or other property which saw serious abnormalities in aquatic species. Do you know why those abnormalities occurred?

Dr Bennet-Jenkins—No. We do not know why those abnormalities occurred. There is a task force that is specifically investigating these incidents of what they call fish health effects.

We are working closely with that taskforce. At this stage there has been no direct link with pesticides or chemicals found, so we are unable to make a link between a pesticide and those effects that were observed.

Senator BOB BROWN—What direct link with other causal agents has been discovered?

Dr Bennet-Jenkins—There has been no direct link discovered or any information published along those lines. I understand that the taskforce is working to investigate precisely what might have been the causes for the incidences that have been observed.

Senator BOB BROWN—I mean this seriously: are you aware that there has yet been no direct link discovered between smoking and lung cancer? There has been no actual evidence of any particular incidence in which it can be shown that that chemical caused that reaction which led to this disease. What I am hearing here is that Europe has got a different way of assessing things, but they have banned Atrazine and its analogues. I am saying, because you did not, that there is evidence that aquatic species have quite massive genetic abnormalities from this species of chemicals. You are saying that there is concern that run-off be prevented into waterways which are drinking water but, as I began this by saying, three times in the last couple of years they have been detected in Hobart's water, let alone other towns in Tasmania. Aren't you concerned that, in fact, these chemicals have not been shown to be safe and should not be in the drinking water of any Australians?

Dr Bennet-Jenkins—In terms of the science of the abnormalities and the literature in that respect, we have a very large body of evidence of studies that have been conducted, particularly for the Triazine herbicides and particularly for Atrazine, which satisfies us. That is also based on advice that we also get from our advisory agencies, which are DEWHA and the Department of Health and Ageing, that there is no risk to people. We have a very large body of evidence that allows us to make that conclusion, that finding. As to the new studies or the studies that from time to time come in the literature which cause doubt in people's minds, we have looked at those studies very carefully. There is a lot of conflicting literature out there. You might find one laboratory is showing effects and another laboratory tries to repeat those experiments and finds no effects. So what we are finding is that we are in a situation where the effects have not been established as being true. As a regulator when you are in a situation where you take away a chemical—when you exercise that power—you must be absolutely sure of the signs behind that and you can only make those decisions if you really are sure. We make those decisions internally. In allowing chemicals on to the market, we make the very same decision about taking chemicals away. You have to be very sure of the signs before you make a decision.

Senator BOB BROWN—Can you give the committee the science which shows these chemicals are not injurious to human health, whether through endocrine disruption, carcinogenic potential or weight gain potential?

Dr Bennet-Jenkins—In terms of the first two—I am not certain what you mean by weight gain potential—we have extensive review reports which are available on our website that I would be very pleased to be able to give copies of to the committee.

Senator BOB BROWN—Which are they, sorry?

Dr Bennet-Jenkins—They look at all the data that has been assessed in terms of these chemicals, a vast amount of data, the findings of which have concluded that they are unlikely to be harmful, which is the legislative criterion that we have to meet. It is not a zero risk. It is the likelihood of being harmful or hazardous. That is the test that we have to meet. On our assessment of all the data that is available today we have reached the conclusion that they are unlikely to be harmful and unlikely to be hazardous.

Senator BOB BROWN—Unlikely. Is it not true that these chemicals have no place in water that is for human consumption?

Dr Bennet-Jenkins—The standards for drinking water are not the APVMA's role and responsibility. In regulating pesticides you would expect that they are used properly in accordance to label, and when we assess them, and in the risk mitigation measures that we put in place in assessing those products, the thing that we really look for is that you will not have run-off and that they will not get into rivers and into drinking water. That is the primary purpose.

Senator BOB BROWN—But my point here is that they are getting into the Derwent River, into the north-east rivers of Tasmania, into the Launceston water supply, into rivers in the north-west—in fact, into almost every river which provides water except, I guess, to Mount Field, which is above the application level. We are seeing these chemicals turn up. Does that not worry your organisation because, labelling or not, it is not working. These chemicals are finding their way into the drinking water of Tasmanians and, quite possibly, other people around Australia.

Dr Bennet-Jenkins—When it comes to the drinking water, the NHMRC guidelines state that pesticides should not be detected in drinking water and, if they are detected above a certain level, which is the guideline value, then it should be investigated why they are in the drinking water and checked back with the state authorities about the proper use of the chemicals and making sure that the chemicals are being used properly. From our perspective, in terms of the supply and use of the chemicals, it is not the presence of the chemical that concerns us; it is how much chemical is there. Yes, the chemicals may be detected in waterways, and we work with state authorities in terms of saying, 'No, they should not be detected. What do we need to do in order for our instructions to be comprehensive?' The other components are also about people knowing how to use the products properly.

We might work with the state authorities and say, 'Is it necessary to have specific training requirements?' Through our legislation we can declare products to be restricted chemical products so that they are only supplied to people with specific training, which we do in situations—for example, 1080, which we talked about earlier. They are only supplied to people through particular provisions and with training. So those are the sorts of mechanisms that we can use in working with our colleagues in the states and territories to address issues of run-off where it becomes a concern. But when it comes to the supply, the registration of the chemicals, we really have to be able to link that detection of chemicals off-site to a human health concern or an environmental concern because those are the criteria by which the law tells us we can actually remove a chemical.

Senator BOB BROWN—Is the impact of chemicals like this one straight line, or is there some threshold impact when it comes to the potential impact on human health which leads to the requirement that levels in drinking water, for example, be below a certain amount?

Dr Bennet-Jenkins—I am sorry, I am not quite sure I understand the question.

Senator BOB BROWN—The question is very simply this: is it a straight line effect that these chemicals have in threatening human health?

Dr Bennet-Jenkins—That may depend from chemical to chemical and it would be part of the assessment process.

Senator BOB BROWN—For Atrazine.

Dr Bennet-Jenkins—It would be part of the assessment process to have a look at the effects of different levels. Some chemicals may vary and have different effects at different concentrations. It would be part of the assessment process that we would look carefully at the properties of the chemical and the effects. As to the types of studies, we need vast areas of studies both in acute studies and chronic studies in terms of potential effects that chemicals may have on health.

Senator BOB BROWN—I am no better off after that. But I did refer to obesity and Atrazine. I will quote from the synopsis of an article from the Public Library of Science of the United States titled 'Rats are fat after long-term exposure to lower levels of atrazine'. It is from last month:

A new study with rats shows the long-term exposure to the common agricultural pesticide atrazine causes weight gain in animals fed normal diets and obesity in those fed higher fat diets. These health conditions can lead to diabetes, and they may be triggered by damage to critical structures in cells responsible for making energy—

there is that endocrine effect again—

The new results suggest a mechanism to explain prior studies that found an association between areas of the United States with heavy atrazine use and high obesity prevalence.

When you read this article, you see there is a correlation between very tiny amounts of Atrazine and increased weight in the human population. Have you not seen that work?

Dr Bennet-Jenkins—As I mentioned earlier, together with the Department of Health and Ageing, we are looking at all the new information that is available to allow us to understand whether there are any modes of action in terms of atrazines that we have not been aware of and need to take into account for the continued availability of those chemicals. That report is pending and that report from Health will allow us to make a decision as to whether we need to revisit the human health assessment for these chemicals.

Senator BOB BROWN—You have not seen this work indicating a relationship between Atrazine and obesity?

Dr Bennet-Jenkins—I am aware of the title of the work. It will be part of the work that we will be asking our colleagues in Health and Ageing to look at and report to us as to the significance of that report in terms of the use of Atrazine in Australia

Senator BOB BROWN—You are aware of the title, but you have not read the work?

Dr Bennet-Jenkins—I have read a summary of the work.

Senator BOB BROWN—And does it not concern you?

Dr Bennet-Jenkins—Given that we have asked our expert advisory agency to provide advice on that, it would show that we are concerned about these new reports and that we follow them up and we then make a decision as to whether we need to make regulatory changes.

Senator BOB BROWN—But the precautionary principle, when it comes to human health, is not one that your organisation subscribes to?

Dr Bennet-Jenkins—We have to follow the requirements of the legislation under the agvet chemicals legislation, and that does not include the precautionary principle in the sense that it is referred to internationally, which is more of an environmental principle rather than a human health principle.

Senator BOB BROWN—Really?

CHAIR—Was that a question, Senator Brown?

Senator BOB BROWN—Yes, it really is a question. Is the precautionary principle more a matter for the environment than for human health?

Dr Bennet-Jenkins—That is where it has its origins and—

Senator BOB BROWN—But I am talking about applicability. Surely we need to have precaution at the forefront when it comes to human health and the dissemination of potentially dangerous chemicals into the food or water that human beings ingest?

Dr Bennet-Jenkins—The way that Australia subscribes to it is that, where there is uncertainty, we are cautious. So we take a cautious approach, and the risk assessment framework is—

Senator BOB BROWN—But that is not what I am hearing here this afternoon. Europe takes a precautionary approach. You do not.

Dr Bennet-Jenkins—Our system is very similar to the European system other than the framework of the process of how you review chemicals.

Senator BOB BROWN—Except they have banned Atrazine and Australia is allowing the use of it widely, including to the extent that it gets into people's water supplies.

Dr Bennet-Jenkins—The Europeans have not included Atrazine in their listing of approved chemicals. They have not included it in a banned list of chemicals.

Senator BOB BROWN—It is not available for use in Europe.

Dr Bennet-Jenkins—That is right.

Senator BOB BROWN—Get around the semantics. It is not available in Europe, but is widely available in Australia.

Dr Bennet-Jenkins—That is correct.

Senator BOB BROWN—They are precautionous about it; we are not.

Dr Bennet-Jenkins—They did not have sufficient monitoring studies, whereas under our regulatory system we actually required the industries to conduct such monitoring studies. We received results, which we assessed, and they satisfied us that there were no risks.

Senator HEFFERNAN—The problem in Tassie with the first rotation, and Bob knows this—and Forestry Tasmania say they do not use it but the contractors do—is the level at which they put it on. They put it on at three times what the label says should go on. I have talked to some of the contractors that do that and it is because they want to get a two-year or a three-year decent kill on the grass. It is absolutely something that needs to be brought to bear, and as you would know and Bob would know, some aquifers in California in the United States are permanently contaminated from the amount of Triazine. It is the rate. I use Triazine on my farm but at a very minimal rate. It has got a large particle and it moves quickly as a storm. What we need to do in Australia, for a start—whether you ban it or not is not in my wit—is to make sure you penalise people who put it on at two and three times the label amount.

CHAIR—Thanks, Senator Heffernan. We are short of time, and we are going to the tea break at 6.30. Senator Milne.

Senator MILNE—Thank you. Could you provide to the committee a comprehensive list of all the pesticides and herbicides registered for use by the forest industry in Tasmania?

Dr Bennet-Jenkins—We could do that, yes.

Senator MILNE—We know, for example, that there are at least 11 different pesticides that are used, and probably more. When you do your toxicology test, do you look at the mixture of the chemicals applied in the same time, or in the same timeframes and, if not, why not, given that the toxicity may well change immeasurably by the mixture of those chemicals?

Dr Bennet-Jenkins—Each chemical gets assessed on its own merits. So, when we have an application, we look at the chemical that is before us, as to whether we grant the registration or not. That is, again, how the framework is looked at. Certainly, again, the assessors in the agencies will be aware or we will be aware through label instructions of whether chemicals are mixed and that people will apply tank mixes, where they mix several chemicals at one time. I would probably have to take it on notice, but the area of assessing mixtures is quite a complex one because all the different chemicals will have different modes of action and, from my understanding from having talked with my colleagues in Health, those modes of actions are so different that, at this stage, there are no concerns that the mixtures themselves would have an additive or a cumulative effect. But it is an area that internationally there is much research going on in, and we are keeping an eye on what other regulatory agencies are doing and certainly becoming aware if there are any issues with regard to having to look at cumulative or mixture assessments.

Senator MILNE—I appreciate you taking on notice the need to have the list of chemicals that are for pesticides and herbicides registered for use by forestry in Tasmania. I would also like you to take on notice any work that has been done on the mixture of those chemicals. It has recently been revealed, we understand, that the chemical terbuthylazine has been used in Tasmania for two or three years for forestry. The community had no idea it was being used because it is not registered for general use by your agency for forestry. But we have discovered that it is being used under a permit that you provide for research, with the

conditions of use protected by a commercial-in-confidence agreement. Can you explain to me whether that chemical is being used in Tasmania for forestry, can you confirm how long it has been used for forestry, and can you explain to me how long this research project is going to go on for? For how many years was the research permit granted, and why is it commercial-in-confidence? I would like to know what the permit conditions are with regard to that particular chemical. Could you explain to the committee the whole history of this and why the community has had to find out about it in the way that they have?

Dr Bennet-Jenkins—Perhaps I can speak in general terms about research permits and then I could take on notice the type of information that we can give you in terms of this particular research permit. Traditionally the APVMA processes have been that research permits are considered to be largely commercial-in-confidence. Our permit database has an area for confidential information for permits to be placed and that is where our research permits are placed. Having said that, we are looking at that process and that policy presently to see what components of a research permit we would be able to release to the general public so that they are aware of it but that does not give away confidential information. On many occasions research permits are in relation to a new company with a new chemical, and it is of commercial interest to them that those research permits are retained in the confidentiality provisions. I would like to get back to you on notice the type of information that I can give you of the detail for that particular—

Senator MILNE—Over what period of time is a research permit for a chemical? Is there restricted physical use of the chemical in the area it can be applied? Is there a general time frame, or can it go on for two to three years, as has been alleged in this case?

Dr Bennet-Jenkins—It depends on what the registrant is trying to research. I should add that there is a full assessment of a research permit, so we look at all the risks that might be associated with the use of either a new chemical or a known chemical in that situation. We do the same sort of rigorous assessment as for a product applied to be a registered product. In most cases, though, a research permit will be limited to the area that it is to be used in, it will be limited to the quantity of chemical that is used and it will be time limited. The time that we assign to a research permit depends very much on the research that needs to be conducted. In many cases they have to get data for several seasons, so it is not unusual for a permit to be for two or three years if they need to generate that data.

Senator MILNE—The way that this pesticide was discovered was that there was a spill into the Georges River catchment in the north-east of Tasmania. That is how the community knew that a chemical which was not registered for use by Forestry was being used by Forestry. If a company has a spill like that, is there a review process for the research permit? Should it not be revoked if you get a situation where you get a spill like that?

Dr Bennet-Jenkins—As our permits would be in line with what we expect to be a proper use and good agricultural practice, I would anticipate that the permit conditions and/or the label instructions would have instructions in terms of accidental spillage. We would certainly look at that and there would be instructions what to do in circumstances of those—

Senator BOB BROWN—Is there any other form of spillage than accidental?

Dr Bennet-Jenkins—No.

Senator BOB BROWN—No, there is not.

Senator MILNE—As you said there would be a risk assessment report before the research permit would be issued, could you table for the committee that and as much information as you can about the use of this chemical. I would particularly like to know for how many years this research is going on and over what physical area. We know it is the Georges River catchment but I would like to know whether it is for the whole of Tasmania or just certain catchments and so on. I also understand that another chemical, Fluazifop, is listed as being used by Forestry by the river and catchment management people but is not registered for use by Forestry. Also, another one, Spinosad, is also known to be used by the forest industry but it is not listed anywhere as being used by the forest industry. So could you confirm whether either of those is registered for use by Forestry and, if not, what happens when you have got an understanding that they are being used by Forestry and they are not registered for use by them. What happens in that circumstance?

Dr Bennet-Jenkins—Certainly. I will take that on notice and confirm whether there is information about whether they are used by Forestry. It largely becomes a control of use issue. The state departments would need to investigate the use of a unregistered product. For us, if they are not a registered product, it would be a supply issue. I am not sure in this case whether this is supply of an unregistered product or the use of a registered product in an unapproved situation, so we would need to investigate that. But it would be either the APVMA, if it is the supply of the product, or the state if it is unapproved use.

Senator MILNE—I would like have some information about what you know about the use of those in Tasmania, and if they are not registered for use by Forestry I would like to know what action is proposed to be taken. It has also recently come to light that Forestry has been using another chemical, Tebufenozide, for at least five years in Tasmanian plantations. We know it is an insecticide. We know that it affects fungi, crustaceans and insects. We know it has a long half-life in soil, has the potential to pollute groundwater and is very toxic to aquatic organisms, but we note that it is not listed for use in Tasmania by the Tasmanian River Catchment Water Quality Initiative. Could you tell me whether that is registered for use in Tasmania by Forestry and in what circumstances. If you cannot answer that—

Dr Bennet-Jenkins—I cannot answer that straight off my head, no, but—

Senator MILNE—I did not expect you would.

Dr Bennet-Jenkins—Yes.

Senator MILNE—Following on from Senator Bob Brown's questions, I understand that the British High Court ruled in November 2008 that the British government has been acting unlawfully in its policy in relation to the use of pesticides in crop spraying and that public health, in particular that of rural communities exposed to pesticides from living in proximity to regularly sprayed fields, is not being protected. Have you looked at that British High Court ruling and the changes that have been made in Britain subsequent to that ruling?

Dr Bennet-Jenkins—Yes, we are aware of that ruling. Part of our work in the last few years on spray drift risk assessment has actually addressed the types of concerns that came out of the United Kingdom report, so it is an area that we also have been actively involved in. Spray drift risk assessment and the type of modelling that is available for us to be able to

model and anticipate the risks that occur to the environment or to bystanders is an evolving area. I will also be visiting the UK Pesticides Safety Directorate next month, precisely to talk about what changes they have put in place, to make sure that we can share the information and to also align ourselves with the sorts of risk mitigation measures that they are putting in place.

Senator MILNE—That is very interesting, and presumably you will write some report about that visit or notes or whatever pertaining to it. Could you send this committee any report that you provide to the department or whatever in relation to your findings as a result of seeing what they have done in relation to the British High Court ruling in relation to aerial spraying. I also notice that in December 2008 the European Union voted for a three-year deadline for replacing products containing hazardous substances if safer alternatives exist and the EU also voted for a general ban on aerial crop spraying, with exceptions requiring approval by the authorities and requiring buffer zones and drinking water being kept free from pesticides et cetera. Is this part of the assessment you will be making during your trip to Europe or is this something separate?

Dr Bennet-Jenkins—Yes. I am also interested to find out more about the new legislative changes that are occurring in Europe and seeing how well our particular frameworks align with the European frameworks.

Senator MILNE—If you write something post that, I would be interested in having that sent to the committee, and I will be very interested in the responses on this chemical cocktail in Tasmania because the issue for a lot of these communities is that many of these herbicides and pesticides are used in the same catchments and there is no study being done on the mixture of these chemicals and the likely impact. In a lot of rural communities that is where they get their drinking water from. The Georges River, for example, is the drinking water supply for the town of St Helens. We have already got this spill into the Georges River, as Senator Bob Brown has said. Many of the authorities in Tasmania have been identifying these chemicals in the drinking water, and there is no capacity in these rural communities to actually treat the water to get rid of them. It is a big health issue in Tasmania. Thank you.

Proceedings suspended from 6.28 pm to 7.29 pm

CHAIR—Do you have any questions, Senator Colbeck?

Senator COLBECK—Not for APVMA.

CHAIR—What about product integrity?

Senator COLBECK—Yes.

CHAIR—There is no time like the present; otherwise there will be tears tonight when I pull it up at 11 o'clock. Fire away.

Senator COLBECK—I want to go to the activities of the Australian Animal Health Laboratory and any role they might have in respect of diagnostic surveillance for swine flu.

Mr Aldred—If we are talking about the H1N1 influenza 09, the current epidemic, that is largely handled through the Department of Health and Ageing.

Senator COLBECK—So there is no role for the department of agriculture in respect of that?

Mr Aldred—There may well be roles in terms of diagnostics but, again, AAHL sits under the management of CSIRO. We provide some matching funding and, when we are talking about specific animal diseases, we are certainly involved with AAHL. In terms of the overall operations for the current influenza, those questions are best directed to Health and Ageing.

Senator COLBECK—Does the funding that we provide give us any capacity for direction of the work that AAHL does?

Mr Aldred—We certainly work with AAHL to give our input into the sorts of diagnostic tests that we would like to see developed. AAHL provides diagnostic services when we have an outbreak of emergency animal diseases.

Senator COLBECK—So, as far as you are aware at this point in time, there is not any work going on in relation to H1N1 through that entity?

Mr Aldred—I suspect there is, but I do not have the specific details. If we are talking about H1N1, the human one, it would be directed by the Department of Health and Ageing.

Senator COLBECK—Is there any work being done on where that might have been derived from, or anything of that nature, in relation to animal health that is being directed through that entity?

Mr Aldred—I am not sure I understand the question. In terms of trying to track where the virus originated from?

Senator COLBECK—Yes.

Mr Aldred—I am not aware that AAHL would be undertaking that work.

Senator COLBECK—We are not aware of what work specifically is being done? Would we need to follow that through the Department of Health and Ageing?

Mr Aldred—In terms of the human influenza, yes.

Senator COLBECK—Has there been any increase in the diagnostic workload of the organisation from 2007-08 to 2008-09?

Mr Aldred—Again, I do not have the specific details but I would expect it has probably gone down, from our perspective. 2007-08 was of course when the equine influenza incident was on, and certainly AAHL would have been well involved there.

Senator COLBECK—Did that require an increased funding commitment over that period of time from the department?

Mr Aldred—Yes. My recollection is that there would have been additional costs above what we would term 'normal commitments' that would have been part of the cost-sharing arrangements for equine influenza.

Senator COLBECK—The budget papers indicate an increase of \$21,000 from 2008-09 to 2009-10. Is that based on any specific requirement or is it just a matching process?

Mr Aldred—That would be a normal factor of rebasing that would be put in by the department of finance.

Senator COLBECK—By the department of finance?

Mr Aldred—In relation to these figures, that vary a little from year to year but that are standard figures. I am not sure I can explain the technical part, but there is not quite a CPI but rather an adjustment figure that is applied.

Senator COLBECK—Effectively to reflect the base cost of obtaining the agency's contribution?

Mr Aldred—No. My understanding is that it is more of a blanket thing that covers all sorts of programs that go across several years at a standard rate.

Dr O'Connell—It might be parameter adjustments, but we could take that on notice.

Mr Aldred—It is exactly that.

Senator COLBECK—I was wondering how that fitted into the overall efficiency dividend process and whether they were subject to that.

Mr Aldred—Questions about the efficiency dividend in respect of AAHL would need to be referred to CSIRO, who have management responsibility for AAHL.

Dr O'Connell—It is in the science portfolio, not in ours.

Senator COLBECK—But, obviously, as far as this portfolio is concerned, there has not been an adjustment backwards in the funding to reflect an efficiency dividend.

Mr Aldred—No. This would not show that. These are administered items, not departmental.

Senator COLBECK—So these were for particular projects that were undertaken on behalf of the department in partnership with CSIRO.

Mr Aldred—Yes.

Senator COLBECK—Can you give us any sense of what the additional workload is from the agency's perspective that might generate that increasing funding, or is that just a sum that is allocated by the department of finance?

Mr Aldred—It is just a parameter adjustment. I can take it on notice, but it is not a change that has been made only to AAHL as a specific program. As you can see on page 73, most of those programs would have some form of parameter adjustment, minor variation from year to year.

Senator COLBECK—Do any of the department's graduates get moved into that part of the agency?

Mr Aldred—Not into AAHL.

Senator COLBECK—Would that again be dealt with as part of the process through the department of industry and science?

Mr Aldred—Yes.

Senator NASH—I might need some help traversing this, but I want to take you again to page 69 of the PBS, which I assume is still under plant and animal health. Are these the ordinary annual services figures relating to plant and animal health?

Mr Aldred—The portfolio budget statement actually has a translation table from outcomes and outputs to a program basis for 2009-10. Program 2.2 is plant and animal health, and that includes what we call PIAPH, or product integrity, animal and plant health. The figures that you are referring to under 'Ordinary annual services and revenues from independent sources' would also include some figures for AQIS activities.

Senator NASH—So it does relate to this area. I am just making sure I am on the right track.

Mr Aldred—The bulk of PIAPH, as we know it, sits within that program, but it also covers some AQIS activities.

Senator NASH—On that basis—and I bet you are going to tell me you want to take this on notice—there is about a \$10 million drop in the services figure, and the revenue has increased by nearly \$10 million. Is it possible to supply information to the committee on what those figures actually represent? I am happy for you to take that on notice if you would prefer, to make sure we get the detailed information.

Mr Aldred—Yes, I will take it on notice and we will align that with the previous question and deal with program 2.1 and 2.2.

Senator NASH—That would be great. Down the bottom there are—this might need some explanation for me—the totals by appropriation type. Again, we have revenues from independent sources, and that has increased by \$44 million or so, by the look of it.

Mr Aldred—Yes.

Senator NASH—What would that be?

Mr Aldred—I would expect that is the change in the 40 per cent that was being discussed earlier in the day. The figures that you are referring to in particular are the total for programs 2.1 and 2.2, which comprise outcome 2.

Senator NASH—Okay. So that is the total of both of the others?

Mr Aldred—Yes.

Senator NASH—So that incorporates those earlier figures.

Mr Aldred—If you have a look at the totals at program 2.1 and then the ones that we were just referring to at 2.2, the sum total of those is expressed as outcome 2 at the bottom.

Senator NASH—Great. That total for program 2.2 was not altogether clear. The eradication of the red imported fire ant got \$1.5 million in the last budget, but there is absolutely nothing—zip, nil—this year. Have they all gone?

Mr Aldred—No. The fire ant program is continuing. There was a recommendation put and agreed to by the Natural Resource Management Ministerial Council that funding be provided for 2009-10. It will not show up here as a specific appropriation. The recommendation was made by council last week.

Senator NASH—So it is post budget.

Mr Aldred—Post budget.

Senator NASH—What was the amount?

Mr Aldred—It was \$15 million for 2009-10, of which the Australian government will be required to pay half.

Senator NASH—They are some serious ants, aren't they?

Mr Aldred—They are indeed.

Senator NASH—Is there an end point? Is there a point at which there is some confidence that perhaps these will be eradicated?

Mr Aldred—We are reviewing the program constantly, but there are a couple of key reviews to be done in 2009-10. The program has certainly been successful in a lot of the urban areas, and there was an outbreak around Gladstone that we believe has been eradicated. However, a couple of years ago a major additional site was found that is encroaching into more of the rural area, and that certainly is cause for concern. But eradication remains the objective.

Senator NASH—Thank you.

Senator COLBECK—Under the program expenses, there is about \$320,000 or \$330,000 for the National Livestock Identification System. Further on, it talks about bringing in an efficient, functioning NLIS for alpacas. Can you give us some background to that particular program and where it is at.

Mr Aldred—There was an initial appropriation of \$20 million, I think, in 2004-05 for the NLIS.

Senator COLBECK—That is for the broader NLIS project?

Mr Aldred—For the broader NLIS. That is across cattle, pigs, sheep, goats and alpacas. The funding that is being provided in these couple of years is for the Australian Alpaca Association to develop a business plan and proposal for how they would implement a traceability system.

Senator COLBECK—So we are effectively about 50 per cent of the way through that process?

Mr Aldred—It is certainly kicking off. I would have to take on notice the exact details, if you wish me to do so.

Senator COLBECK—Yes, I would be interested. Specifically with respect to alpacas, there were some issues going back a couple of years relating to the capacity for Australia to import alpacas into the UK based around EU protocols on bluetongue and recognition of specific bluetongue-free zones within Australia. The argument was based around our recognition of what they called their 'bluetongue-free zones'. Has that problem been resolved?

Mr Aldred—I would need to take that on notice. I am not aware of the detail.

Senator COLBECK—I must admit this particular line item sparked my recollection of it, but the last time I interacted with it I never got to the bottom of the process or to a resolution, basically. I know that I had had representations from alpaca owners who had lost a fairly lucrative market into the UK because the UK had effectively been told by the EU: 'Either you follow our protocols or you're out of the system,' even though there was demand for

Australian product, particularly out of Tassie, into that market. My recollection is that, because we did not recognise what they called their bluetongue-free zones, they were not prepared to recognise our processes. I would appreciate an update on that, if that is possible.

Mr Aldred—Okay.

CHAIR—Have you got more, Senator Colbeck?

Senator COLBECK—No, that will do me on that.

[7.49 pm]

Senator NASH—It looks like we are finished. We will go to Agricultural Productivity, if we could. Thank you, gentlemen.

Mr Grant—Excuse me, Chair. If possible, could I clarify a couple of items that came up yesterday that I followed up overnight? One was the discussion we had around the Productivity Commission report on research and development. That report was titled *Public support for science and innovation* and it was produced by the Productivity Commission in March 2007. It was a research report, and there is no government response required or anticipated to that report. I think there was a discussion yesterday with Senator Colbeck.

Senator COLBECK—I recently closed the press release that talked about it, but I think we talked about it in the context of the need to increase research and development.

Mr Grant—That is right. There was a reference to LWA.

Senator COLBECK—Yes. The government has effectively responded to it by cutting research and development, so we have the response anyway.

Mr Grant—I did follow up on that.

Senator COLBECK—Thank you.

Mr Grant—The other one I want to clarify is the discussion we had with Senator Macdonald about the cattle transaction levy and the amount that was paid to charity for the bushfire appeal. We did not quite give the full story. I want to correct that. What happened was that where growers and purchasers agreed to the sales, the transactions, being donated to the national appeal for both bushfires and flood relief, the levies were waived. No levies were paid on transactions where the sale amounts were donated to charity. The regulations were changed to effect that and it was a national scheme.

Senator COLBECK—So the regulations for the levy scheme were changed to allow that process to occur?

Mr Grant—For that particular circumstance and for a set period of time.

Senator HEFFERNAN—In the present climate, which is very difficult in southern New South Wales, Victoria and lots of Western Australia, could I ask the secretary what he thinks the impact will be, in terms of productivity for agriculture, of the implementation of the division 7A enforcement on Australian farm producers?

Mr Grant—I think I might have to take that on notice.

Senator Sherry—That is a good answer.

Senator HEFFERNAN—I mean, this is bloody outrageous. I declare an interest here, which will suit Julian McGauran: I am a farmer.

Senator Sherry—Julian is not here.

Senator HEFFERNAN—How could I miss you, Julian? Please make a note.

Senator Sherry—He is oozing his way around the room just to confuse you.

Senator HEFFERNAN—My father's generation of farmers, as they got older and towards the end of their time, absolutely stewed in their own juice on knowing that state death duties would take at least 50 per cent of the farm if they were honest, decent farmers and had the farm in their own name. So a lot of farmers put farms into trusts and company names, and the Ralph review, which has been out there in the wind for a while, under division 7A—there is a big question here—said that farmers whose properties were like that to protect the family from death duties which were high impact, low revenue, are now going to be nailed to the wall.

Can I tell you why you are going to nail them to the wall? And we will march on parliament if this happens. I have talked to the Prime Minister's office about it. Many of Australia's farms, in decent, honest terms, were put into company names as a trading partnership—I have seven kids in my mob: four sisters and two brothers—where the kids stay home and manage the farm, run it in an operating partnership. You are saying to us now, under what is proposed in this division 7A, that unless we pay a commercial rent to the entity that owns the farm, even though that is us, we will get an unfranked dividend bill from the tax office. A farm can be running at a deadset loss, with a failed crop—

Dr O'Connell—That is a tax issue, which is definitely not—

Senator HEFFERNAN—This is productivity. I want to make it in the context, Mr Secretary, of productivity.

Dr O'Connell—But it remains a Treasury issue.

Senator HEFFERNAN—Yes, I understand the position, but I just want you to know that we are bloody angry about this.

CHAIR—Senator Heffernan, I can understand that that is fair enough, but you interrupted—

Senator HEFFERNAN—Fair enough? This is far from! If you want to absolutely undo farm productivity, you will do this.

CHAIR—Okay. Senator Heffernan, I understand you are passionate about it and that is fair enough.

Senator HEFFERNAN—Let me just finish. I have not finished the story yet. What you are doing, what is proposed—

CHAIR—As I have said, Senator Heffernan, no stories. Have you got a question?

Senator HEFFERNAN—Yes, I have got a bloody question.

CHAIR—Can you get to the question.

Senator HEFFERNAN—I will get to the question. In southern New South Wales we have had three crop failures in a row and we are facing another one. The Bureau of Meteorology says we are going to have another failed season this year. You are expecting Australia's farmers—

Dr O'Connell—Senator, you are—

Senator HEFFERNAN—This is productivity, Mr Secretary—to cop a bill when they are running at a deadset loss.

Dr O'Connell—You are addressing points to me personally which are properly addressed to Treasury.

Senator HEFFERNAN—No, I am addressing it to your mob, not you personally.

Dr O'Connell—My mob does not exist, I am afraid. It is me and the department.

Senator HEFFERNAN—You have the minister sitting next to you and the minister is very capable on superannuation.

Senator Sherry—The mob does not have responsibility for tax issues. It is a matter for Treasury.

Senator HEFFERNAN—This is in the context of the global forecast.

Senator Sherry—Next Wednesday. This is about farm profitability.

Senator HEFFERNAN—It is about farm productivity and profitability. Are you going to give a farmer a reason to get out of bed in the morning and do it, for God's sake?

Senator Sherry—I understand the debate. But if there is to be a debate, let alone a question somewhere, it is Treasury and ATO tax advice.

Senator HEFFERNAN—I am sorry, but this is about agricultural productivity. In that context, you have to cop it, mate.

Senator NASH—Can I ask a question on that, directly related—and Senator Heffernan is absolutely right and this is a productivity issue. Were you consulted at all by Treasury on the impact of this particular measure before they have put it forward to budget?

Dr O'Connell—I will take that on notice.

Senator NASH—And if not, why not?

Dr O'Connell—What I am quite happy to do, because I can—

Senator HEFFERNAN—We are going to have to march on parliament if this is true.

CHAIR—Senator Heffernan, Dr O'Connell has answered the question. He is taking it on notice.

Senator HEFFERNAN—Righto. The secretary has been very patient.

CHAIR—You might not get the answer you like, but it is taken on notice. Are there other questions to the department of fisheries?

Senator WILLIAMS—On this issue, the question is simple: were you consulted?

Dr O'Connell—It is not a simple answer in the sense that I would have to go and find out whether or not we were consulted—

Senator WILLIAMS—You were not consulted personally, obviously.

Dr O'Connell—or whether or not any information was provided or what was the sequence of events. So I will take that on notice so that I can give you an accurate answer.

Senator HEFFERNAN—You can be sure Australia's farmers were not consulted.

Senator COLBECK—If the agency was consulted, which arm of the agency was most likely to have been consulted?

Senator HEFFERNAN—Productivity.

Dr O'Connell—No, it is possibly corporate policy area, but we will take that on notice.

Senator COLBECK—What about one of the research arms? I understand you have taken that on notice. It is a question of farm productivity. The calculation has been done that a family farm that is valued at \$1.5 million with a market rental value of, say, four per cent would attract a rental payment of \$60,000 per year. That is one calculation that has been done. I understand that this is an issue and a measure that is being instituted by the tax department, but when we are talking about issues that impact on other sectors, it is sometimes—and I say sometimes—the case that Treasury will contact the relative arm of that agency, not necessarily known to you, Dr O'Connell, to ask questions about that. So I appreciate you taking the question on notice, but it does come back to a profitability of rural sector issue, because there are so many farms that are structured in this way.

Dr O'Connell—I am not questioning that there are not serious and significant issues. What I am saying is that I have not had any notice that this issue was coming. If we had, we would have been prepared for it.

CHAIR—Dr O'Connell, you have made it very clear on a number of occasion that you will take it on notice.

Dr O'Connell—And I will take it on notice.

CHAIR—Are there any further questions?

Senator HEFFERNAN—But you must understand the mental strain for Australia's farmers. I am sorry, this has to be done. With respect, Mr Chairman, this has to be done.

CHAIR—No, with respect, Senator Heffernan, you have had your turn. You have asked your question.

Senator HEFFERNAN—This has got to be done.

CHAIR—We have had the theatrics, Senator Heffernan.

Senator HEFFERNAN—Bugger the theatrics. I am not interested in theatrics.

CHAIR—We are here to ask questions on productivity.

Senator HEFFERNAN—I am not interested in theatrics.

CHAIR—You are doing a damn good job of putting on the theatrics. You have made your point.

Senator HEFFERNAN—No, I am sorry, I have not finished the point.

CHAIR—Dr O’Connell said he will take it on notice, and your rantings are starting to go on again. It is not all about Senator Heffernan. There are other senators here that want to ask questions. Are there other questions? You at least have the opportunity now to speak up and ask them.

Senator WILLIAMS—Will any of your programs be affected by job losses that the government announced in the budget?

Mr S Hunter—The secretary, I think in his opening statement, indicated that the department will be working through the implications of the savings that it needs to make on its functions. That is the process that it is going through at the moment. Until we have done that, I could not give the answer to that in relation to the Agricultural Productivity division.

Dr O’Connell—At the start of the hearings yesterday, we had a fairly extensive discussion around the staffing issues and this area is the same as the rest on that count.

Senator WILLIAMS—Will the cuts to DAFF affect your ability run these programs, such as Promoting Australian Produce and innovation and productivity programs?

Dr O’Connell—No, they will not.

Senator WILLIAMS—You are quite sure of that?

Dr O’Connell—Yes. As I mentioned yesterday, when we were looking at the priorities we were particularly looking at statutory requirements, the minister’s priorities, the government’s election commitments et cetera. Those come under that, so I would be confident that those programs will be delivered.

Senator WILLIAMS—On your website the value of Australia’s total farm and fisheries production for 2006-07 declined by 11 per cent to \$30.2 billion, mainly because of the drought. When will the 2007-08 figures be available?

Mr S Hunter—I believe those figures would mostly be derived from the Australian Bureau of Agricultural and Resource Economics. We will try and find out the timing of when those figures would be available for you.

Senator WILLIAMS—Thank you. Are we exporting less food in volume now than we did, say, 10 or 20 years ago? Would you know that?

Mr Grant—I do not have the figures with me, but my intuition says probably not. We are probably exporting more in volume terms—certainly in some of the major areas such as beef. I am sure we are exporting a lot more beef. We are exporting less wool, perhaps. But, on balance, it is probably more. I could get the figures for you and check.

Senator WILLIAMS—Would we be importing a lot more food today than we were 10 or 20 years ago?

Mr Grant—I do not have those figures either but intuitively, probably, in niche markets, particularly the demand for processed food that is driven by consumer preferences. Again, I do not have the exact data for that.

Senator WILLIAMS—The Australian farmer has always been the price taker and yet he does all the hard work to get the food onto our table. Are farmers getting any better return these days on a comparative basis to, say, 10 years ago?

Mr S Hunter—One way of looking at that would be to look at the productivity performance of Australia's agricultural sector. Productivity growth is different in different parts of the sector but, for example, in the grain sector long-term growth has been around two per cent per annum.

Senator WILLIAMS—You would have to look at the price increases in the costs as well, wouldn't you?

Mr S Hunter—Yes. Productivity is measured by both the total cost of your inputs and the value that you get for the outputs. Broadly speaking, productivity growth in the agricultural sector, as I understand it, has exceeded other sectors, and in some parts of the sector—particularly grains, as I mentioned—it has been really quite strong over a long period of time.

Dr O'Connell—We have Phillip Glyde here from ABARE. He is not supported by all his commodity people but he can probably give you a little bit of assistance here on some of the issues.

Senator WILLIAMS—Thank you.

Mr Glyde—I understand the question is: what has happened to productivity in recent times?

Senator WILLIAMS—Yes, about the last 10 years.

Mr Glyde—Over the last 30 years Australian agriculture has had a very strong productivity performance, as Mr Hunter said, way above what the economy-wide average is for productivity growth—by our measurement, by about 1.5 per cent a year. Since the turn of the century, though, we have begun to notice that the rate of growth of productivity has begun to fall. We think that might have something to do with the fact that it has been a couple of dry years. As Mr Hunter mentioned, the productivity is simply a measure of outputs by inputs. It is not a measure of absolute production but simply a measure of efficiency of production, so when the outputs fall, as they do during drought, then you are going to expect a decline in productivity. It is hard to be definitive about that, because it is a fairly imprecise measure at the national level, but there are certainly some concerns—and we have certainly been expressing them—that agricultural productivity, broadacre productivity, might have been falling over the last eight to nine years.

Senator WILLIAMS—I believe the world population is growing by about 80 million people a year. The productivity of agriculture in the future is going to be one of the key issues, wouldn't you think, in maintaining the supply of food not only for Australia but, as a supplier, for a huge food bowl around the world?

Mr Glyde—Absolutely. It is one of the key tasks. At the end of the day, productivity growth is going to be the mechanism by which the world's population is fed. The other issues that we talked about earlier on are the extent to which climate change is going to impact on our capacity to produce food and fibre in the future and why it is important to take action on

things like climate change and, at the same time, try and improve the efficiency of world markets and remove a lot of the subsidies that exist in farm production around the world.

Senator WILLIAMS—I do not know if you can help me here or not, but probably our most vital resource in Australia is our soil. I have noticed over the years that when commodity prices are very low and costs are high we seem to get the situation where our farmers are inclined to mine their country instead of farm it. In other words, they flog it. They belt it hard just to simply stay afloat financially. Does anyone in your department carry out any research on the soil condition, the fertility, the amount of carbon in it? In other words, is our soil deteriorating over the years or are we maintaining a level of healthy soil? Is there any measurement on that?

Mr Glyde—It is not something that ABARE does, but the Bureau of Rural Sciences is appearing later in the evening. They might be able to at least provide advice as to who is doing that sort of work and where it might be carried out, but I cannot add anything to that.

Mr S Hunter—I am aware, too, that the National Land and Water Resources Audit did some work on soil condition. Its report was probably two or three years ago, but you are right—the condition of soil is fundamental to productivity.

Senator WILLIAMS—Absolutely fundamental. It is our lifeblood. Land and Water Australia would have obviously had a role in that as well, wouldn't it?

Dr O'Connell—CSIRO also has done a fair amount of work on soil issues as well, yes.

Senator WILLIAMS—These departments, unless I have got it wrong, have had severe cuts in their budgets. We should not be neglecting those areas so vital to our nation. I suppose that is just a political opinion. I do not expect you to answer that, because you do not run the budget.

Mr S Hunter—On a practical level, though, certainly some of the activities supported through Caring for our Country and Sustainable Farming Practices go to issues such as soil conservation and better use of the soils. Also, quite a lot of the research that has been commissioned through Australia's Farming Future is looking at soil—primarily through the lens of soil carbon, but soil that has got plenty of carbon happening in it has also got a fair bit of productivity in it, as I understand it.

Senator WILLIAMS—Good humus. One thing we must do is increase the carbon levels in our soil, because carbon is the cycle of life. It is not a pollutant; it is a cycle of life. Any soil nutritionist will tell you that.

Senator NASH—How is the Horticulture Code of Conduct going? Are you satisfied it is achieving what it set out to do?

Mr Grant—As you are aware, a Horticulture Code of Conduct review committee has been established. That committee comprises representatives from industry. It has met now three times. The most recent meeting was earlier this month.

Senator NASH—Just refresh my memory. When exactly did the code come in and when is that review due to be completed by?

Mr Grant—The code issues came out of the ACCC grocery products review. They recommended a series of changes to the Horticulture Code of Conduct. The minister decided to refer those recommendations to an industry committee which he formed. That industry committee, as I say, has met three times. They have had a public consultation process with industry. They are at the point now of finalising their report to the minister. They expect, I think, to have one more meeting by teleconference within the next two weeks and then will provide a report back to government about their views on the implementation of those recommendations out of the grocery price review.

Senator NASH—Can you provide to the committee—and I am happy for you to do it on notice—a list of the people on actual committee? When did it start?

Dr Ottesen—When did it start its work here?

Senator NASH—No, when did the code come in?

Dr Ottesen—It was in May 2007.

Senator NASH—Thank you very much.

Mr Grant—And I have got the names of the committee members here.

Senator NASH—No, you can just provide them on notice. That is fine.

Mr Grant—Yes.

Senator NASH—Has the department contributed to the review at all, or is it purely within the purview of the committee members?

Mr Grant—We have managed the secretariat from the department and provided some assistance in sitting fees and meeting rooms and that sort of thing, and provided background information and other sorts of assistance in that way.

Senator NASH—When will the findings of the review be made public? There was certainly some angst that existed at the time when this came, so it will be very interesting to see what the review does hold. At what point will that be made public?

Mr Grant—I think the government indicated that it would finalise its views on the overall response to the grocery price review in mid-2009, and it has been waiting on the input from the Horticulture Code Committee in order to develop that response.

Senator NASH—Am I right in assuming that we do not know yet whether the review itself will be made public?

Mr Grant—No. The review will feed into the government's response, but whether that becomes public or not is a decision for the minister.

Senator NASH—Okay. Has the department had any role or undertaken to conduct any inspections of the markets themselves to see if the code is operating properly?

Mr Grant—I think we had this question at the last estimates.

Senator NASH—Not from me. I have not had the—

Mr Grant—Well, we did.

Senator NASH—I am sorry I do not have time to read the *Hansard* of every estimates committee. So I do apologise.

Mr Grant—No, okay. It is not our formal role to inspect whether the code is operating correctly or not. That is the ACCC's role and I understand that they have undertaken some inspections and some audits of various companies. In fact, they successfully prosecuted a player in the market in Darwin not that long ago. The department, to become better informed, have visited the markets to familiarise ourselves with the way the industry operates and to meet some of the players. But we have done that not in an auditing sense. That is not our responsibility; it is the ACCC's.

Senator NASH—Are you aware of any concerns that the government might be trying to water down the code?

Mr Grant—Not from my perspective.

Senator NASH—I just mean across the department.

Mr Grant—No. My understanding from the code committee is that there have been no external influences. They have been able to undertake their review and the consultation in an absolutely open and free way. So, no, I am not aware of any reports to that effect.

Senator COLBECK—How long has it been since there was a meeting of the Agricultural Finance Forum? We asked at the last estimates. Has there been one since the last estimates? If I recall correctly, the answer at the last estimates was that the next meeting was to be agreed on an as-needs basis. I am just asking whether there has been another meeting.

Mr Grant—It is not our area unfortunately. It is Corporate Policy that oversees that.

Dr O'Connell—I do not think there has been a meeting since the last estimates, that I recall.

Mr Grant—They are normally held when there is an issue running that is of immediate concern.

Senator COLBECK—They used to be held on a regular cycle, I can advise you of that.

Dr O'Connell—The answer is no. There has not been one since the last estimates.

Senator COLBECK—Going to your website, under Agriculture and Food—and I am sure you are aware it is there, Dr O'Connell—there are taxation issues:

The ATO in conjunction with DAFF and other primary production industry groups have developed the Tax Office Primary Production Industry Partnership as a forum to assist primary producers and small businesses in rural and regional Australia to deal with a broad range of taxation issues.

Through this forum, the ATO aims to:

- identify ways to minimise the costs of complying with tax obligations.

The second point, perhaps most importantly, is:

- advise of emerging issues that may be relevant or significant to the industry—

and I think we have just had some evidence of that—

- develop better strategies to address compliance risks in the industry

- better understand and meet the communication needs of the industry
- seek feedback—

and I am sure you will get plenty of this—

on its service delivery and performance.

It does refer then on to the ATO website. I am not sure that there is specifically a question there but it does raise the point that we talked about earlier. There is a connection in respect of this that is effectively recognised by your website, and we will appreciate getting the information back when it finally comes.

I want to go on to the ‘Grown in Australia’ label. We started talking about that earlier. You indicated that you have an agreement with Coles and Woolworths to use that label in their supermarkets—I am sure that is what I heard earlier—and that process has started. I am a fairly regular shopper, and I do take particular notice of the signs for country of origin labelling, but I cannot recall seeing the logo. Can you give us some detail of where that is at and what the expected rollout of that might be? I might have had a bloke’s look; I am quite happy to admit that that is the case.

Mr Grant—It is a kangaroo, isn’t it?

Senator COLBECK—Is it the same as the Australian Grown label that was introduced by the previous government but it has been rebadged. I think it is the gold kangaroo on a green triangular background?

Mr G Williamson—It is a gold kangaroo.

Senator COLBECK—Like the Australian Made logo but Australian Grown?

Mr G Williamson—Yes, that is correct.

Senator COLBECK—So it is the same logo that was introduced previously but it is now called ‘Grown in Australia’ instead of ‘Australian Grown’?

Mr G Williamson—That is correct.

Senator COLBECK—Fine.

Dr O’Connell—I may be wrong as well, but my recollection is that there is a bit of a difference.

Senator COLBECK—A subtle difference.

Dr O’Connell—One is ‘Made’ and one is ‘Grown’, and it has got something—

Senator COLBECK—No. The Australian Grown label as it was initially launched was called Australian Grown instead of Australian Made underneath the stylised kangaroo. But the symbol was effectively utilising that well-known marketing symbol.

Dr O’Connell—I think that is still the case.

Mr Grant—It was launched in June 2007.

Senator COLBECK—Yes, I understand that.

Mr Grant—And it is a voluntary initiative. So companies and retailers can join under a voluntary scheme. They pay a fee up to a maximum of \$20,000. We understand that some of

the major retail chains—Coles you mentioned—have joined the scheme. It has not been an agreement with us; they have joined it on their own initiative.

Senator COLBECK—Effectively, it applies to labels that sign up to the scheme?

Mr Grant—Yes, it does.

Senator COLBECK—Is there a licence fee to use it?

Mr Grant—Yes, there is. The licence fee is paid to the Australian Made Campaign Ltd, which is the company that operates the scheme. It charges 0.1 per cent of annual turnover of licensed products, with a minimum fee of \$250 and a maximum fee of \$20,000.

Senator COLBECK—Okay. You have mentioned the two majors, Coles and Woolies. Do we go through you to get a list of those that have signed up? Can you give us that information or do we have to go to Australian Made?

Mr Grant—We understand that by March there were 66 businesses registered to use the Australian Grown logo.

Senator COLBECK—Do we have details of who they are?

Mr Grant—We do. We can probably provide those to you.

Senator COLBECK—I do not need it now, but if you can give that to us on notice, I would appreciate that. The label and the licensing are held by Australian Made. Is there any ongoing government funding that is required to maintain the Australian Grown label? Are we continuing to put some funding into that?

Mr Grant—No, we are not.

Senator COLBECK—So it effectively is a stand-alone voluntary licensing process?

Mr Grant—Correct.

Senator COLBECK—There was a commitment at the election from the government to clarify country of origin labelling requirements. I understand that would have had to have gone to a FSANZ ministerial council process. Can you tell us where that might be at this stage? I know that is a cross-departmental thing with the health department; it is perhaps more over there than it is over here.

Mr Grant—No, it is actually more with Mr Souness, who is just behind me. So he might be able to help.

Senator COLBECK—Lucky Mr Souness. I am sure we can find a chair for him.

Mr Souness—Thank you. There are several components. I think what you are referring to is that the Food Regulation Ministerial Council recently considered the implementation of a COAG decision for a review of food labelling across Australia. COAG agreed to that measure under a series of reforms of the food regulatory system. The Food Regulation Ministerial Council met at the beginning of May and considered the terms of reference for that review and agreed to those terms of reference. There was an indicative estimate of approximately \$1 million to undertake that review and the jurisdictions are currently considering how to fund that review. So it is up to that stage, and COAG has asked for the ministerial council to provide a progress report by July 2009 on that labelling review.

Senator COLBECK—So, effectively, we are waiting for the ministerial council to come back by July?

Mr Souness—They are asked to provide a progress report by July.

Senator COLBECK—Does that include their funding commitments?

Mr Souness—The ministerial council agreed that they would come back, I think it is in mid-June, out of session, to report on their efforts to find the funding for the program under one of their cost-sharing formulas. They will report back, I think it is in mid-June. The secretariat for the ministerial council sits within the Department of Health and Ageing, so I am just going on memory. We can clarify that if you like, but it was, I think, mid-June.

Senator COLBECK—Have the parameters for the review been released publicly?

Mr Souness—No, they have not. The ministerial council agreed to the terms of reference, but they have not been announced publicly yet.

Senator COLBECK—Will they be released publicly, or is that a matter for the ministerial council?

Mr Souness—That is a matter for the ministerial council, but they agreed to the process for review, including a steering group for the review, as well as an independent chair, so it is my understanding that, once they identify the funding source, they can go to the next stage of identifying an independent chair for a group and the membership of a steering group for the review, and at that stage I suspect that they will release the terms of reference.

Senator COLBECK—Is that independent chair—I suppose that is a decision for the council—expected to be a minister from one of the jurisdictions, or could it be a departmental official or someone plucked from somewhere appropriate?

Mr Souness—From retirement and brought back in. All they agreed on was an independent chair, but that will be the prerogative of the ministerial council to make that appointment.

Senator COLBECK—So the independence, effectively, takes it out of the realm of one of the ministers around the table?

Mr Souness—I assume so, yes.

Senator COLBECK—Dangerous thing to assume. Is there a time frame that has been placed on this by COAG to complete the process?

Mr Souness—On the COAG website there is a timetable for all the reform actions. I would have to check, but my recollection is that I think it is by the end of 2010.

Senator COLBECK—I shall go and have a look at the communique.

Senator HEFFERNAN—Could I ask the productivity intellectual face of the government, in the department—you all nod—if you have studied the impact of the recent history and economic performance of managed investment schemes and the effect against future food production, and the impacts on the distortion both of the production and capital markets in agriculture?

Mr S Hunter—I think the short answer to that would be no. The department's policy responsibility around managed investment schemes focuses on the forestry side of it—

Senator HEFFERNAN—Yes, and that has been developed—

Mr S Hunter—The division which looks after that side of our involvement was here yesterday.

Dr O'Connell—We had a conversation with the climate change division on—

Senator HEFFERNAN—Yes, but this is productivity. What I really want you to focus on is that these will have long-term impacts on productivity. As you are aware, the MISs, with all the best of moral power and government persuasion, were really intended originally to get long-term investment with an incentive into a long-term investment in plantation forestry under the guise of tripling of the forests by 2020. It became such a river of gold, like the creation of credit in the financial market, that it quickly expanded into agricultural production.

Now, I wondered whether you have had a study into the impact on agricultural production by the introduction of MIS for strawberries, cattle, whatever you like given the investor who put his money in to get the tax deduction—usually advised by his accountant and some orangutan financial adviser who probably did not tell him when he put the money in to get the tax deduction up-front, often money that was borrowed, that there was a trailing commitment to management fees—his only participation and equity in the deal was the production, whereas the promoter and the shareholder, his investment was in the capital appreciation of the asset in most circumstances and the management fees under which there was no regulation, which were often at three or four times the real cost of the management. We can see an instance now, and there is a point to this, Mr Chairman, with the olive growers who, under their management fees, will have paid for this year's harvest—those who have paid their fees—and who have now got to pay twice because the company has gone into administration. Timbercorp had more money out of tree investments than in tree investments. So the bunny is the investor who, this year in the olive industries, has had to pay for the harvest twice because they have sold the crop forward to get the cash flow to harvest the crop.

If I was Woolies and Coles and I wanted to tie up a long-term supply of strawberries, for instance—thank God they have not got to it because they have got 80 per cent of the retail packaged market between them in Australia, but they will eventually—I would go to an MIS supplier because the MIS company shareholder and promoter does not give a rat's about the production because he gets his profit from management and appreciation and the bunny. So when the mangoes come on the market every year, as an example, from an MIS, they do not care about what they make because they—that is, the shareholders—get their profit from the management. Have you blokes done a study into the long-term impacts of that?

Mr S Hunter—I am aware that there has been a review of non-forestry MIS arrangements being undertaken, I believe in the Treasury portfolio, and that the report of that review is with the government for consideration. I would have assumed—although I have not been a party to that personally—that a lot of the considerations that you have mentioned there would have been given careful examination in that review.

Senator HEFFERNAN—So in terms of the corruption of the capital market in which we operate and the production market in which we operate, you do not know the answer of how that—

Senator Sherry—Without using the colourful expressions and adjectives that you have been using, Senator Heffernan—I do not know that you were here yesterday, but we had a long discussion with Senator Milne about the implications around these collapses, and I indicated then that there are three sets of issues. There are obviously some impacts in respect to forestry and non-forestry plantations. There are tax issues, which are in the province or responsibility of the Assistant Treasurer and the Treasurer; and there are some managed investment scheme regulatory issues, which are of keen interest to me. But I think, without going on any longer, the upshot of all of that is that it is very early days in terms of the receivership, and I am keenly awaiting, in terms of my responsibilities, some analysis on the regulatory supervisory side as to what went wrong and why and what the policy implications are. It is simply too early, until we know more detail from the receiver—

Senator HEFFERNAN—That is fair enough.

Senator Sherry—but certainly in my area, I am not going to be mucking around. I want a full and detailed report about what went wrong in the regulatory supervisory sector, and then we will need to look at what necessary supervisory changes should occur. I am not going to muck around with it.

Senator HEFFERNAN—Yes, I know. I appreciate your remarks, Minister. But really what I was interested in is whether you have done any modelling on the long-term impact of agriculture producers whose main driver was not the commodity; it was the food. You can understand the distortion that would have caused in market supply and demand and market pressure.

Mr S Hunter—I am not aware of any but, to be absolutely sure of the correctness of my answer, I think I should take that on notice.

Senator HEFFERNAN—Thanks very much. Minister, you would be aware that I have included it in the select committee. You will be absolutely horrified when we get some of the evidence of insider trading and Ponzi arrangements.

Senator Sherry—I cannot comment, because there is an examination at this stage of the regulatory issues.

Senator HEFFERNAN—I appreciate that.

Senator Sherry—I am not privy to investigative matters and you have an access that, frankly, I will not have—in the short term, anyway.

Senator HEFFERNAN—Yes.

Dr O'Connell—At least in one area—the review of non-farm MIS—there was an issues paper which was put out in order to flesh out all the issues around that. The department contributed to that issues paper, which came through Treasury.

Senator HEFFERNAN—My message, through the generosity of the chair, is that there is a productivity issue here in the long term.

Senator Sherry—Whether or not the assessment has concluded that tax concessions and incentives et cetera are valid in this case, I can remember, looking back, when we had a payment per tree for grubbing apples and then five, 10 years later I think we had a tax incentive for them to put them back in, and I think there was something similar in the grapevine sector. We paid them to pull them out and then paid them to put them back in. I think it does raise some important policy issues.

Senator HEFFERNAN—The wine one in particular, Minister. I chaired the inquiry into the wine industry. It took 10 minutes to work out what was wrong and six months to have the inquiry. It was a matter of consolidated wine retailing, consolidated winemaking and very diffuse grape growers driven into distortion by the tax incentives and things like MISs et cetera. What is the long-term impact, given that we have got a global food task that will double in the next 40 years? How do we keep it viable against these distortions? That is the point of my exercise on agricultural productivity, so I would like you to give some thought to that.

Mr S Hunter—That is one of the reasons why we argue strongly against distortions in other countries, and subsidy arrangements and market arrangements just so that—

Senator HEFFERNAN—We have our own taxpayer funded distortion in Australia. Thanks very much.

Senator Sherry—But incentives have their place.

Senator HEFFERNAN—Yes.

Senator Sherry—I think there are some important lessons about the length of time they are in place, how long they continue for, but once an incentive is introduced it is not easy to bring it to an end. Anyway, these are important issues to think about.

Senator HEFFERNAN—Thank you very much for your indulgence, Mr Chairman. I will go home now.

CHAIR—Goodnight. Wishing you luck as we wave you goodbye!

Senator COLBECK—Can I go to the Regional Food Producers Innovation and Productivity Program. Round 1 of the program closed on 2 March. Was that closing date extended at all? Are you aware of concerns that were raised that the expressions of interest for round 1 opened on 24 December, closing in March?

Mr Grant—The expressions of interest closed on 9 February. The department then worked with those applicants who had put in expressions of interest to determine their eligibility and then to give them some guidance about how they could best structure an application, which was then put in by that deadline in March.

Senator COLBECK—I am reading out of the Tasmanian Seafood Industry News's *Fishing Today* magazine of February-March that said:

We were most disappointed that the call for expressions of interest in round one of the Regional Food Producers Innovation and Productivity Program was made on 24 December, with a closing date of 9 February—

Their concern obviously being that it was timed over the Christmas-New Year period, at a time when the industry is fairly busy, and that at that time of year it is hard to get publicity for something like that.

Mr Grant—That is true, although we did have 235 expressions of interest received, so I think that does reflect that the information did get out to a wide range of sources and we did get a significant response. In addition to the expression of interest, as I said, there were then an additional four weeks for people who had submitted an expression of interest to refine an application. The closing date for applications was, as you said, in March—23 March.

Senator COLBECK—It is not my criticism, as you might be aware, Mr Grant. I just flag that as something to consider—that sort of time frame. I have heard of people complaining about things occurring over that time frame before, given the madness of that season, and I think it is probably a reasonable criticism, even though you did get 235. What was the total value of the expressions of interest, or didn't they have a dollar value attached?

Mr Grant—I do not have the dollar value for the expressions of interest, unfortunately.

Senator COLBECK—Okay. What was the funding to that particular round?

Mr Grant—The amount of funds that were available?

Senator COLBECK—Yes.

Mr Grant—Six million dollars.

Senator COLBECK—Do you have a dollar value of applications actually received?

Mr Grant—No. We received 235 expressions of interest. We then worked with applicants and asked for 73 actual applications to come in, so they were received.

Senator COLBECK—So I suppose you had a weeding-out process, to use a crude term?

Mr Grant—We assessed the eligibility and talked through with the applicants, those people who had expressed an interest, exactly what they were trying to do, whether it was best suited to this program, whether they had the capacity to deliver and so on and so forth.

Senator COLBECK—So, effectively, a selection process out of the expressions of interest and then an invitation to submit an application?

Mr Grant—A formal application, that is right.

Senator COLBECK—And that will be the process that follows on the next round, for which expressions of interest close on 22 June.

Mr Grant—For round 2 of the program, expressions of interest are due on 6 July. Applications will be due on 22 August as a result of that expression of interest process.

Senator COLBECK—What is the registration process, then? Your website says registrations are due by 5 pm, 22 June, and expressions of interest are due by 5 pm, 6 July.

Mr G Williamson—We have a two-step process. You register your interest, which is a simple couple of lines on what you are looking at in terms of a project proposal, and then post that. You are required to submit an expression of interest. The reason we have a two-step process is so that we do not waste the applicant's time. We have a look at the registration to see whether or not it fits the program objectives and then we provide that feedback

immediately to the applicant. Then they are advised whether or not it is worthwhile going on to the expression of interest stage.

Senator COLBECK—Of the 73 applicants in the first round, how many were successful?

Mr Grant—We formed an independent advisory panel to provide some advice on those applications. The advisory panel considered 54 of the 73, with the remainder being deferred to a later round because there needed to be some further work done on the applications.

Senator COLBECK—So they remain eligible if they are not necessarily selected in the first round?

Mr Grant—Correct.

Senator COLBECK—Do they have to submit a new application or just continue to upgrade their application?

Mr Grant—Not a new application, but we will work with those applicants to improve the application and make sure that it meets the criteria and ranks more highly. The advisory panel met on 13 and 14 May and has provided some advice to the decision maker in the department. That is the current state of the process.

Senator COLBECK—Does the minister make the final decision or is the decision maker in the department?

Mr Grant—The department makes the final decision.

Senator COLBECK—That responsibility to spend that \$6 million is delegated to the department by the minister.

Mr Grant—Correct. The value of applications that were recommended by the advisory panel was \$24 million.

Senator COLBECK—So the advisory panel has recommended \$24 million of projects to the decision maker.

Mr Grant—Correct.

Senator COLBECK—And there is \$6 million available.

Mr Grant—In this year, but there are some further funds—

Senator COLBECK—In the first round?

Mr Grant—No, in this year. There is not a certain amount of funding available by round, but there is a certain amount of funding available in the appropriation by year. A number of these may be multiyear applications.

Senator COLBECK—Okay. I was just saying, no wonder the minister did not want to be the decision maker if he has \$24 million of recommended projects and \$6 million to spend. So you have a four-year \$35 million program?

Mr Grant—That is correct.

Senator COLBECK—Ten million dollars of which is set aside for the seafood industry.

Mr Grant—That is correct.

Senator COLBECK—And you have got a recommendation to the decision maker in the first round for \$24 million worth.

Mr Grant—Correct.

Senator COLBECK—I understand that that does not mean that they will all be accepted.

Mr Grant—No. To clarify, I have just been advised that the advisory panel considered 54 applications worth \$24 million, but has not necessarily recommended that all of those proceed.

Senator COLBECK—It was just looking a bit sad for future rounds, that was all, if they are longer term. Even though there is only \$6 million available in the first year, there is a capacity to recommend expenditure beyond that amount, given that some of the projects may go over a number of years.

Mr Grant—That is correct.

Mr G Williamson—Can I add to that. The great majority of the projects are multiyear projects.

Senator COLBECK—Okay.

Mr G Williamson—So it extends beyond next year.

Senator COLBECK—I suppose the reality is that it is better to get in and get accepted in the early rounds. I suppose it is only a three-round process that you are talking about—is that correct?

Mr Grant—We have not determined when a third round will be, but if there are still funds remaining after rounds 1 and 2 then there will certainly be a third round.

Senator COLBECK—Your website says it is a three-stage process.

Mr Grant—We are anticipating a three-stage process.

Mr G Williamson—That is a three-stage process in terms of registration, expression of interest and invitation to apply.

Senator COLBECK—I see.

Mr G Williamson—That is the three-stage process.

Senator COLBECK—So you have not identified how many rounds of funding there may be.

Mr G Williamson—No. We will continue to run rounds until we exhaust the funding.

Senator COLBECK—But, by the same token, it would be better for people to get in and get their applications in and funded earlier in the piece rather than later, because we are into the second round now. You have considered 54 applications worth \$24 million—and, again, there is still capacity to say yea or nay to some of that quantum—and a large chunk is potentially spent of the \$35 million. Do you know when the minister will be announcing the funding? It is with the decision maker now, I presume.

Mr Grant—Yes, it is with the decision maker now. We will talk to the minister about an announcement once those decisions have been made.

Senator COLBECK—That was the answer I was expecting to get. I thought I might get more, but okay. I live in hope! Going on the timing, you would expect the first round of announcements to be made relatively soon, given that the panel has met, it is with the decision maker and then goes to the minister. On that basis you would expect the next round of announcements to come at about Christmas time, I suppose, or just before Christmas.

Mr Grant—It depends what we get in that process and the process of the advisory panel. We would hope to try and make those announcements before Christmas.

Mr G Williamson—We are looking at the panel meeting again for the second round in around September, October.

Senator COLBECK—Okay.

Mr G Williamson—So we would expect some decision shortly after that.

Senator COLBECK—We might get the chance to talk about it further at additional estimates in November or whenever they are. Thanks, Chair.

CHAIR—Thank you. If there are no further questions of productivity, thank you very much. We will call Rural Industries Research and Development Corporation.

[8.47 pm]

Rural Industries Research and Development Corporation

Senator COLBECK—On behalf of my female colleagues on the committee, there was some discussion at the previous estimates about invitations to the Rural Women's Award last night and I know that there was a question on notice provided. I think Senator Macdonald did the chivalrous thing last time and, since he has abandoned us this evening, I am providing a follow-up. I do appreciate my invitation, I have to say, and my interaction with RIRDC over the years. What is the process for setting the invitation list for the Rural Women's Award? There has been an expression of interest from this committee previously and I do know that the membership might have changed a bit, but I did come in for some criticism for attending the RIRDC Rural Women's Award last night and leaving my female colleagues behind. I do not know who I am directing the question to and I do not know who wants to take the potential pain, but I am trying to deflect some of the agony I suffered last night. I have found that spreading the pain around is a good option.

Dr O'Brien—Thanks. I think that is going to be my question. We are delighted by the strongly growing interest in the Rural Women's Award. Last night some 250 people joined us to celebrate the announcement of the national winners for 2009 and I have had other feedback that people who would like to have come have not been invited. We work through a list that engages those with an interest in the Rural Women's Award, those whose electorates include state winners, but we are aware that we have missed out on some people in this round and we will endeavour to do much better for next year's award.

Senator NASH—Very diplomatically said.

Senator FISHER—It was a rerun of the conversation we had last year.

Dr O'Connell—That is right.

Senator COLBECK—Your timing was terrible, I have to say, holding it during estimates.

Senator NASH—It is. If I could gently say that the female rural senators particularly on this committee have a particular interest in RIRDC and, as senators of a state, that is our entire electorate, I am sure some of those women fall within New South Wales for me, probably WA for Senator Adams and probably South Australia for Senator Fisher. So we will try again next year maybe. Thank you. I bring that to your attention. I place on record that it is an excellent initiative.

Dr O'Brien—Thanks.

Senator NASH—Thanks, Senator Colbeck. My knight in shining armour.

Senator COLBECK—That is all right. I am still getting over the scars from last night. Can we now go to your budget for the next four years, which has been reduced by \$3 million per year. Can you give us a sense of how you are going to manage that funding cut and where it might be directed to?

Ms Boydell—You will appreciate that we are in the course of working through that.

Senator COLBECK—I understand.

Ms Boydell—I can point you to what we did say in the PBS on page 206, where we indicated that we would prioritise the R&D program:

... with an emphasis on maintaining investment in levy paying industries, preserving other high priority programs, and on achieving efficiency and effectiveness.

That is a very early assessment. We have a set of principles that we are working to. The requirement for us to lodge our annual operating plan with the minister is 31 May, and that plan is still in the course of being prepared. In fact, we have a short extension on that time limit, given that we need to deal with this and—

Senator COLBECK—What is the quantum of the extension?

Dr O'Brien—16 June.

Senator COLBECK—So two weeks, effectively.

Ms Boydell—Yes, so the board is considering plans that are still in draft, but we are working through them.

Senator BACK—On that point, if I may, Senator: mention was made of the saving of \$12 million over four years through identifying organisation efficiencies and reducing research duplication. Could you give us an idea of where you feel there is currently duplication in research and where you will be able to make those particular savings?

Ms Boydell—We will be seeking to apply principles that ensure, as we have always done, that the research RIRDC does is research that is not being done by somebody else and that it is research that we should be doing—that is, that RIRDC will add value by doing it. Those are principles that we have always deployed. We are not aware of any particular areas of duplication, but there is a lot of activity in the research space, so there is always room to ensure that there is no duplication in the future. We will certainly continue to do what we have done in the past, which is to be very incisive on that front.

Senator BACK—Thank you.

Senator COLBECK—One of the charters for RIRDC is to deal with new and emerging industries, and generally those are not industries that fall within the levy-paying group. Does this decision constrain you in respect of doing that work for those new industries that are effectively trying to build a toehold?

Ms Boydell—We will certainly be working very hard to make sure that it does not have an impact on the work that we do and, particularly, on the outcomes in that area.

Senator COLBECK—I suppose it is a slightly difficult question, given that you are still in the process of working out your operating plan and the news is still fairly fresh.

Ms Boydell—Yes.

Senator COLBECK—But there are not too many places where new and emerging industries can actually go to get assistance. If you are, as you have said, concentrating on areas where you are attracting levy payers' funds, that does tighten your capacity to do some of that work that is not based around levy-paying contributors.

Ms Boydell—I think the way to look at it, in terms of the new and emerging industries, is within the context of how we go about it and also within the context of the national R&D planning framework, where RIRDC is charged with the coordination of that national R&D plan for new and emerging industries. There are some small levy-paying industries within that ambit. There also voluntary contributions. So, through a basket of different initiatives, we would be endeavouring to ensure that the work and the outcomes that need to be delivered continue to be delivered.

Mr S Hunter—It might also help if I can just indicate the guidance that the minister has provided to the board of the Rural Industries Research and Development Corporation in the implementation of the budget measure. He has asked that the corporation's vital role in investing in priority research for a range of new, emerging and established small industries, funded in part by industry levy collections, not be affected and suggests that savings might be made through administrative overheads and prioritisation within the corporation's national rural industries portfolio. He also suggested that within that, if possible, the priority programs such as Rural People and Learning Systems, Rural Leadership and farm health and safety continue to receive the board's attention. So the minister has given some broad guidance to the board there and, as Ms Boydell has indicated, the board is considering how to implement that now. It is useful to indicate to you the guidance the minister has given.

Senator COLBECK—And I appreciate that that is the case, but that effectively makes the board's job even more difficult. I understand that the government would have priorities expressed through the minister. I understand that process, having been there. We are in the situation we were in yesterday, where we have one of the core research and development corporations being hit with a funding cut. I can only assume—and the minister will put me right if I am wrong—that times are tough. As Senator Sherry said yesterday, we have to make hard decisions, and taking \$3 million a year out of one of the R&D corporations has been one of those decisions. That does not make it any more palatable.

As we discussed yesterday with respect to Land and Water Australia, there are a number of forums where there is a need to maintain or increase our rural R&D, given that it is one of the things that underpins productivity. We heard in the previous set of evidence that productivity

is starting to flatten off from its traditional growth rates—again, another element that underscores the need to maintain our rural R&D. Are there any other sources that the corporation can go to to seek funds, other than from government, to try and supplement this loss in funding?

Dr O'Brien—The board is looking hard at options to grow revenue in out years, and there are a number of possibilities. We are responsible for investing in R&D for a number of industries that do not currently have a statutory levy. For example, the fodder industry, the olive industry, the tea-tree industry and even the horse industry sustain their R&D through voluntary contributions, which the corporation matches. It may be, since those are all growing industries, that in due course they will pursue statutory levy arrangements. That is one possibility.

Senator COLBECK—Is the funding that you get from those voluntary levies matched dollar for dollar on the same basis as the other commodity R&D corporations?

Dr O'Brien—No, it is not.

Senator COLBECK—Effectively, you get a block of funding from the government, but the contributions made by industries are voluntary rather than through a compulsorily collected levy.

Dr O'Brien—Yes, that is right, and there is no matching funding from government for those voluntary contributions from those industries. So the corporation is matching from within its resources.

Senator COLBECK—So the corporation matches from within its own resources?

Dr O'Brien—Yes.

Ms Boydell—But not in an unlimited way. We do cap that in a policy sense.

Senator COLBECK—What policy setting would provide the cap? In the other commodity R&D corporations, the government will match dollar for dollar up to 0.5 per cent, I think it is, of gross value of production. What is the setting that you have put in place?

Dr O'Brien—As a policy measure, we capped matching voluntary contributions at \$300,000 per annum, and that really is just to constrain the amount of resources diverted into those arrangements. But, as a general observation, industries which are funding their R&D through voluntary contributions are investing much less in R&D than those that have a statutory funding arrangement, so they are almost invariably way less than one per cent of GDP benchmark.

Proceedings suspended from 9.02 pm to 9.16 pm

CHAIR—Senator Colbeck, you were in questioning. We are still with RIRDC.

Senator COLBECK—You have indicated, Dr O'Brien, that you have lead responsibility for the council of chairs. Is that correct? To get the terminology right, you can help me with that.

Dr O'Brien—Sure. RIRDC has been providing some managing agent services to the council of chairs which means that we have acted as the point for raising the payments from

the other corporations and making payments on behalf of council, so we have been doing that up until now.

Senator COLBECK—So there is an administrative cost and process involved in that. The question I was coming to is this: is there any compensation from the government for undertaking that work or is it one of the joys of the job?

Dr O'Brien—The corporations collectively pay us a fee for undertaking that role.

Senator COLBECK—Okay, so there is some income for that. You are not burdened with that. Okay.

Dr O'Brien—Yes.

Senator COLBECK—In respect of the funding that you receive from government, which is \$14.914 million according to page 207 on the PBS—

Dr O'Brien—Yes.

Senator COLBECK—how much do you generally leverage that up by? You have got funds from other sources of \$19.12 million, but when you actually convert that into research spend with partners that come on board to do that, what does that end up being leveraged up to?

Dr O'Brien—I will take on notice the exact figure but give you an indication.

Senator COLBECK—It would vary from year to year, I suppose.

Dr O'Brien—There will typically be co-investment from the research provider to the supplier, often from other research and development corporations and often too from industry, either through voluntary contributions or in kind. Typically the number is between two and three, the leveraging.

Senator COLBECK—So effectively the annual spend on R&D, bearing in mind that you have to run your organisation as well, would be multiplied by two or three times.

Dr O'Brien—Correct.

Senator COLBECK—What proportion of your annual funding goes to R&D?

Dr O'Brien—The figure moves around between 84 to 86 per cent.

Senator COLBECK—Eighty-four per cent to 86 per cent of your funding? It mentions in the portfolio budget statements that the major risks to you from this cut will be maintaining your staffing and sufficient capacity to deliver an effective R&D program. How does that affect your overall effectiveness as an R&D corporation, if you cannot deliver an effective R&D program?

Ms Boydell—The question is how does that affect it if we cannot deliver an effective—

Senator COLBECK—If you are not delivering an effective R&D program, that places further questions around the corporation, I would have thought, wouldn't it?

Ms Boydell—The answer is that we intend to deliver an effective R&D program.

Senator COLBECK—I have absolutely no question at all about your intentions, Ms Boydell. Whereabouts is your current five-year R&D plan? How far through it are you?

Dr O'Brien—It is a 2007-12 plan.

Senator COLBECK—So you are in the first couple of years.

Dr O'Brien—Yes.

Senator COLBECK—So effectively you are going to have to rejig your entire five-year plan.

Dr O'Brien—Because of the nature of the corporation, our five-year plan is pitched at the strategic level so it reflects our three lines of business: firstly, R&D to support new industries and diversification; secondly, R&D for a suite of established industries, such as the chicken meat, honey, rice, pasture seeds and fodder industries; and, thirdly, R&D into what we call national rural issues, the significant cross-sectoral issues. The detail of our objective strategies and performance measures is captured in the five-year R&D plans for each of the programs. For example, the board at its last meeting signed off on a chicken meat research and development program that commits about \$3 million a year for each of the next five years to a set of specific objectives there. It is at that level that we will be needing to revisit our plans.

Senator COLBECK—Is that going to involve having to go back and talk to your industry partners as part of that process?

Dr O'Brien—As Mr Hunter mentioned earlier, the guidance from the minister is to implement this reduction to budget without having an impact on our levy-paying industries.

Senator COLBECK—I am trying not to put words into his mouth, but effectively he said, 'We don't really want you to impact on anything, as much as you possibly can, but you're getting \$3 million less to do it.' So you are going to have to impact somewhere. I know that is not an easy task and this is a difficult conversation for everybody, because it is not a desirable position, but you are effectively going to have to deal with some of those issues, aren't you?

Dr O'Brien—We are. \$3 million is a significant reduction to the corporation's budget and we are working through that to implement that cut consistent with the minister's guidance to the corporation and we will give effect to that in an operating plan that we will put to him by the 16 June deadline.

Senator SIEWERT—I want to pick up where Senator Colbeck left off. Besides the fact that \$3 million is being cut from research at a time when it is absolutely essential that in agriculture we keep investing in research, my concern is that focusing on some of the smaller levy industries, for example, and I can see why there is incentive to do that, cuts out some of the essential research, to my mind, on new industries. Are you confident you can keep the research effort up into new industries? I also notice the report that just came out, in March, around the value that new industries are contributing to our economy—according to your report, \$1 billion. That is not an insubstantial amount of money that is being generated by new rural industries. Is there a danger that research in new industries is going to be significantly affected by this move?

Dr O'Brien—It is premature for us to comment on that because we are working through that process and the minister needs to consider our operating plan and approve it. But, I repeat, a \$3 million reduction to our budget is a substantial reduction and we need to work very hard right across our investments to reprioritise to give effect to it.

Senator SIEWERT—I am looking at the comments, and also Mr Hunter read out what I presume was a statement from the minister around what RIRDC would be focusing on or the guidance that the minister has given—

Mr S Hunter—I was paraphrasing some guidance that the minister had provided, yes.

Senator SIEWERT—which provided a bit more detail than is in the PBS. But the PBS was along similar lines in terms of maintaining investment in levy-paying industries, preserving other high-priority programs and achieving efficiency and effectiveness. With all due respect, Ms Boydell, I would have thought that you were already practising pretty high efficiency and effectiveness, so I am wondering how much more you can get out of that measure. Secondly, you did very well in answering the question about not duplicating others' research, but I would have thought you were not doing that already. So you are hardly saving anything if you are only carrying out what you are already not doing. Does that make sense?

Ms Boydell—Absolutely, but, like every other business out there in the country, we have to find innovative ways to do more with less. That is just the reality of it and that is what we will be doing.

The other thing, just from RIRDC's perspective, is that a lot of the work that we do across new industries and also across national rural issues is done because we play a broker role, and therefore the extent to which we can continue to streamline in those areas of activity and coordinate is important. I think I mentioned previously the role in coordinating the national R&D strategy for new industries where we are linked in with providers and the state agencies and so forth. So the more we can hone all of those areas of activity, the more we can hope to streamline and get through the system more efficiently each time.

Senator SIEWERT—The issue of knowledge broking came up yesterday when we were talking to Land and Water. That was a key area: (a) that it is not one of the priority programs that has been identified for transferring to another organisation and (b) when I asked about whether that would be continued, the answer was that they did not know. To me, that knowledge broking role was one of the very important roles that Land and Water Australia played. I am wondering whether you have been given any indication by government about whether that is one of the functions of Land and Water they would like you to pick up or, as you are already doing some of it for new industry, whether there—

Senator Colbeck interjecting—

Senator SIEWERT—This is why I am asking, because we are not only dealing with one research organisation that has been cut; we are dealing with two.

CHAIR—Do not let Senator Colbeck fire you up like that.

Senator SIEWERT—We are dealing with two organisations that deal with, to my mind, critical areas of research in agriculture and natural resource management that are being cut. So I am wondering if there has been any discussion or communication from the government about whether they want you to pick up and enhance that knowledge-broking role, given that one of the key organisations that does it is being closed down completely—not just having the funding cut but being closed completely.

Ms Boydell—I think it is premature to say whether there is any opportunity in that space, but it is certainly something that RIRDC would be willing and able to do and we believe that we have the skills and attributes to do it in some areas that perhaps Land and Water has done it in the past.

Senator SIEWERT—Even with the funding cut?

Ms Boydell—Yes, I believe so.

Senator SIEWERT—I am not having a go at your capacity.

Ms Boydell—No.

Senator SIEWERT—I personally think R&D organisations play a very critical role in agriculture in this country and, as you can probably pick up, I am not exactly impressed that the funds have been cut. In answer to questions from Senator Colbeck, you said you have been given to 16 June?

Ms Boydell—Yes.

Senator SIEWERT—Could you just go through what the process is from there. When you think you have a plan in place, what is the process in terms of approving your proposal? You have to cut your cloth, obviously, to meet your resources. Once you have put your proposals to government as to where to from here, what is the sign-off process? Do you need sign-off from government?

Mr Grant—Perhaps I could help. There is a statutory obligation for RIRDC to provide their annual operating plan for the minister to approve by 31 June, so that it can apply from 1 July onwards. In the usual circumstances, RIRDC has to put a draft operating plan to the minister in May. In this case—

Senator SIEWERT—There has been an extension.

Mr Grant—because of the circumstances, he has allowed RIRDC to provide that a little later. When he receives that draft operating plan, he will consider it and either discuss it with RIRDC or the department or approve it by 30 June, as required under the statute.

Senator SIEWERT—So add 14 days—two weeks?

Mr Grant—Yes.

Senator COLBECK—Serves him right!

Senator SIEWERT—No, I do not have any sympathy for him. Thank you.

Senator BACK—I have one question. I just noticed your balance sheet looks very sound. You have about \$10.5 million in assets and I see you are trying to protect those and grow them a bit over the out years. Where do you expect to be able to make that injection?

Ms Boydell—The soundness of our cash reserves is because of the nature of RIRDC. We have many industries, levy accounts and subaccounts, so within our family of industries and subaccounts there are varying degrees of levels of resources from year to year. With the seasonal nature of levies in particular, there is a swing up and down as you either build up some reserves or draw down on some. That is purely, at this juncture, a function of the flow of the expenditure pattern. You will see that in some industries that have, for example, been hit

by drought and lower production in the last couple of years, we have needed to draw down on their reserves.

Senator BACK—I notice you are budgeting on a \$1.5 million loss in this current financial year.

Ms Boydell—Correct.

Senator BACK—That will come out of that reserve, presumably?

Ms Boydell—Yes, and that is not just for one industry. That is across a number of industries.

Senator BACK—That is spread across them?

Ms Boydell—Yes.

Senator BACK—Which causes me to ask the question, do you receive contributions from industry for research and development programs and, if so, how significant is that in your overall budget?

Ms Boydell—We do. We receive the levies, which are then matched. For 2009-10, that is forecast to be in the order of \$4.5 million. We also receive voluntary contributions, which in 2009-10 are forecast to be in the order of \$3.4 million.

Senator BACK—Is there capacity, do you believe, to make up some of this shortfall by more aggressive representation to industry, or do you find yourselves in the same position everybody else is: that the size of industry's purse is also smaller?

Dr O'Brien—We will be in discussion with some of the industries that make voluntary contributions to the corporation about their interest in moving to a statutory basis. This is obviously a matter for them, not the corporation.

Senator BACK—A matter for them, not you?

Dr O'Brien—It is a matter for the industry to determine whether it wants to fund its research and development through a statutory levy and to pursue that with government.

Senator BACK—On 14 May the minister made the comment that your cuts go to your rural issues program. It will not affect your research budget. We just learnt a few minutes ago that the research budget accounts for about 85 per cent of your overall operating expenses. I think that was the figure that was mentioned.

Dr O'Brien—Yes.

Senator BACK—Given that that is the case, I noticed that there were 10 programs that were listed on your web page. Are you able to give us any indication yet, leading up to the end of June, as to whether all of these 10—and you would know them better than I do—involve some component of research and development, or are there some that do not? Therefore, are those that do not or that have lesser components the ones likely to be suffering the minister's suggestion of cuts going in those areas of joint venture agroforestry, environment and farm management, rangelands and wildlife? Do all of these have R&D components to them?

Dr O'Brien—The answer to your last question is that all of our programs are research and development programs, with a component of research and development. As to your previous question, we are working through a process now of reprioritising the development of an operating plan that will take account of that budget reduction. Until that is finalised by the corporation and considered and approved by the minister, I think it is premature for us to comment on where we will land in terms of imposing those reductions.

Senator BACK—Sure. Agriculture is suffering so badly anyhow, but it is suffering badly from the budget. My concern is that you prioritise your research into those areas that are going to minimise the impact on that or, alternatively, maximise the profitability and resilience of our sector, because it has certainly never been shaken like this in a long time.

Dr O'Brien—Indeed. The board has considered and agreed a set of principles for implementing this reduction to our budget. Perhaps if I step through those, that will give you a sense of the process we are going through. These are the principles: first, that we address the government's directions and priorities; second, that it has consistency with corporate and industry strategy and delivering on our objectives to the maximum extent possible; third, that we minimise reputation and relationship impact; fourth, minimise impacts on staff and deal, in the best way possible, with any affected staff; next, that we review and assess commitments, which is to say that we will open up existing contracts as part of this review process; next, that any staff and supplier impacts follow activity reductions; next, that we continue our focus and existing focus on efficiency and effectiveness; next, that we are transparent and explicit in implementing these cuts; and, finally, that we communicate clearly about them. So that is our intention as we apply those principles to our revised budget.

Senator BACK—Just to help my understanding of the stature of the board, will they be recommendations that you end up making to the minister, or are you independent, to the extent that you will make your own decisions with regard to those programs that are either downgraded or axed to meet your budget constraints?

Ms Boydell—I might ask Allen to help here, if necessary. The corporation is constituted under the PIERD Act and operates under the CAC Act, but we also have a statutory obligation to submit the annual operating plan to the minister for his approval. So, within that framework, the board will make its decisions and put them in a draft AOP that goes to the minister for his consideration.

Mr Grant—And the minister has written to the board asking them to provide him with advice on how they can best implement the cuts in the forthcoming year.

Senator BACK—My questions regarding your association with the Rural Women's Award are in no way predicated on the fact that my invitation did not come for last night's dinner but, like my colleagues, of course we were all far too busy working, so we would not have been able to accept anyhow.

Senator COLBECK—I just went for the drinks!

Senator BACK—I see.

Senator COLBECK—The chair allowed that dispensation. I was back here in time to start again, don't worry!

Senator Sherry—Was Bill there?

Senator COLBECK—I do not think I recall seeing Bill there, Senator Sherry.

Senator BACK—Chairman, are my colleagues trying to take my time away here or not?

Senator NASH—Not at all, Senator Back.

Senator BACK—It seems to me, from the minister's statements last evening, that the Rural Women's Award and other activities seem to have been in some way immunised from cutbacks in funding. Do you in fact intend to continue being the major sponsor of the award and, if so, where do you see this in relation to criteria that you kindly spelt out to me a few moments ago?

Dr O'Brien—RIRDC has been associated with the Rural Women's Award for 10 years and, as we speak, the vast majority of past winners are concluding a two-day forum of development in Canberra. Part of that is to consult them on the question, 'Where next,' looking to the future for the RIRDC Rural Women's Award.

Senator BACK—Yes.

Dr O'Brien—From our perspective, it has been a very successful program. It has provided women who have a vision for rural Australia with a bursary to pursue that project. It brings the state winners and runners-up to Canberra to pursue a week-long Institute of Company Directors diploma course as a group. We have a strong intention to continue with the award, but 10 years on it is time to consult and to reflect on where to take it and what the needs are for the future. This afternoon those women have been engaged in giving the corporation advice on the question, 'Where now for the future,' and that will be part of a wider consultation process about its direction. We are committed to it. We see it as having delivered results for rural women and for rural Australia and rural communities. We will be shaping it and improving it for the future.

Senator BACK—I have long been a very strong supporter of the involvement and education of rural women in our communities and have seen evidence of that particular success. My last question to you goes back to research and development. To what capacity do you now recover costs or actually make money out of the results of research and development undertaken and/or to what extent is that possible into the future? I am thinking not just of Australia's domain but more widely into our Asian, Indian and Middle Eastern neighbours, and even into the United States. Is there capacity for us to factor off the results of this research and make that a more consistent cash flow for the organisation?

Ms Boydell—The organisation has what we term a 'commercialisation policy'. Where the most effective commercialisation route is through adoption—that is, use by the end users—that is the course of action that we follow. We do receive a royalty flow from a number of things that have been commercialised, which has relatively small but helpful royalty flows attached to them. It varies from year to year, but it has been up towards \$200,000 a year, and we could provide that royalty income for the last couple of years if that would be of any assistance. The sort of work that RIRDC tends to do, particularly in the new and emerging industries, is less likely to produce products or IP capable of major commercialisation. I think

that is just the space that we are in. Nevertheless, we do go through a thorough process to ensure that that opportunity, if it is there, is captured and dealt with most effectively.

Senator BACK—In my interruption of my colleague Senator Colbeck earlier, we were talking about duplication, and you made the observation that there is a track record of avoiding duplication. I am most interested in that, because it has not been my experience that people involved in research anywhere, let alone agricultural research, have paid too much attention to that efficiency. Where are the fora in which you are able to engage with others who are doing research and development in related areas, and are you able to negotiate with them to avoid this duplication?

Dr O'Brien—Thank you for the question. The R&D building block for the corporation is a five-year research and development plan, which is developed with our industry stakeholders to meet their priorities, taking account of the government's priorities in terms of rural research and development. Each of our five-year R&D plans—for the rice industry, the chicken meat industry—sets out the goals that that sector wants to pursue over the coming period and the strategies to give effect to them. We draw on expert R&D advisory committees to help us shape those plans and then to help us to identify the research and development that will deliver the knowledge needs of that sector. By design, there is very little opportunity for any duplication in that. It is sector-specific research and development. Where we are involved in cross-sectoral research and development, such as in relation to climate change, we will join with other research funders and research providers to develop a comprehensive plan and, through that means, seek to minimise any duplication.

Senator BACK—It seems like a very sound process.

Senator SIEWERT—You have already said you leverage up money and you enter into partnerships with other partners. I know you will need to take this on notice—you cannot answer me because you have not done this yet—but there are obviously going to be some projects that you will have to cut because of your funding cut. I wonder if you could let us know on notice what projects they are and what impact that will have in terms of the partners that you may be engaged with on those projects.

Dr O'Brien—The corporation's operational plan, which the minister will consider in June, will be a public document after his approval and will be available on our website or in hard copy and will set out our plan of research and development for 2009-10 and out years.

Senator SIEWERT—I am interested in those projects that you have to drop, or you may have to drop, because of the funding cut. Your plan may not in fact tell us the projects that you have to drop and who is involved with those projects. That is what I am interested in knowing.

Dr O'Brien—Okay.

Senator SIEWERT—I am obviously interested in your future planning, but I would like to know what projects, if any, you have to drop because of the funding cut that you are having to take.

Dr O'Brien—Then we would have to take that on notice.

Senator SIEWERT—That is what I mean. I knew that you would need to take it on notice, obviously, because you have not got sufficiently far down the track in terms of your planning.

Ms Boydell—Yes.

Senator SIEWERT—LWA is giving us a list of all the projects that they are working on as well.

Dr O’Connell—I think it would have to be after the minister approves the operating plan.

Senator SIEWERT—That is why I have said that I know you will need to take it on notice.

CHAIR—Senator Colbeck, do you have any more questions?

Senator COLBECK—No. Senator Back has assured the continuation of the Rural Women’s Award. So, having achieved that, I will move on.

CHAIR—Any other questions? If there are not, thank you very much.

[9.48 pm]

Grains Research and Development Corporation

CHAIR—Welcome. It is getting late. Do you want to make a brief opening statement?

Mr Perrett—No, Mr Chairman; we will move on with the affairs of the committee. We are here to assist you in whatever way we can.

CHAIR—We are going to assist you, because this is ridiculous. Every time we do budget estimates you guys are always up second last. It is about time we had a rotation.

Senator Sherry—I have suggested that in some other estimates committees as well.

CHAIR—You never whinge, but you are always here. I will guarantee you that next time you will not be here; you will be in the morning.

Mr Perrett—Thank you. We appreciate it.

CHAIR—Done deal.

Senator Sherry—Good idea, Chair, instead of the same ones having to sit up there all night.

CHAIR—I think the opposition estimates coordinator, Senator Colbeck, should be consulted.

Senator COLBECK—No, Senator Nash is the coordinator.

Senator WILLIAMS—Mr Perrett, in April you announced the formation of a wheat classification panel. Are these panel members paid?

Mr Perrett—Yes, they will be.

Senator WILLIAMS—If so, how much?

Mr Perrett—I am not sure of the remuneration that they will be receiving. Mr Reading?

Mr Reading—I will take the exact numbers on notice, but basically they are just paid to attend the meetings. That is primarily the compensation they get for it. It is travel costs to attend the meetings.

Senator WILLIAMS—Was the funding for this within the budget or was it taken from some other program?

Mr Perrett—No, it has been allocated now in our budget. We did not have to cut any programs to manage this.

Senator WILLIAMS—Good. GM canola was grown for the first time in New South Wales and Victoria last year when the moratorium was lifted. Are the yields better or worse than for the conventional canola, do you know? Have you had any feedback on the yields of those GM crops?

Mr Perrett—We have a report. There were a number of trials conducted. There were five specific trials looking at those yields. Three of those trials failed. I am not saying the GM failed. The whole trials failed because of the climatic conditions in those areas. They were not harvested.

Senator WILLIAMS—Because of the drought?

Mr Perrett—Of the two that were harvested, there was very little in it. Some of the conventional canolas were in front. Where we look at some of the growers who grew the canola, they are suggesting some of the yields were in front. But there are a number of reasons why someone would choose to grow a GM crop. It may not necessarily be the yield; it may be the agronomic advantages, the ability to manage a weed issue. There are a number of factors. But a report has been done. Peter, would you like to comment on that, please.

Mr Reading—Yes. In those trials there were no significant differences between the varieties, but most of that was due to the drought conditions. We mentioned at the last Senate estimates that there would be a number of reports generated following from the launch of GM canola. One we have got copies of, and we are happy to leave those with the Senate to look at. This was based on a number of field trial results. That touches upon the specific NVT trials that you raised the questions about in April.

In addition to that, we have just commenced now—it took a while to contract—surveying a number of growers, particularly in southern New South Wales and Victoria, who grew canola last year. That will include not only the growers who grew it but also how their neighbours saw the reaction. That will be an ongoing study for probably the next three years. So that is in progress at the moment. But certainly we are more than happy to leave copies of the one that has been reported for the Senate committee.

Senator WILLIAMS—What has your organisation done in the way of research into the effectiveness and suitability of GM canola?

Mr Reading—We have been involved in a number of areas. One is the study which was initially done in terms of suitability and how GM could be handled in the marketplace. That was a document that a number of parties contributed to. In fact, I think we got 19 signatures saying that they believed that, in terms of agronomy, maintaining separation through the supply chain et cetera could be done. We are also directly investing in GM research. We invest

probably about \$6 million a year in GM related traits. Also, we have been involved in a number of research projects with partners that are doing the work. For example, I think we announced at the last committee meeting that we are just about to embark on a GM lupins project in South Australia. We are quite a significant investor in that area.

Senator WILLIAMS—Is there still a lot of anti-GM sentiment out there amongst farmers?

Mr Perrett—I would suggest there is still some anti-GM sentiment amongst farmers, but there is less and less all the time.

Mr Reading—I think there are over 270 NVT trials across Australia this year and GM will be evaluated. Growers can see it in approximately 15 trials across the country. Again, it is providing growers with that independent information on how it performs relative to the conventional varieties that are out there.

Senator WILLIAMS—I was told that, in New South Wales, if you grow a conventional crop, then it is your obligation to keep the GM out of it. Is that correct? Have you heard any of this controversial opinion on who is responsible for contamination?

Mr Perrett—No.

Senator WILLIAMS—Do you have any problem with that?

Mr Perrett—There is a lot of mischief created, if I could call it that, where there are opponents of the technology. Basically, what we are pursuing is accurate information for both growers of GM and non-growers of GM to ensure that the marketplace is aware and to ensure that the supply chains can manage it. If we look further with the GM technologies, where we see the big advantages for growers is not so much in the herbicide traits that we are seeing are predominantly coming out at this stage but in the agronomic traits—it is tackling salinity, it is tackling water use efficiency, it is tackling diseases. And then, further down the track, we will be looking at some of those consumer benefits that we may be able to bring through in the traits of the grains.

Senator WILLIAMS—Thanks, Mr Perrett. My final question is—

Mr Grant—Senator, perhaps I could follow up on that.

Senator WILLIAMS—Yes, sure, Mr Grant.

Mr Grant—I understand for this year the industry has decided to have two standards for canola, given that there is GM production and non-GM production. Previously it only had one standard. One standard will be for combined GM and non-GM crops and the second standard will be for non-GM crops only. Farmers have the option to pursue the second standard only if they want to. But it is an industry driven standard.

Senator WILLIAMS—Finally, we know of the GM canola. You are doing research on GM lupins.

Mr Reading—Yes.

Senator WILLIAMS—What other varieties of cereal crops or legumes or whatever are you studying and looking towards GM on?

Mr Reading—At the pre-breeding end, which is the early part of the evaluation, we are doing work in wheat with a number of potential traits there. One of the biggest challenges we have at the moment is certainly water use efficiency. As the chairman mentioned, we have also got a major issue with frost, which will be a very complex one to beat, but at this stage it looks like the possible traits will be in that area. The other one, which is very interesting and which I think we have highlighted at previous meetings, is that we are pretty well advanced in the development of a high-amylose wheat. High amylose has major health benefits in terms of vascular diseases and colorectal cancer. That is looking very promising. We also have some work going on in synthesising omega-3 in canola. We all know the benefits of omega-3 from a health point of view. We also have some interesting leads in terms of coeliac-friendly barley, which will enable people that have gluten intolerance to be able to drink beer. That type of research related to those health benefits is ongoing.

Senator WILLIAMS—That is all from me, Chair.

CHAIR—Thank you, Senator Williams. Senator Back, did you have any questions?

Senator BACK—I do not at the moment, thanks, Chair.

CHAIR—I have got one. Any rain up at Gunnedah?

Mr Perrett—Twenty-eight millimetres where I am. Twenty millimetres in Gunnedah and, unfortunately, as you move south, it disappeared pretty quickly. We started planting yesterday afternoon.

CHAIR—Good luck.

Mr Reading—We just had some rain in the west too, which is good.

Senator WILLIAMS—Are you on the Liverpool Plains, Mr Perrett?

Mr Perrett—Kelvin Valley, which is on the edge of the Liverpool Plains, yes, just north of Gunnedah.

Senator WILLIAMS—The Tydd direction.

Mr Perrett—That is right.

CHAIR—Senator Nash, do you have any questions?

Senator NASH—Thank you very much. I have been away the last few estimates, so my apologies if we have already covered some ground, but some of it I do not think we will have. With the GM canola issue, I think the last time I was here we did have some discussion around the segregation. At that stage it was very early stages. From memory, I think you were reasonably confident that that segregation would be quite possible. Do you want to just run us through that. Is that the way it has actually played out?

Mr Perrett—At this stage I am unaware that there were any difficulties whatsoever. Growers that grew the GM canola did have to travel some distance to sites to deliver their canola, but that was just because of the limited amount grown at this stage and a limited number of receiver points so that they could manage it through their system. I am unaware of any difficulties at this stage. Everything seems to be quite positive.

Senator NASH—Excellent. That brings me to the next part of this. I am sure you are aware that GrainCorp have now announced that they are going to bin GM and non-GM canola together. Given that, even I think in their 2008 statement, they were very clear on talking about the segregation, were you aware that they were going to do that, or did you have any response when they announced that they were going to do that?

Mr Reading—I think Mr Grant talked about that recently, in terms of the segregations they will be offering this year.

Senator NASH—Sorry, I must have missed that.

Mr Perrett—They are still going to offer a non-GM segregation as well, but growers can deliver non-GM into the GM stack as well, if they wish to.

Senator NASH—What do you see as the benefit of them binning it together?

Mr Perrett—There are lot of markets that do not differentiate. They do not care whether it is GM or non-GM. In that regard, it is pointless going to extra costs of segregation when there is no need. I imagine, from GrainCorp's perspective, it is an efficiency measure, a cost-saving measure. They would have to be aware of the marketplace.

Senator NASH—So a certain amount of markets—they don't care—

Mr Perrett—Yes, that is right.

Senator NASH—but if a grower does want it to be segregated then you can actually segregate it and, as you say, there are no issues.

Mr Perrett—That is right.

Senator NASH—Why, then, should the cost go to the non-GM grower? If, as a non-GM grower, you want your grain segregated, you are going to be in the position of having to pay to have your grain segregated.

Mr Grant—My understanding is that the costs will be for any additional costs of testing to prove that it is non-GM.

Mr Perrett—And that is all.

Senator NASH—Why should even that fall to the non-GM grower?

Dr O'Connell—It is a question of certification, I think.

Mr Perrett—Philosophically, if you have a product that you can add a greater value to, then basically you would seek to prove that product integrity. If it was an organic product, you would go through the process of proving it was organic and you would, hopefully, get a premium for that. It is similar with non-GM canola. If there is perceived, or there is, a premium in the marketplace and you, as the owner of that product, would like to see a premium, you would have it tested to prove it. I am unaware that there are any extra storage costs involved with having the non-GM stack compared to a commingled GM stack, apart from if there is to be any testing, and I am not aware that that would be necessary in a lot of areas at this stage.

Senator NASH—Isn't it rather a quantum leap, though, from very recently sitting here talking about the issue of segregation to, now, GrainCorp assuming—and, as I understand it,

without any evidence having been provided—that all of those markets are prepared to accept non-segregated canola, binned all together? Is the department aware of any advice from any of our markets that they are more than happy to take combined GM and non-GM canola?

Mr Grant—The evidence from some of the major grains markets around the world is that they readily accept GM canola in most of those markets. For instance, Japan has traditionally been one of the most conservative markets for GM. Most of the canola imported into Japan is GM canola, and that is accepted in that country.

Senator NASH—But it is still quite an interesting situation that we have got here, when there was only 2.2 per cent of GM canola grown right across Victoria and New South Wales last season. Could you not perhaps understand some growers' concerns, when they are now being told by GrainCorp, 'If you are in the other 90-something percentile, you are the ones that are going to have to wear the cost for the very small percentage that are growing the GM canola'?

Mr Perrett—I think you will see a significant increase on that percentage, looking at the discussions with some growers—those growers that grew GM canola last year, those growers that were able to observe the crop being grown. I think the acreage will continue to increase.

Senator NASH—I have no doubt you are right, Mr Perrett, but it is a long way to go from 2.2 to 50-plus per cent, to be the actual majority in this instance, isn't it? Did GrainCorp discuss any of this with GRDC before they decided to go down this path?

Mr Perrett—No.

Senator NASH—Have you had any feedback from growers on the decision that has been taken by GrainCorp?

Mr Perrett—Not at this stage.

Senator NASH—There might be a bit more when it starts to actually sink in that this is what GrainCorp is intending to do.

Mr Perrett—We look at providing information to growers. We are trying to assist the Senate through some areas which are probably not strictly our domain.

Senator NASH—You are being very cooperative, Mr Perrett.

Mr Perrett—Our main role is to make sure that the research is there, that we bring the technology forward to our growers so that they have access to that technology, and the second stage is the extension part to make sure growers have the most relevant information about where those products—whether they be GM, non-GM, whatever—fit into their farming systems and how they could best advantage growers. That is our main role.

Senator NASH—How many trials are going on across the country now? You said it before; I am sorry, I think I missed it.

Mr Reading—I think we have talked about it in previous meetings as well. There is a series of national variety trials right across the country. This year there will be 590 trials over 270 sites. There will be 15 GM sites: five in Victoria, five in New South Wales and five in Western Australia.

Mr A Grant—Just on the standards that are being offered in the next year's crop, my understanding is that those standards were developed by the Australian Oilseeds Federation and Grain Trade Australia, so—not to tar GrainCorp too heavily—it was done by those two industry associations, which have membership wider than just GrainCorp.

Senator NASH—I appreciate that may well have been the case, but I certainly would say, from the discussions with people in the industry that I have had, it was a significant surprise. I am sure those consultations did take place and that that was the way it occurred, as you say, but it was certainly a surprise. It is quite interesting too, isn't it, that we have these trials still occurring—and trials for trials' sake, meaning that you do not necessarily know where you are at a particular time. That is the nature of a trial—to find things out, to test things, to see how they are going. At the same time that we have all these trials, GrainCorp has made the decision that it is all okay and we can bin it all together. It is a bit strange, isn't it?

Mr Perrett—The 15 trials are in regard to the GM. The huge number of other trials we have are completely different.

Senator NASH—No, I was not referring to the 590. I was only referring to the other GM trials that Mr Reading—

Mr Perrett—That is right.

Senator NASH—Isn't it quite incongruous to be trialling something, at the same time accepting it as a foregone conclusion?

Mr Reading—The national variety trials are not registration trials. They are purely demonstration trials of how variety performs versus another variety in that condition. I am sure the people that are bringing that technology to market would have had, and are probably still doing, major demonstration trials with growers all over the place.

Senator NASH—Maybe I am just getting far too cynical in my old age. Thank you, gentlemen. Thanks, Chair.

CHAIR—Senator Siewert.

Senator SIEWERT—Where would I go to find out accurately what percentage of weeding we had from GM canola? What percentage, through last year's GM crop, did we have of seeding outside the paddock?

Mr Reading—Seeds outside—

Senator SIEWERT—Seeding outside. Volunteers and contamination of other crops.

Mr Reading—I see what you mean. We are doing a number of trials to evaluate that process.

Mr Perrett—That is pollen drift.

Mr Reading—Pollen drift and things like that. It has been done previously with another gene, the imidazolinone gene. That was done in the 1990s, and it showed there was basically very little in terms of movement, cross-pollination, outside the area it was grown. What we are doing—and it is a three-year process—in evaluating that in terms of GM canola is looking at it in terms of, first, volunteers outside and, second, potential flow into wild species—

radishes and things like that—just to make sure that the data we generate in Australia is consistent with data from overseas et cetera.

Senator SIEWERT—How much was there from the crop from last year?

Mr Reading—In terms of volunteers?

Senator SIEWERT—Yes.

Mr Reading—I do not know.

Mr Perrett—I am aware there was one instance where there it was reported that there were some volunteer plants growing on a roadside. It is quite unknown how they got there or what happened, that I am aware of.

Senator SIEWERT—So you are doing that work?

Mr Reading—We are doing the evaluation, yes, that is correct.

Senator SIEWERT—Was any evaluation done from last year's crop?

Mr Perrett—Looking at volunteers?

Senator SIEWERT—Yes.

Mr Perrett—What we are doing is going through a system at the moment, a project where we are looking at those growers of GM canola and their neighbours that are not growers of GM canola. We are looking at the impacts and at some of the issues surrounding the crop, whether they are positive or negative, for both parties. The report for that work has been commissioned. It has not yet been completed, though. Maybe that will go part of the way to answering some of the questions you have, Senator Siewert.

Senator SIEWERT—So in October, when I ask it, the first year of that study will have been reported on?

Mr Perrett—That information will be publicly available as soon as that report is completed. We will make it available for all growers and send it forward to the Senate.

Senator SIEWERT—Okay. What other commercial GM crops are you aware of that are currently being grown in Australia?

Mr Perrett—The most significant crop in Australia is GM cotton.

Senator SIEWERT—Sorry, besides that.

Mr Perrett—GM canola. I am unaware of the commercial production of any other GM crops in Australia.

Mr Reading—There is one. I think there is a GM carnation.

Senator SIEWERT—No grains?

Mr Reading—No.

Senator SIEWERT—What other commercial grains are grown globally?

Mr Perrett—Soy, corn, cotton and granola would be the main ones.

Senator SIEWERT—Cereals?

Mr Perrett—I am unaware of any commercially grown cereals. Certainly there is trial work going on around the world.

Mr Reading—There is trial work, particularly in two areas. There has been some work advanced in terms of herbicide resistance. There has been a lot of work done in relation to a very important disease, which I think is fusarium head blight, in Europe. There is preliminary work now going on in terms of the nitrogen use efficiency gene which is looking very promising, particularly as we are going into a carbon environment et cetera, and there is some preliminary work going on in water use efficiency, but that is in the development stage at this time.

Senator SIEWERT—Thank you.

CHAIR—If there are no further questions, Mr Perrett and Mr Reading, thank you. We will see you in the daylight next time, won't we, Dr O'Connell?

Dr O'Connell—Absolutely.

CHAIR—There you go; the boss has nodded off on it! Thanks, gentlemen.

[10.10 am]

Bureau of Rural Sciences

CHAIR—You poor devils are always last! We have two jobs to do next round. Welcome, Ms Schneider and your team. Questions on notice, Senator Nash?

Senator NASH—I want to talk about the issue of the definition of 'marginal land'. Anyone?

Dr Ritman—Do you want to ask the question?

Senator NASH—It is actually in response to a question on notice, and I am assuming this has gone to you. Perhaps I will give it a whirl and hopefully somebody is here to assist. In February there were some comments made by the Minister for Agriculture, Fisheries and Forestry about land use change. He stated that the government had acknowledged that there would be land use change but that their advice was that the government would be looking at marginal land.

Dr O'Connell—Are we talking about the CPRS by any chance? Is that the area?

Senator NASH—It probably has come from that. Sorry, Mr Glyde. Come on. Come back. I promise I'll be gentle! It's late. Just to continue, the minister said:

... prime agricultural land would not be at threat. It would be marginal land ...

So one would then assume it is the marginal land that is under threat. The department was asked about the definition of 'marginal land', because obviously it is quite important to determine what the definition is if it is going to be under threat from land use change. The response to the question, 'What is the definition of marginal land?' was:

ABARE's modelling, referred to in question 3, shows that land use change primarily occurs on grazing land. The attached maps for the CPRS-5 and CPRS-15 scenarios shows where the plantations and environmental plantings could occur given the assumptions used in the analysis.

Having looked at those maps, which were the original ones from November, and at the report that was done then—even on that basis—I thought that was as clear as mud, really, in terms of a definition of ‘marginal land’. The first part of the question is that that simply was not an appropriately clear answer for the committee in terms of the definition of ‘marginal land’, given how important it is that we get the right definition. Would you change that response in the context of the new ABARE report of March 2009, given that there seems to be a shift from what the understanding was around those maps and those particular definitions related to this one?

Mr Glyde—The point that I think we were trying to make, both at estimates and in that answer, was trying to look at what would be the carbon price at which land use would change. What we have found—and I can quote a few figures and we can come back to you with these numbers in more detail—

Senator NASH—Sorry, can I just stop you there. I understand what you are talking about—the effect and the changes to the effect and the carbon price and everything else—but it is actually the definition, not at what point it is going to occur. We want to know where the definition of that ‘marginal land’ is going to be occurring.

Mr Glyde—What I am trying to get to is that it comes from the price of that land. We have details about agricultural land returned. What you do is set the carbon price and, when the carbon price gets to a certain size, that land would change over its use. What you find in general is that the grazing land in low to medium rainfall areas is the first to go into environmental planting, as we have calculated, and those maps show when that land changes over.

Senator NASH—We might just look at an example of that. Under the 15 scenario, some of the exact land that you are talking about that would go into that is land around Tamworth in northern New South Wales that nobody, by any stretch of the imagination, could define as marginal. There seem to be some serious inconsistencies between what is practically marginal and what the numbers are throwing up.

Mr Glyde—Yes. It comes down to terminology, unfortunately. It is not that it is marginal farmland that you would not be able to make money out of by farming. The whole idea is that the price changes and so the lower value end of the farmland ends up switching over to forestry. Economists would use ‘marginal’ in a different sense to the more plain English meaning that you are going to—that is, if it is marginal farmland, it is really not much good for farming. We are saying that at the margin there will be a change in land use and the change will happen at the lower value end of that. So you will have various regions within, say, a productive agricultural region where the fine detail shows that a particular parcel of land is of lower value, and therefore is of marginal value, and therefore will move into environmental planting.

Dr O’Connell—Even within a property, to get a carbon planting you only need, I think, 0.2 hectares or something of that nature.

Mr Glyde—Yes.

Dr O'Connell—So, even within a property, a property owner will make a decision about which areas of the property are not particularly productive in what they are doing and whether they will be better off planting a couple of hectares of environmental plantings—carbon trees.

Senator NASH—Sure. I understand that. To a degree, quite frankly, that happens naturally at the moment with good farming practice.

Mr Glyde—Exactly.

Dr O'Connell—And that is people making calls about, essentially, margins.

Senator NASH—I understand that, but what I am trying to get at is the discrepancy between what in reality would be practical, and would happen, and what you are saying. Quite frankly, the 15 map—and I am sure you probably have it imprinted on your memory—indicates areas that are going to be environmental plantings. If you showed this map to those people who live up there, it would cause a serious amount of concern for this to be seen as what you see as potential marginal land for environmental plantings.

Mr Glyde—We went through all of this with Senator Colbeck yesterday in terms of—

Senator NASH—I am sorry.

Senator COLBECK—It is not my fault!

Mr Glyde—It is definitely not your fault.

Senator NASH—I am sorry.

Mr Glyde—What we said yesterday was that—

Senator NASH—I am suitably chastised.

Mr Glyde—Not at all; it is a very important point to get right and we put these publications out to try to get it right. In this particular piece of analysis we take the landmass of Australia: part of it will be suitable for environmental plantings and plantations, physically able to grow trees. So there is a physical size, and you have seen some of the reports from CSIRO as to what the physical capability of the land is to produce woody vegetation.

Then there is the question of the commercial potential, and that is what we have tried to reflect in the report that went to Treasury: what is the commercial potential? You cannot do it economically on all of that land. In order to put forward that commercial potential, we have had to make some rather heroic, simplifying assumptions, not the least of which is that we are assuming that the land is actually capable of going over. We are ignoring environmental land use controls and the like and the fact of how it might change the water balance in a particular catchment.

We are trying to just illustrate the commercial potential, so you are quite right, and a lot of other people have made the same point in relation to this thing. When they look at the map, they say, 'That doesn't look right; I'm pretty sure I can make more money from that piece of land by doing whatever I might be doing with it,' whether it is grazing or dairying. What we are really trying to demonstrate is that most of the land on those maps is the lower value agricultural land, otherwise farmers will continue to get a greater return from their agricultural pursuit rather than from environmental plantings or turning it over to plantations or whatever it might be.

Senator NASH—I like your use of the word ‘heroic’. That was very good.

Dr O’Connell—Yesterday we ended—or I certainly ended—with the position where it was important to see both the modelling and the outputs at the moment as being indicative of the drivers of these things, rather than trying to see it as, ‘Here is a genuine prediction of what will occur,’ because that is not the intent. If this answer is not sufficiently clear—so that, when you read it, you could not follow that—that probably means we need to do a better job of communicating what is happening here.

Senator NASH—That may indeed well be the case in that very brief answer that I read which referred to the map. Maybe some more clarification is needed around that because it certainly seems—and this might indeed be the issue—that, when we are talking about marginal land, there are almost two different types: the physical marginal land that people understand is marginal land where you cannot do X, Y, Z, or marginal land where it is economically marginal. They really are two different things.

Dr O’Connell—It is where there is a turnover.

Senator NASH—Yes, so perhaps there could be some attention to the terminology used to clarify.

Dr O’Connell—I agree. I think that came out of yesterday’s discussion and it is clearly there today, so that is right. We need to do that.

Senator NASH—I shall labour the point no more.

Dr O’Connell—Thank you.

Senator NASH—Thanks, gentlemen. Thanks, Mr Glyde. Thanks, Chair.

CHAIR—There being more questions from Senator Colbeck—

Senator COLBECK—I need to go back. I was having a conversation earlier with Fisheries about fishery management plans. I was looking to get a sense of—I am just trying to think of the right term without it being informed by my previous conversation—the species that are currently being considered as at risk.

Senator Sherry—Sorry, Senator Colbeck, we were just sorting out a couple of statistical issues. Can you start again.

Senator COLBECK—I want to go back to the issue that I was talking about earlier in the day, about fish species that are considered to be of issue and the modelling that has been done by BRS in respect of those fish species.

Dr Ritman—We produce the *Fishery status report*. This one was produced last year.

Senator COLBECK—What is the date? When is the next one due out?

Dr Ritman—Later this year. We are working on it now. It is always the year before, so this one produced last year is *Fishery status report 2007*. The one we are producing this year is *Fishery status report 2008*.

Senator COLBECK—What is the cycle of that document being available?

Dr Ritman—Annually.

Senator COLBECK—Time-wise, I mean. You release it, what, September, October, November, December?

Dr Ritman—Around that time, yes.

Senator COLBECK—So it is the second half of the year every year, roughly?

Dr Ritman—Yes, roughly. In this status report, there were 96 stocks reported. Twenty-eight were not overfished or overfishing, 16 were considered overfished and/or overfishing, and 52 were uncertain.

Senator COLBECK—Fifty-two were uncertain?

Dr Ritman—Yes.

Senator COLBECK—To save us time here and now and to keep the smile on the face of the chair, which is the first time I have seen it for two days, I will go to the report.

Dr Ritman—I can leave you with a copy at the end.

Senator COLBECK—Okay, even more appreciated.

CHAIR—Yes, much appreciated, Senator Colbeck. Your colleague is going to let the team down.

Senator COLBECK—I do have another issue. I wanted to see whether BRS has been commissioned to do any work in relation to structural change in regional communities with respect to the CPRS.

Ms Schneider—No, we have not been requested to do any work on that.

CHAIR—I see Senator Siewert has just leaned forward.

Senator SIEWERT—Are you done?

Senator COLBECK—I was hoping to be able to take that somewhere, because I was hoping someone was going to be doing some work on it, effectively. It is something that has been discussed at a number of Senate inquiries and it is an issue of interest. But at this stage you have not been asked to do anything?

Ms Schneider—No, we have not.

Senator COLBECK—Have you got some questions, Senator Siewert?

Senator SIEWERT—Hopefully I will be quick. I cannot really put this question on notice because, reading the report, I cannot understand it. I figure if you write me some more, I might not be able to understand it either. In relation to the report that you have done very recently on the *Estimation of seabird bycatch rates in the Eastern Tuna and Billfish Fishery*, can I paraphrase what I think it says and you tell me whether I have it right or wrong. What I think it says is (a) it is hard to assess; (b) observation does not necessarily work; and (c) bycatch rates of seabirds are still above what they should be. Is that a correct analysis of what is in some places quite hard to read science?

Ms Schneider—Hopefully not difficult to read for scientists.

Senator SIEWERT—Yes, but some of us poor senators who have a science background still find it hard going sometimes.

Dr O'Connell—While they are conferring, I think you might be right, Senator.

Senator SIEWERT—Okay. This is relevant for the estimates we will be doing tomorrow.

Dr Ritman—Senator, you are right. There is a difference between the modelling and the observation records.

Senator SIEWERT—But the upshot of the research, of that report, is that bycatch is still too high in that particular fishery? I do not want to misread the report.

Dr Ritman—In some areas in some seasons, yes, it is, but not across the board.

Senator SIEWERT—Okay, thank you. That is good for the environment estimates tomorrow.

Senator BACK—I just want to ask a question or two regarding our plantations. Just from the data you have given us, we seem now to be about 50 per cent hardwoods, 50 per cent softwoods. Can you give us some idea of what your predictions are? Given the current issues associated with the two companies in WA, what do you believe will be the trends now for plantation development over the next three to five years in Australia? Presumably softwoods will not vary, but I think you have been saying that hardwoods have been increasing quite significantly on an annual basis.

Dr Ritman—Our report, the plantations update 2009, was recently released.

Senator BACK—Yes.

Dr Ritman—I think you are referring to that.

Senator BACK—When was that published?

Dr Ritman—April 2009.

Senator BACK—That recently?

Dr Ritman—Yes. We do not make predictions of plantation establishment, but what has been happening and what we have observed in this last year, as the report says, is that the net increase in the area of plantations has decreased. That is because we have plantings on areas that are going for their second rotation. So even though we might be planting up quite a large area, some of it is taken up in second rotation plantings; therefore, it is not a net increase. We expect that sort of thing will continue into the future, and that will be an issue for increasing rates of plantation establishment. Going on current rates of softwood versus hardwood plantation establishment, the softwoods have only increased, I think, eight per cent over the last 10 years. There has been very little increase in those. The hardwoods, which are mainly for pulpwood, are the majority of the increase, and there is no reason to expect that to change at the moment.

Senator BACK—Has it been your observation that the productivity of these hardwood plantations has actually met the expectations or the hopes of promoters and plantation managers?

Dr Ritman—I do not have that information.

Senator BACK—Anecdotally?

Dr Ritman—I have no comment. I do not know that information.

Senator BACK—It is a very big issue in some of our south-west forests. Thank you, Chair.

CHAIR—Senator Williams, do you have anything?

Senator WILLIAMS—No, I do not, Chair.

CHAIR—Sadly, that brings us to the end. Ms Schneider has a statement.

Ms Schneider—Two questions taken on notice today were passed to us. One was on forests and rainfall and one was on the state of Australia's soils. It might be useful if we were to answer those questions now.

CHAIR—The impact of forests on creating rainfall?

Ms Schneider—Yes. Should we answer those questions now?

CHAIR—I would be interested in that.

Ms Schneider—I will pass to Dr Ritman for the first one.

Dr Ritman—Senator Colbeck, you asked last night about whether plantations or forests had some effect on generating rainfall or changing weather patterns. I think you were referring to some work in WA.

Senator COLBECK—I had a recollection of something that might have occurred there and some reports about the impact of reducing forest cover on reducing rainfall. So I was putting two and two together and getting the other way around and assuming that might happen.

Dr Ritman—Yes. We have not done any work specifically on that, but a Professor Lyons from Murdoch University produced a paper back in 2002 called 'Clouds prefer native vegetation', in which he looked at the effect of the vegetation line at the eastern edge of the wheat belt in Western Australia. There is a beautiful photograph taken out of the side of an aeroplane with clouds over the trees and no clouds over the cleared land. This resulted, I think, in an article in the *New York Times* in 2007 which was called 'At Australia's bunny fence, variable cloudiness prompts climate study'. There was another study by another Australian researcher by the name of McAlpine which was also looking at that effect.

Senator COLBECK—What was the date of that second piece of research by McAlpine?

Dr Ritman—It was in 2007, and it is in the *Geophysical Research Letters*. I have copies of the papers here. We dug them up.

Senator COLBECK—I appreciate that. Thank you.

Senator BACK—That aerial photo you refer to is actually the rabbit-proof fence.

Dr Ritman—Yes.

Senator BACK—It is over the rabbit-proof fence. The area to the east was never cleared.

Dr Ritman—Yes.

Senator BACK—The area to the west was. The cloud cover over the two, as you say, is quite remarkable. That is the main point of that.

CHAIR—How are you going there, Dr Ritman? Is there anything else you need to tell us?

Dr Ritman—That is it.

CHAIR—Thank you very much. Ms Schneider? Or is it somebody else's turn?

Dr Findlay—Earlier in the evening, Senator Williams asked a question about monitoring soil health and, in particular, the assessment of the impact of drought on soil health in Australia. Senator Williams, we in BRS maintain quite a large dataset looking at land use and land management practice change over time, and certainly those are good proxies that you can use to look at soil health changes. However, there is not a nationally consistent dataset on soil health per se and certainly nothing you could use to look at the impact of drought on soil health. There are quite a few centres around the country looking at that. CSIRO Land and Water is a major centre. The Queensland University of Technology is also a major centre looking at soil health. But most of the studies are very patchy in time and space and, again, are not amenable to looking at a national scale impact of drought on soil health.

In March this year, BRS, in conjunction with the CSIRO and QUT, released a report on soil carbon. I think that was part of the question asked earlier this evening as well. That report found that most agricultural soils are certainly capable of absorbing a lot more carbon than they are holding at the moment. There is significant potential there, both in terms of a win-win for productivity but also in terms of mitigating climate change. But the accounting rules around that are obviously a challenge in terms of carbon trading markets. I should also note that the Australia's Farming Future package announced a little bit earlier \$9.6 million for looking at measures to improve research around soil carbon in Australia's agricultural soils, and the Caring for our Country package has also set as one of the headline targets improving the health of Australian soils in agricultural land.

Senator WILLIAMS—I know of various farms that used to have five per cent carbon. They are now down to 0.5 per cent, mainly from putting nitrogen on. Nitrogen then makes the microbes hungry for humus. Sixty per cent of humus is carbon. The microbes eat the humus. Hence, they are draining the carbon in their starvation, looking for that humus. That is what one specialist told me. But there is a way to balance it and improve the carbon level substantially. It is not impossible to say that we could not improve most of our agricultural land across Australia by three per cent over five or six years with good management.

Dr Findlay—Yes. We have not attempted to put out particular figures on that. It is quite difficult to estimate, obviously, with an unknown baseline and unknown levels of change in land management practice, according to the policy principle set. But, yes, there is certainly large potential.

Senator WILLIAMS—Dr Christine Jones at the University of New England has done an enormous amount of work over many years on soil carbon. She has been very successful at it as well.

CHAIR—We know. We went out and had a look at her work, didn't we, Senator McGauran?

Senator WILLIAMS—Did you?

Senator McGAURAN—We did.

Senator WILLIAMS—Good. That is what we ought to do.

CHAIR—Do you have any other questions, Senator Williams?

Senator WILLIAMS—No, I do not, Chair.

CHAIR—Dr O’Connell, thank you very much to you and the crew at DAFF. Thank you, Minister and, more importantly, Hansard.

CHAIR—That concludes today’s hearing. The committee now stands adjourned.

Committee adjourned at 10.36 pm