



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT
LEGISLATION COMMITTEE

ESTIMATES

(Budget Estimates)

TUESDAY, 27 MAY 2003

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SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT LEGISLATION

COMMITTEE

Tuesday, 27 May 2003

Members: Senator Heffernan (*Chair*), Senator Buckland (*Deputy Chair*), Senators Cherry, Colbeck, Ferris and O'Brien

Senators in attendance: Senators Buckland, Colbeck, Ferris, Heffernan, O'Brien, and Stephens

Committee met at 9.03 a.m.

AGRICULTURE, FISHERIES AND FORESTRY PORTFOLIO

Consideration resumed from 26 May.

In Attendance

Senator Troeth, Parliamentary Secretary to the Minister for Agriculture, Fisheries and Forestry

Departmental

Mr Bernie Wonder, Deputy Secretary

Mr Don Banfield, Deputy Secretary

Management Services and Corporate Governance

Mr Bill Pahl, Chief Operating Officer

Mr Allan Gaukroger, Chief Financial Officer

Mr David Mitchell, Acting Chief Information Officer

Ms Cathy Cox, Acting General Manager, People and Strategies

Mr Bill Handke, General Manager, Governance

Mr Peter Moore, Manager, Budgets

Food and Agriculture

Mr David Mortimer, Executive Manager

Mr Richard Souness, General Manager, Food Policy and Safety

Mr Roland Pittar, Acting General Manager, Field Crops, Wine and Horticulture Business

Mr Greg Williamson, General Manager, Meat, Wool and Dairy Business

Ms Sally Standen, Manager, Wool and Dairy, Industry Operations and Reform

Mr David Williamson, Manager, Field Crops

Market Access and Biosecurity

Mr Paul Morris, Executive Manager, Market Access and Biosecurity

Ms Mary Harwood, Executive Manager, Biosecurity Australia

Mr Craig Burns, General Manager, Trade Policy

Dr David Banks, General Manager, Animal Biosecurity

Dr Melanie O’Flynn, General Manager, Biosecurity Development and Evaluation

Dr Brian Stynes, General Manager, Plant Biosecurity

Dr Dennis Gebbie, Chief International Agricultural Adviser

Ms Virginia Greville, Special International Agricultural Adviser

Mr Jeff Maldon, Manager, Project Analysis and Coordination

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

Dr Gardner Murray, Executive Director

Dr Graeme Hamilton, Chief Plant Protection Officer

Dr Mike Cole, Deputy Chief Plant Protection Officer

Mr Steve McCutcheon, General Manager- Product Safety and Integrity

Dr Alison Turner, Chief Executive Officer, Australian Pesticides and Veterinary Medicines Authority

Dr Joe Smith, Program Manager, Pesticides Division, Australian Pesticides and Veterinary Medicines Authority

Dr Peter Raphael, Program Manager, Quality Assurance and Compliance, Australian Pesticides and Veterinary Medicines Authority

Mr Tim Roseby, Executive Manager, Emergency Risk Management Unit

Mr Troy Cousins, Assistant Director—Business, National Residue Survey

Dr Bob Biddle, Chief Veterinary Officer

Dr Ian East, Scientific Advisor, Aquatic Animal Health

Dr Eva Marie Bernoth, Manager, Aquatic Animal Health

Dr Fiona Sunderman, Principal Veterinary Officer

AQIS

Ms Meryl Stanton, Executive Director

Mr Greg Read, Executive Manager, Exports and Corporate Group

Mr John Cahill, Executive Manager, Quarantine

Ms Jenni Gordon, National Manager, Animal and Plant Programs Group

Mr Tim Carlton, General Manager, Finance and Information Strategy Group

Ms Cathy Cox, Acting General Manager, People Strategy Group

Mr Steve Bailey, National Manager, Food Services Group

Dr Ann McDonald, General Manager, Market Maintenance Group

Dr Andy Carroll, National Manager, Cargo Management Group

Mr Bob Murphy, National Manager, Border Management Group

Mr Bob Stirling, Airports Program, Border Management Group

Ms Fiona Cornwell, Electronic Documentation, Food Inspection Services Group

Ms Jane Watt, AQIS Finance, Finance and Information Management

Dr Narelle Clegg, Animal Programs, Animal and Plant Programs Group

Mr Robert Langlands, Seaports, Cargo Management Group
Mr Colin Hall, Plant Programs, Animal and Plant Programs Group

Rural Policy and Innovation

Dr Cliff Samson, Executive Manager, Rural Policy and Innovation
Mr Tom Aldred, General Manager, Rural Support and Adjustment
Mr Brian Jones, General Manager, Science and Economic Policy
Mr Bob Calder, General Manager, Drought Taskforce

ABARE

Mr Vivek Tulpule, Deputy Executive Director

Bureau of Rural Sciences

Dr Peter O'Brien, Executive Director
Ms Melanie Fisher, Executive Manager
Dr Kim Ritman, Acting Chief Scientist
Mr Ron Levers, Program Leader, Executive and Business Management
Dr John Sims, Drought Taskforce

Fisheries and Forestry

Mr Daryl Quinlivan, Executive Manager, Fisheries and Forest Industries
Mr Mike Macnamara, General Manager, Fisheries and Forestry Environment
Mr Mike Wilson, General Manager, Forest Industries
Mr Frank Meere, Managing Director, Australian Fisheries Management Authority
Mr Les Roberts, General Manager Fisheries, Australian Fisheries Management Authority

Natural Resource Management

Mr Ian Thompson, Executive Manager, Natural Resource Management
Mr Mike Lee, General Manager, Regional Natural Resource Management
Mr Charles Willcocks, General Manager, Landcare and Sustainable Industries
Mr Ross Dalton, General Manager, Water and Murray Darling Basin
Mr Peter Thomas, General Manager, Natural Resource Management Strategies and Climate Change

Secretariat

Ms Helena Redwin
Mr Paul Short
Ms Barbara Andrews
Ms Melanie Williams

Department of Agriculture, Fisheries and Forestry

CHAIR—I reconvene the committee. We will continue where we left off at Rural Policy and Innovation. Good morning, Parliamentary Secretary. Thank you, Senator O'Brien.

Senator O'BRIEN—On 22 May 2001, Mr Truss described the Agricultural Development Partnership Program as a four-year \$26.4 million program that would 'help to revitalise

agriculture in regions under stress'. I have asked questions about this program at previous hearings because I am concerned that the money promised by Mr Truss is not being spent in the regions that need it. Last October, Senator Macdonald told the Senate that the Commonwealth was very eager for the partnership program to become operational and he said that a revised set of program guidelines was under consideration by Mr Truss prior to dispatch to state ministers for their concurrence. When were those guidelines sent to the states for discussion?

Mr Aldred—The guidelines were signed off by Minister Truss in December and have been distributed to a couple of the states to date at the time that Minister Truss wrote to seek a level of commitment from those states to take the ADP program forward.

Senator O'BRIEN—Which states?

Mr Aldred—Western Australia and New South Wales.

Senator O'BRIEN—Why only those states?

Mr Aldred—Those were the states where the minister was seeking an idea of the level of commitment for some proposals that the Commonwealth has received.

Senator O'BRIEN—So he has not sent them to the other states because he has not received proposals—is that what you are saying?

Mr Aldred—No. We are about to provide advice to Minister Truss about a number of other proposals, and we would expect that the guidelines would be circulated at that time.

Senator O'BRIEN—Was it intended that there would be different guidelines for different states?

Mr Aldred—No, they are all the same guidelines.

Senator O'BRIEN—I am still struggling with the rationale for not distributing it to all states if the intention was that the program would apply in all states.

Mr Aldred—It was administrative. We proposed that the guidelines be distributed as we progressed other matters.

Senator O'BRIEN—But that meant that those states that did not receive them would have been faced with a set of guidelines that might have been agreed in two states but not their state. Was it the contemplation of the minister that there could be an agreement with two states for guidelines but not with others?

Mr Aldred—No, I do not think so.

Senator O'BRIEN—Can you take me through the details of discussions with the states about this program?

Mr Aldred—Sure. We have received a number of informal proposals for comment and work, largely at officials level. In Western Australia we have received a few proposals and we have started some discussions with Western Australian officials on those. Unfortunately, matching funding does appear to be an issue there. In New South Wales a community group has put forward one proposal. The minister has written to his New South Wales counterpart to seek comment and a level of commitment on that one. We have not received any proposals

from Victoria as yet, nor from either of the territories. In Tasmania there was a concept proposal discussed briefly between officials, but it is basically on hold, waiting some further developments in Tasmania. In Queensland there have been a couple of community based proposals that have come forward, and we are having a look at how they might be taken forward. In South Australia there have been several proposals, one of which is a formal proposal from the South Australian government, and the remainder of which have been provided for comment at officials level. We have been working with officials to try and further develop those.

Senator O'BRIEN—How has the Commonwealth ascertained that there are projects which are seeking funding? I take it the intention has always been that this would be a program with matching funding from the states—is that a correct understanding?

Mr Aldred—Yes, that is right. At the outset it was a requirement that matching funding would be provided from the states.

Senator O'BRIEN—So back in May 2001 it was intended that this would be a program which required matching funding from the states?

Mr Aldred—Yes.

Senator O'BRIEN—And as at today, draft guidelines have not been sent to all states and territories.

Mr Aldred—Draft guidelines were actually developed with states last year.

Senator O'BRIEN—With all states?

Mr Aldred—There has been significant involvement with all states and territories at officials level to work those up.

Senator O'BRIEN—But no formal proposal has gone to the states?

Mr Aldred—Only to—

Senator O'BRIEN—Western Australia and New South Wales.

Mr Aldred—Yes.

Senator O'BRIEN—This is a curious way of pursuing Commonwealth-state relations. Has the Commonwealth advertised for applicants for funding under this program?

Mr Aldred—Not to my knowledge.

Senator O'BRIEN—Where do the applications come from? How do they come to be with the department?

Mr Aldred—In various ways. There was a round of consultations held early in the piece with state officials to try to generate a range of proposals. The existence of the program is communicated through some of the standard channels of awareness of government programs.

Senator O'BRIEN—What are they?

Mr Aldred—For example, the Agriculture web site and so on. We also advise people that it exists in correspondence and so on.

Senator O'BRIEN—I take it there is nothing in the \$26.4 million budget for advertising?

Mr Aldred—No.

Senator O'BRIEN—How much for administration?

Mr Aldred—\$1.8 million.

Mr Banfield—Senator, Mr Aldred will correct me if I am wrong, but my recollection is that Minister Truss wrote to all states at the start of the program inviting states to nominate areas for ADP, so the process was actually formalised by the minister in the early stages. As Mr Aldred has said, the program throughout has been bedevilled by the inability or incapacity of the states to match us fifty-fifty on the funding arrangements. That has been the fundamental issue that we have had to address.

Senator O'BRIEN—I would have thought the fundamental issue was to understand what the guidelines were. These sorts of discussions often go on with states about matching funding, but without a set of guidelines what confidence can one have that the program is a mutually acceptable program between the states and the Commonwealth that is to be funded fifty-fifty?

Mr Banfield—That has not been our experience. I take the point you make. But the real issue has been that some states have not been in a position to match funding fifty-fifty, so the guidelines, the administration of the program, is a secondary issue in that sense. As Mr Aldred said, we have been in regular consultation with state officials in terms of the development of those guidelines, but in several states we have not really been able to get over the fifty-fifty matching funding requirement.

Senator O'BRIEN—Several states? Which states have you got over the fifty-fifty funding requirement with?

Mr Banfield—We have a fifty-fifty funding requirement with all states.

Senator O'BRIEN—No; which states do you have the agreement with?

Mr Banfield—Again, Mr Aldred will give you the detail, but we had initial indications from South Australia, and I think Western Australia was the other state. South Australia certainly indicated initially that fifty-fifty funding may be available. That has not been confirmed, to my knowledge.

Senator O'BRIEN—Was that prior to a change of government?

Mr Aldred—Yes.

Mr Banfield—Yes, that is correct. I guess the point I am making is that the Commonwealth is ready, willing and able, but it takes two to tango in a fifty-fifty funding program with the states.

Senator O'BRIEN—I am curious as to the approach, given that, whilst there has been a draft proposal, it does not seem to have gone anywhere. From what Mr Aldred said, it appears that the Commonwealth is pursuing it on a project by project basis.

Mr Aldred—That is correct in terms of trying to develop up proposals that will actually deliver the outcomes of the program. It is not unusual to develop up a project or a proposal cooperatively between Commonwealth and state officials.

Senator O'BRIEN—I am certain it is not unusual, but how often has a program been proposed for which no guidelines are agreed but the pursuit of individual projects continues?

Mr Aldred—They have proceeded in parallel, if you like. As I advised, the guidelines were worked up with officials last year and project proposals considered along those lines as well.

Senator O'BRIEN—Can we have a copy of the guidelines all worked up?

Mr Aldred—Yes.

Senator O'BRIEN—How widely are they distributed?

Mr Aldred—I am not sure that they have been widely distributed. We can provide you with a copy.

Senator O'BRIEN—When you say 'worked up', I take it you are suggesting that they were agreed at officer level.

Mr Aldred—Yes, Senator.

Senator O'BRIEN—Why haven't they progressed beyond that?

Mr Aldred—The guidelines were largely agreed at officer level. But, as Mr Banfield has advised, the issue of fifty-fifty funding remains an issue.

Senator O'BRIEN—So they have not been agreed; they have been largely agreed?

Mr Aldred—They have been developed cooperatively with officials.

Senator O'BRIEN—Okay. But officers have worked together to see what is worth taking to the next step. Is that a fair way of putting it?

Mr Aldred—Yes.

Senator O'BRIEN—When were these guidelines largely agreed at officer level?

Mr Aldred—My recollection is that it was about August-September 2002.

Senator O'BRIEN—This is a funding proposal that commenced two years ago. I take it the only money that has been spent has been on administration.

Mr Aldred—Yes, Senator.

Senator O'BRIEN—How much of the administration budget has been spent?

Mr Aldred—I do not have that figure with me, but I can provide it. You would be aware from previous questions that there have been some funding transfers or losses from the administered item. We provided material on that previously.

Senator O'BRIEN—Remind me how much has been transferred.

Mr Aldred—There was a series—

Senator O'BRIEN—An amount of \$2.5 million was transferred from the program to fund other regional and industry priorities within the portfolio. Is that the amount you are talking about?

Mr Aldred—That is one of them. There was an underspend that was returned to consolidated revenue of \$700,000 in 2001-02. There was a transfer of \$1.2 million as an offset

for the southern bluefin tuna scientific research program, and in the budget papers there was a transfer to the ZeaChem ethanol project of \$400,000.

Mr Wonder—That is, last year's budget papers for 2002-03.

Mr Aldred—It is actually transferred and it shows up in—

Mr Wonder—It was referred in this budget and recorded for a 2002-03 spend.

Senator O'BRIEN—Has this matter of the guidelines for the Agricultural Development Partnerships Program been raised at the ministerial council?

Mr Aldred—The Agricultural Development Partnerships Program was raised at ministerial level. I cannot recall the exact meeting but it was certainly raised at the outset.

Senator O'BRIEN—So it was 2000-01?

Mr Aldred—I suspect it was 2001.

Senator O'BRIEN—And not since?

Mr Aldred—Not to my knowledge.

Senator O'BRIEN—Can you tell us why not?

Mr Aldred—I do not know. That is an item that we have been trying to work out with officials. I think the response from some state governments has been relatively ambivalent. It is certainly worth trying to work out some proposals that might gain some support of the state governments.

Mr Wonder—It would be fair to say that I do not have any particular correspondence or meetings in mind. Over the period of the two years that you refer to, since May 2001, at the CEO level in the standing committee context and in the broader ministerial council context, these issues have been discussed. I guess the Commonwealth has concluded from those broad discussions that, as Mr Banfield and Mr Aldred said, we have had great difficulty in being able to attract the matching funding for the Commonwealth's commitment, which was—as reported earlier—always a basic tenet of the program.

Indeed, it would be fair to say that the difficulty that we have had has also been evident in some other programs that the Commonwealth is trying to take forward that also require matching funding. You would be familiar with some of the challenges we have faced in respect of the Natural Heritage Trust, for example, in the work that we do in combination with Environment Australia. Our strong view is that we have worked very hard at trying to get the Agricultural Development Partnership Program off the ground. We have worked in good faith with officers from the states, in working on guidelines and the like, but we have run into a brick wall in terms of a commitment from the states to match our funding.

Senator O'BRIEN—There are a variety of areas where there have been arguments with the states—which commenced since the election in particular—about matching funding, the NHT, the national action plan, exceptional circumstances, and agricultural development partnerships. Do you have any idea how much in matching funding the minister is seeking from the states when you aggregate the programs that we are talking about?

Mr Wonder—All of them?

Senator O'BRIEN—Yes.

Mr Wonder—Not off the top of my head, but it would be—

Senator O'BRIEN—Several billion dollars, wouldn't it?

Mr Wonder—Yes, it would be a considerable sum. I do not have the number; it would be a guess. I would need to take it on notice.

Mr Banfield—Mr Wonder is absolutely right: with the national action plan we have had this issue of matching funding with the states. But even in very successful programs—such as FarmBis, where we have had previously agreed arrangements with the states for dollar for dollar matching funding—several states have not been in a position to match funding to the level that had been previously agreed. So what we are seeing is a difficulty with the states in matching funding, even for programs which had been previously agreed. The point I am making, I guess, is that there is a context to why it has been so difficult to get projects up for the ADP program.

Senator O'BRIEN—Over what period has this difficulty run? You seem to be saying that there was some opportunity in the past for matching funding, but that the difficulty has arisen. I wonder if you can pinpoint a time.

Mr Banfield—Mr Aldred might give you the details. To particularise it to the FarmBis Commonwealth-state component, at the start of the Agriculture Advancing Australia package, when it was amended and revised, which was announced back in May 2000-01, we undertook negotiations with the states on a dollar for dollar matching arrangement for FarmBis to provide, as you know, support for farmers undergoing training. We reached agreement, including at ministerial level—and again Mr Aldred will correct me if I am wrong, but I think it was an agreement at ministerial level—about shared arrangements and commitments by each of the states in terms of FarmBis. Because of economic circumstances in particular states, some states have not been able to match the Commonwealth funding under FarmBis. South Australia and Western Australia are examples. Those reductions in state funding have become particularly apparent, if I might use that word, in the last 12 months or so.

Senator O'BRIEN—Why do you categorise it that way?

Mr Banfield—I mean reductions in the sense of reductions by the states to levels below what they had previously committed to the FarmBis program.

Senator O'BRIEN—I see. The agricultural development program is down to around \$24 million. Is that the value of the program?

Mr Aldred—It would be lower than that.

Senator O'BRIEN—What would it be down to now?

Mr Aldred—Around \$20 million.

Senator O'BRIEN—So there is \$20 million left for two years?

Mr Aldred—There is \$20 million currently available, including the next two financial years.

Senator O'BRIEN—How is that different from what I said?

Mr Aldred—There is the residual of this year.

Senator O'BRIEN—Right. How many sets of guidelines has the department established? Senator Macdonald has referred to revised guidelines.

Mr Aldred—I am not sure I understand that question. There is only one set of guidelines.

Senator O'BRIEN—There might have been a draft, followed by another draft and then another draft. How many sets of those were there?

Mr Aldred—I think it was an iterative process, through development with state officials last year. It went through a period of development, but there have not been different sets of guidelines.

Senator O'BRIEN—On 23 October last year, Senator Macdonald said:

A revised set of guidelines is now being prepared ... and is being considered by the Minister for Agriculture, Fisheries and Forestry prior to dispatch to state ministers for their concurrence.

When was that revised set of guidelines dispatched? Is that the set that we have discussed?

Mr Aldred—That is the set that we had the previous discussion about.

Senator O'BRIEN—It has been sent to two states?

Mr Aldred—Yes.

Senator O'BRIEN—So there are four states and two territories which have not received that.

Mr Aldred—Yes.

Senator O'BRIEN—How do potential applicants for funds come to understand how the program will operate?

Mr Aldred—Largely through contact with our officials.

Senator O'BRIEN—But, if it is to be funded fifty-fifty by the states and they need to commit to the guidelines, how do your officials know how the program will operate without an agreed set of guidelines?

Mr Aldred—We basically use the guidelines that have been largely agreed between officials as the scope of the program. The objectives and the scope of the program have been outlined previously, so we are certainly able to advise prospective proponents of the nature of the program and the broad parameters.

Senator O'BRIEN—Do they get written advice?

Mr Aldred—Both written and verbal.

Mr Wonder—It is important to mention as well the Commonwealth-state machinery of government—that is, the Prime Minister's ministerial council, the Prime Minister's standing committee and the rural affairs committee that sits under the standing committee, which of course include officials from all of the states and territories. These issues would be routinely discussed in those fora. There would be very good opportunities; these committees meet several times a year. So there would be ample opportunity to share all of these issues.

Senator O'BRIEN—What would these potential applicants see in the form of written documentation? Would they get a copy of these revised guidelines that have been sent to the states?

Mr Aldred—I am not aware that we have provided those. Largely it would be discussing with them the parameters of the program and giving advice on that basis.

Senator O'BRIEN—What sorts of projects are under consideration at the moment?

Mr Aldred—A range of projects have been received. A number of them essentially involve capacity building activities across a range of areas.

Senator O'BRIEN—What does capacity building mean?

Mr Aldred—A number of initiatives that start to develop networks, to develop strategic plans or to gather information upon which community groups can work to devise some proposals for adjustment activities or for taking forward industries within a particular region—those sorts of things.

Senator O'BRIEN—Can you give me some examples?

Mr Aldred—An example would be a proposal for Kangaroo Island, where the proponents are looking to develop a strategic plan for agriculture on the island. Another example would be, again in South Australia, the Virginia plains. There is a proposal to do a range of networking and capacity building activities, largely based to the north of Adelaide.

Senator O'BRIEN—In agriculture, I take it?

Mr Aldred—In agriculture.

Senator O'BRIEN—With the original funding of this program, looking at page 20 of the PBS 2001-02, administrative expenses were \$3.2 million and department output was \$488,000, totalling \$3.688 million—has that figure been revised downwards?

Mr Aldred—I am not sure which page you are referring to.

Senator O'BRIEN—Page 20.

Mr Wonder—You are reading from the 2001-02 PBS.

Senator O'BRIEN—Yes.

Mr Wonder—I do not think we have that available.

Mr Aldred—We have not got that here.

Mr Wonder—We are two years on.

Senator O'BRIEN—It is a program that has not gone very far in two years, so I have to go back two years to get the details.

Mr Wonder—We have a lot of paper, but carrying around three PBSs is just too much. I am just indicating that we do not have the numbers in front of us.

Senator O'BRIEN—So the administered expenses are moneys which were intended to be spent on projects?

Mr Aldred—Yes.

Senator O'BRIEN—And the department outputs are the administration costs?

Mr Aldred—Yes.

Senator O'BRIEN—So for 2001-02, \$488,000 was provided for department outputs. How much was spent?

Mr Aldred—I would have to take that on notice. I have not got the figures with me.

Senator O'BRIEN—The department outputs, as expressed in the 2001-02 PBS, for the year 2002-03 were estimated to be \$478,000. I want to know how much has actually been expended.

Mr Aldred—I will take that on notice.

Senator O'BRIEN—In 2001-02, \$3.2 million was provided. How much of that has been carried forward and how much of that has been diverted to other projects?

Mr Aldred—I think that is what we went through previously; \$2.5 million was allocated elsewhere and \$700,000 was returned to revenue.

Senator O'BRIEN—So all of the \$3.2 million has gone?

Mr Aldred—Yes.

Senator O'BRIEN—For the current financial year, \$6.1 million was the appropriation for 2002-03, as set out in the table in the 2001-02 PBS. How much of that remains in the program and how much has been allocated elsewhere?

Mr Aldred—Again, as we mentioned earlier, \$1.2 million was offset for the southern blue fin tuna and \$400,000 for the ZeaChem ethanol plant.

Senator O'BRIEN—In relation to the \$700,000 in May last year, the department told this committee that the \$700,000 left for 2001-02 was expected to be spent on the beginning of an ADP project but could be underspent. Mr Wilson told us that on 28 May last year. The answer to question on notice No. 889 says that the whole \$7,000 remained unspent at the end of 30 June and no funds from 2001-02 were carried over. So I think we have just confirmed that all of the \$3.688 million provided under the program was gone from the program at the end of the financial year.

Mr Aldred—Yes.

Mr Wonder—Gone but largely reapplied elsewhere.

Senator O'BRIEN—Gone from the program?

Mr Wonder—Yes, but not unspent in the portfolio.

Senator O'BRIEN—I understand what you are saying, and I think you understand what I am saying.

Mr Wonder—Yes. I just wanted to clarify that point, Senator.

Senator O'BRIEN—And some of that \$488,000 set aside for department outputs was spent on administration.

Mr Aldred—Certainly some of it was.

Senator O'BRIEN—What happened to the rest of it? Did it go back to consolidated revenue?

Mr Aldred—I have taken the question on notice. I will provide the information.

Senator O'BRIEN—After the \$1.2 million was filleted from the program for the southern bluefin tuna research for the year 2002-03, I understand that \$4.93 million remained for 2002-03. I think that may have been bumped up to \$4.935 million. The current PBS says at page 21 that the estimated expenditure for ADP in 2002-03 is \$4.535 million. Do I have that right?

Mr Aldred—The current PBS?

Senator O'BRIEN—Yes.

Mr Aldred—Yes.

Senator O'BRIEN—We know that \$400,000 went to ZeaChem. In terms of the PBS, given it appears extremely unlikely that there will be any spend in 2002-03 from what you have told us so far, what is intended to happen to the \$4.535 million which appears in the current PBS for estimated expenses in 2002-03?

Mr Aldred—If it is not used within the program of the portfolio, it would be lost or carried forward into the next financial year depending on a decision of government.

Senator O'BRIEN—So no decisions have been taken at this stage?

Mr Aldred—Not at this stage.

Senator O'BRIEN—The current PBS estimates total ADP expenditure in 2003-04 at \$7.4 million, as I understand it. Correct me if I am wrong.

Mr Aldred—Yes, \$7.414 million.

Senator O'BRIEN—Page 71 of the PBS says:

The Government will reallocate \$1.9 million over four years from the Skilling Farmers for the Future, Agricultural Development Partnerships, and Other Exotic Disease Preparedness programmes to the Tuberculosis Freedom Assurance Programme.

How much is being reprioritised from ADP and what is the impact on the ADP program for 2003-04 and 2004-05?

Mr Aldred—The amount to be reprioritised from the ADP is \$600,000 in 2004-05 and, with respect to the impact on the program, it will not affect any commitments.

Senator O'BRIEN—Because there are not any—that is right, isn't it? It cannot affect commitments that do not exist.

Mr Aldred—There are no commitments.

Mr Wonder—The Commonwealth made the commitment of \$26.4 million to begin with, but we had great difficulty, as I said earlier, achieving matching funding from the states. Unfortunately, the states have not been able to come to the party on the program.

Senator O'BRIEN—That is a bit of a mantra, frankly.

Mr Wonder—It is a fact.

Senator O'BRIEN—It is a mantra that this government has trotted out on every program that has been proposed. We have heard Mr Banfield suggest that states have not been able to afford these programs, but the government continues to trot out dollar for dollar programs. It is a bit of a try-on as far as I am concerned.

Mr Banfield—I did not say that they cannot afford them. What I said was that the states have chosen not to fund them; they have reallocated to other priorities.

Senator O'BRIEN—The *Hansard* will show what you said. Will I find anything in the PBS for funding for the Agricultural Development Partnership Program for 2004-05, or does that rely on the previous out year allocation?

Mr Wonder—No, it is not in the PBS.

Senator O'BRIEN—So it relies on out year allocations in the 2001-02 PBS?

Mr Wonder—There are forward estimates for the program, but the forward estimates are not included in the PBS.

Senator O'BRIEN—I was referring to the 2001-02 PBS, which does show \$8.367 million for 2004-05, which is on page 20.

Mr Wonder—What is that in?

Senator O'BRIEN—The 2001-02 PBS, on the page I was referring to before.

Mr Aldred—That would be because it is a new measure in the way the PBS is structured.

Senator O'BRIEN—I was just seeking to be clear on that; I did think that was the case.

Mr Wonder—We follow the format, as you know, provided by the department of finance.

Senator O'BRIEN—I guess this is my question: has there been no reallocation of funding for 2004-05 since that time?

Mr Aldred—No.

Senator O'BRIEN—So it remains there to be spent subject to subsequent decisions of government?

Mr Aldred—Correct.

Senator O'BRIEN—The whole of the ADP program was initially funded from the reallocation of FarmBis money, wasn't it?

Mr Aldred—From memory, yes.

Mr Wonder—Could you repeat that question, Senator?

Senator O'BRIEN—The whole of the ADP program was originally funded from the reallocation of FarmBis money.

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

Senator O'BRIEN—The 2001-02 PBS says in relation to this program that the reallocation of funds will lead to the provision of services that are better targeted to regions and industries in need. In the explanation on page 52 of the PBS, it says—

Mr Wonder—This is in 2001-02?

Senator O'BRIEN—It is. It says that the government will reallocate \$41 million over four years from the FarmBis Skilling Farmers for the Future Program, to fund the new Agricultural Development Partnership Program, which is \$26.4 million from 2001-02 to 2004-05.

Mr Wonder—Thank you for that, Senator. I had a recollection that it was broader than FarmBis, but I do not have the information in front of me. I think the FarmBis program, when it was proposed originally, was well in excess of \$100 million as I recall.

Senator O'BRIEN—To assist you, it goes on to say:

The reallocation of funds will lead to provision of services that are better targeted to regions and industries in need. The FarmBis program will continue with funding of \$135.9 million over four years.

Mr Wonder—Thank you.

Senator O'BRIEN—I guess the outstanding question is—and perhaps you can give the committee a snapshot of how this works—how have regions and industries in need benefited from the reallocation?

Mr Aldred—We believe that they will benefit. As I have said, we have a number of proposals with us that we are trying to work up jointly with state officials and we would like to see those get going.

Senator O'BRIEN—The whole of the \$26.4 million was reallocated from FarmBis. If we go to the 2001-02 year, \$2.5 million was allocated. Did it go back into consolidated revenue or did it go to another project?

Mr Aldred—It went to offset other projects, Senator.

Senator O'BRIEN—Do you recall what they were?

Mr Aldred—No, I cannot recall.

Senator O'BRIEN—And \$700,000 went back to consolidated revenue?

Mr Aldred—Yes.

Senator O'BRIEN—At this stage in the current financial year there remains \$4.5-odd million which will not be spent. I think we can say that with absolute certainty now, can't we? It is the end of the month at the end of the week, so there will be a month left to agree with state's fine projects and fund them.

Mr Aldred—There is currently \$4.5 million left, yes.

Senator O'BRIEN—In this financial year that \$4.5 million is not going to go to assisting regions and industries in need?

Mr Aldred—I think I responded earlier, Senator, to say that we will be trying to get as much progress with ADPs as we can. Should the funding not be spent, it may be reprioritised, rolled into next year or lost back to consolidated revenue.

Senator O'BRIEN—Or a mixture thereof.

Mr Aldred—They are the options, yes.

Senator O'BRIEN—I think we will leave ADP to linger and lament there. Senator Troeth, I understand you opened the Reaping the Rewards of Innovation: Profiting from Agricultural Change conference last Thursday?

Senator Troeth—That is correct.

Senator O'BRIEN—It was sponsored by the New Industries Development Program and five research and development corporations.

Senator Troeth—That is correct.

Senator O'BRIEN—Was the conference subject to full cost recovery?

Senator Troeth—I would need to refer to someone about that. We would have to take that on notice, Senator.

Mr Wonder—The responsibility for organising that conference comes from our food and agriculture program which, as you are aware, was in the program yesterday. I will have to take it on notice and get back to you.

Senator O'BRIEN—If it was not, can you advise us of the net cost to the Commonwealth and the respective research and development corporations?

Senator Troeth—Again, we will take that on notice.

Senator O'BRIEN—Did the Commonwealth arrange for Dr Courtney Price to fly to Australia to speak at the conference?

Senator Troeth—We will take that on notice as well.

Senator O'BRIEN—If so, please advise us of not just the transport costs but other associated costs, with a breakdown of those costs. In the budget statement, Sustaining Agriculture—the Drought and Beyond, Mr Truss and Senator Ian Macdonald said that a review of the Agriculture Advancing Australia package has found the program has made substantial progress in meeting its main objectives. Can you provide the committee with details of the review terms of reference, advise us of who conducted the review and give us some details about who was consulted during the review process?

Mr Banfield—I will provide an opening comment on that, and Mr Aldred might like to pick it up. The review of the AAA package was not one review as such. It was brought together as one review at the end, but it comprised a number of elements. Individual programs within the package were individually reviewed and evaluated. As you know—we have talked about it in this committee in the past—we have commissioned attitudinal and longitudinal research on the impact on the ground of the AAA package. The results of all of that work were pulled together into a report for consideration by the government.

The short answer to your question is that there was a requirement for the original AAA2 package, as we call it, to be reviewed. We have done that. I am not sure that there were precise terms of reference, but the review was a requirement of the government and we have done that. As you have indicated, the results across a number of programs have been very positive. We in the department take some pride in the fact that many farmers were better prepared for the current drought than what has historically been the case. It is due in no small part to the success of some of the programs in the AAA package, particularly Farm

Management Deposits and the training and risk management programs through FarmBis. We are seeing the benefits of the AAA package in that many farmers have been better able to cope with the drought than they otherwise would have been. Mr Aldred might want to add to what I have said.

Senator O'BRIEN—Who pulled the disparate information together?

Mr Banfield—It was done in the department.

Senator O'BRIEN—Was a particular officer responsible for it?

Mr Banfield—Yes.

Senator O'BRIEN—Who was that?

Mr Banfield—Carolyn Page.

Senator O'BRIEN—Did Carolyn Page write the report?

Mr Banfield—Yes, but there is a requirement for these programs to be reviewed. Carolyn wrote the report but obviously in consultation with agencies such as the department of finance—which has an interest in these matters—to make sure the report met the government's requirements on this matter.

Senator O'BRIEN—Was it a process of a draft and an iterative process after that to come to the final conclusion?

Mr Banfield—I would not quite put it that way, Senator. Basically, when the review was pulled together, drafts were shown to the Department of Finance and Administration as it was progressed. The Department of Finance and Administration was comfortable with the end product. What I am not saying is that the Department of Finance and Administration was asked to sign off on each and every word in the review. It was comfortable that it had been professionally and independently done.

Senator O'BRIEN—Which other agencies?

Mr Banfield—Mr Aldred may be able to help me here.

Mr Aldred—There are a range of agencies. A number of the evaluations that have been done, as Mr Banfield has said, were done on an individual program basis. The task that was undertaken was to actually bring those together to form an overview document and to incorporate the results of the three solutions surveys in 1998, 2000 and 2002.

Senator O'BRIEN—Which agencies again?

Mr Aldred—A number of agencies deal with AAA programs, but essentially—

Senator O'BRIEN—Can you tell us which ones?

Mr Aldred—The key ones would be the Department of Transport and Regional Services, FACS—Centrelink—and the Department of Finance and Administration.

Senator O'BRIEN—Is that it?

Mr Aldred—The Department of the Treasury and the Australian Taxation Office deal with fund management deposits.

Senator O'BRIEN—When was the report received by government?

Mr Aldred—It was received in February or March. It was part of the budget process.

Senator O'BRIEN—Has the report on the program been made public?

Mr Aldred—No. It is a cabinet document.

Senator O'BRIEN—What did the review cost and which program paid for the review?

Mr Aldred—The overall cost was \$390,000. It was funded through Rural Policy and Innovation.

Senator O'BRIEN—Did that money ultimately come from elements of the AAA package?

Mr Aldred—It would have.

Senator O'BRIEN—Can you identify where in the AAA package it would have been funded from?

Mr Aldred—I can take that on notice and have it clarified.

Senator O'BRIEN—Ministers Truss and Macdonald have sought to rely on the positive findings of the review to support the claim that the government had given farmers adequate support during the drought. Can you outline for us the positive findings of the review?

Mr Aldred—Senator, it is a cabinet document. I could seek some advice on that.

Mr Wonder—Sorry, Senator, what did you need to know?

Senator O'BRIEN—I wanted to know what the positive findings of the review were.

Senator Troeth—If it is a cabinet document, I do not think that would be available.

Senator O'BRIEN—So, it is not an independent evaluation?

Mr Aldred—I think we have described to you the process used to bring it together. There are a number of independent evaluations that are part of the document.

Senator O'BRIEN—It is done entirely within the bureaucracy, if I can put it that way. That is the way I understand it. The writing of the review is done within AFFA.

Mr Aldred—As I said, there were a number of components that were pulled together within AFFA but that were largely drawing on evaluations of the programs.

Senator O'BRIEN—Mr Truss and Senator McDonald said in the budget papers:

An independent evaluation has found the Government's flagship agricultural initiative ... has made substantial progress in meeting its main objectives ...

Are you telling us that you cannot tell us in which areas it made progress?

Senator Troeth—I think Mr Banfield indicated some of the areas in which it has made progress—by increasing the ability of farmers to be self-reliant but at the same time to make farms more profitable and sustainable.

Senator O'BRIEN—That is a fairly general statement. I am asking to see how it has made 'substantial progress in meeting its main objectives'. I would like some detail.

Mr Banfield—As Senator Troeth has said, the AAA package as a whole has actually made substantial progress in improving the self-reliance and capacity of farmers. As an example of that you need only look at the contributions that have been made to the Farm Management

Deposit scheme, where a lot of farmers have put—I cannot recall the precise number—something in the order of \$2 billion aside to cope with the drought. That is one very obvious benefit in all of that.

Based on some of the results picked up through things like the solutions research and other elements of the review, we are of the view that the package has helped farmers become more businesslike in their outlook and that it has encouraged their risk management and their self-reliance objectives through, for example, some of the very good programs funded under the FarmBis program. So they are some specific examples of programs which have met an obvious need.

As well, of course—and we have talked about it in the committee in the past—programs like Farm Help have been very important in providing a welfare safety net for farmers suffering financial difficulty in a difficult time. So there are some specific examples of the sorts of things that the package has delivered.

Senator Troeth—I will just add to that, Senator. You mentioned the innovation conference last Thursday. There were approximately 180 people there—that is a rough estimate—and many of the people in the room had gained substantially by being partners with the Commonwealth in the farm innovation package, which enabled them to put forward projects on farm innovation and gain assistance from the Commonwealth. I visited Flinders Island on the next day where there was an outstanding example of farm innovation with a lamb package which provides employment for people in regional areas and assists in the development of the island economy.

Senator O'BRIEN—I am aware of the processing facility, if that is the one you mean.

Senator Troeth—Yes, that is correct.

Mr Banfield—Senator, you asked a question about some of the negatives. Before I go to that, and to add to some of the discussion around the table this morning, as Mr Aldred said, the review of AAA was done obviously as a requirement of government and we have met that requirement. I take your point about access to the results of the information. From our point of view, there is nothing secretive in any of that. We will take on notice to take up with the minister how to make the results of the AAA more publicly known. We will come back to you on that.

With respect to the second issue of some of the negatives of the package, there were a couple of comments I would refer to. One is that there are some improvements that we can make in better targeting some of the financial support programs we make. There are some improvements we can make potentially in better aligning some of those programs with the needs and in providing more positive encouragement for farmers who are having difficulty to analyse their options and make positive choices for the future. I think there are also some messages there for us in terms of working perhaps more closely with industry and some regions to better target the product that is delivered to the needs of the industry and to particular regional areas. They are some of the headline messages that clearly we would be seeking to build on as we look at developing a package for consideration by the government in the context of next year's budget.

Senator O'BRIEN—I must say that, given the statement by the ministers at budget time, one would have expected an independent evaluation to be publicly available if that is how the ministers suggest we categorise the review, and we are talking about an \$800 million program which is supposed to be fully available for scrutiny in this process. Does funding for all elements of the AAA package cease at the end of 2003-04, subject to the review, of course?

Mr Banfield—Most. Farm Help is one program that does not. You would be aware that the government in this budget has extended the application period for Farm Help to 30 June. Potentially there are 3½ years of funding with Farm Help applications. There is potentially 12 months of income support. Farmers then have up to 12 months to sell the farm and get a re-establishment grant, and beyond that there is the potential for up to 18 months of training. Clearly in the case of Farm Help the funding will extend beyond 30 June next year, but for other programs my recollection is that the funding will expire on 30 June next year. The government will be considering the need for a successor package in the context of next year's budget.

Senator O'BRIEN—I will ask about just a couple of further points on the package and some elements of it. There is a further reallocation of FarmBis funding in this year's PBS at page 49. I just say that for reference. In which year did FarmBis begin?

Mr Aldred—This is the second generation of FarmBis, so it was in 1997. We are now into the second generation.

Senator O'BRIEN—You might know or you might need to take this on notice: has a budget year passed without the government reallocating funds from that program?

Mr Aldred—I will take it on notice.

Senator O'BRIEN—Could you provide the committee with advice on the actual spending of this program by year for each year of its operation?

Mr Aldred—I can. I might take it on notice and provide the details in line with the earlier question.

Senator O'BRIEN—It is fairly readily available information isn't it?

Mr Aldred—Yes.

Mr Banfield—To clarify, Senator, are you talking about the AAA2, as we call it, the replacement package that is currently in operation? Or are you talking about the full package since 1997?

Senator O'BRIEN—We are.

Mr Banfield—The reason I raise that, Senator—and I know I am recalling some questions that you have put on notice in the past on this matter—is that some of the program elements of the original AAA package are no longer within the purview of AFFA. There are some programs that were transferred to the Department of Transport and Regional Services with the change in administrative responsibility.

Senator O'BRIEN—I am asking about FarmBis.

Mr Banfield—Specifically FarmBis?

Senator O'BRIEN—Yes.

Mr Banfield—That should not be a problem.

Senator O'BRIEN—Farm growth through export growth is one element of the AAA package. Does this initiative receive discrete funding.

Mr Wonder—What do you mean by discrete funding, Senator?

Senator O'BRIEN—I mean funding which is identifiable to that element of the package.

Mr Banfield—Yes, Senator. It is funded through departmental expenses. It is not an administered program in that sense. The funding of it is part of the departmental expenses of the package.

Senator O'BRIEN—So when the AAA program is described as an \$800 million program, does the figure include the funding for this initiative?

Mr Banfield—That is correct.

Senator O'BRIEN—Can you outline the nature of the initiative again for us?

Mr Banfield—Of farm growth through export growth? This is a program within the responsibility of Market Access and Biosecurity, but I will give you a brief overview. If you want more precise details, I will need to refer to Market Access and Biosecurity. Essentially, money was provided by the government to develop markets particularly in the regions. Funding has been used to support openings of markets in China, as I recall, and Thailand to support exchanges and initiatives which would improve access for Australian agricultural commodities into those markets.

Mr Wonder—The two major agreements that come readily to mind that have received very significant funding from that program are projects under the Australia-China Agricultural Cooperation Agreement and projects under the Australia-Indonesia Working Group on Agriculture and Food Cooperation. As Mr Banfield has indicated, there are a number of other projects in other countries as well. At the end of the day it is classified as departmental, inasmuch as the projects and the work that are being done are actually being carried out by departmental officers in terms of working with their counterparts in other countries to set up projects such as those under the China agreement where we exchange business missions and the like.

Senator O'BRIEN—I am glad you referred to that program because I wanted to know what recent progress had been made on the Australia-China Agricultural Cooperation Agreement.

Mr Wonder—I can give a brief answer to that, because earlier this year I led a delegation to China to have a meeting with our Chinese counterparts as scheduled under the requirements of the Australia-China Agricultural Cooperation Agreement. The design of the agreement is that we have a number of missions that our Chinese colleagues send to Australia. Increasingly, these are of a commercial nature.

There are matching missions that Australia sends to China, also of a commercial nature. This agreement has actually been in place for about 20 years, since the mid-eighties. In more recent times, it has been given some very significant funding through the AAA program.

When you say ‘the details of the programs’, I actually have not come equipped with a list of projects. But there would be a list of missions, as they are called, from China to Australia and vice versa, that we could make available to you.

Senator O’BRIEN—I think your web site said there have been over 110 exchange visits.

Mr Wonder—Yes, that would be right.

Senator O’BRIEN—That is the sort of thing funded under this program.

Mr Wonder—Yes. There are particular industry focused projects, whether they be in agriculture, fisheries or forestry, and they cover all of those areas. It is not just agriculture related. Typically, each term of the projects includes about 10 missions from Australia to China and another 10 from China to Australia.

Senator O’BRIEN—What about the Joint Working Group on Wool with China? What can you tell us about that?

Mr Wonder—I am less familiar with the details of that group, Senator. I have not been involved with it and, as Mr Banfield indicated, the officers concerned would have been involved in yesterday’s program. I would be happy to provide you with some further details on notice.

Senator O’BRIEN—Your web site says its activities are under review.

Mr Wonder—I would have to take that on notice, Senator.

Senator O’BRIEN—What progress has been made by the Australia-Indonesia Working Group on Agriculture and Food Cooperation?

Mr Wonder—Again, it is something that a couple of colleagues at the table have been involved with in the past—including myself—but not recently. It is something that Market Access and Biosecurity officers would need to provide you with an answer on. I am happy to take that on notice. I can say that, with the instability that was being experienced in Indonesia, some of the meetings planned over the last few years were postponed. I know we are still working very hard to make the agreement a success. I am aware that there would not have been as many meetings held over the last few years as were planned but there is still a very close relationship between our two countries. I would have to take any further detailed questions on notice, Senator, and come back to you.

Senator O’BRIEN—What can you tell us about the Australia-Philippines Meat, Dairy and Livestock Working Group?

Mr Wonder—Very little, Senator. I would have to take that on notice. Again, it would be an activity that was part of the estimates of the Food and Agriculture and Market Access and Biosecurity businesses.

Senator O’BRIEN—Did the Australia-India Joint Business Group on Natural Fibres and Textiles make any contribution to the recent Indian decision to cut the basic tariff on greasy wool used for clothing?

Mr Wonder—I would have to take that on notice, Senator. Again, that would be in Food and Agriculture’s business.

Mr Banfield—Certainly we will take that on notice, Senator. The department has been quite active in the India wool issue, resulting in the reduction of the tariff. Whether specifically the working group contributed to that, I suspect the answer is yes—but we will come back and confirm that.

Senator O'BRIEN—Mr Truss made a statement on 5 March about the wool tariff cuts saying the Indian parliament was expected to approve the decision by the end of April. I do not recall seeing that it had actually happened. Has it happened?

Mr Wonder—Again, I would like to confirm that on notice, Senator. I do not have those specs with me.

Senator O'BRIEN—Can you provide an update on the Murrumbidgee Irrigation Area Rural Partnership Program, whose funding was due to be expended by March 2004?

Mr Aldred—I can give you a few details but I may have to take something on notice. My understanding of it is that there are still funds outstanding in that particular initiative. I think there has been a request to extend the time line for completion of it.

Senator O'BRIEN—How much money in total was available to this program?

Mr Aldred—Total funding was \$2.5 million.

Senator O'BRIEN—How much has been spent to date?

Mr Aldred—To 30 April, \$797,000.

Senator O'BRIEN—How long does it take you to spend \$797,000?

Mr Aldred—The project commenced in September 2000.

Senator O'BRIEN—How is the West 2000 Plus Program in New South Wales going?

Mr Aldred—There has recently been some changes. Some of the measures have been approved by Minister Truss and the New South Wales minister. In a general sense it has got a deal of support throughout the region.

Senator O'BRIEN—How much has been expended on that program to date?

Mr Aldred—Current expenditure to 30 April from the Commonwealth is \$1.033 million.

Senator O'BRIEN—How much is allocated in the program?

Mr Aldred—\$6.183 million.

Senator O'BRIEN—How long has the program been running?

Mr Aldred—I am struggling to find it, Senator. I will take it on notice if you want to move on; otherwise, if you want me to check I can check on it.

Senator O'BRIEN—Okay, while you check that, I will hand over to Senator Stephens.

Senator STEPHENS—I wanted to ask some questions about progress on the Inland Marketing Corporation. In 1997, the minister at the time, Mr Sharp, established an independent review of the IMC, I understand. Then the government commissioned a further report, announced by Senator Brownhill in 1999. Funding for the IMC first appeared in the additional estimates for 2000-01. Funding was to be \$4.5 million over three years to develop the export marketing opportunities for commodities and produce for farms in central western

New South Wales. The funding was to be for projects that would foster demand for commodities by increasing export exposure and improving the supply chain between producers and international markets.

In that additional PBS, performance indicators were identified. In relation to effectiveness, the indicators referred to evidence of promotion of export and marketing opportunities for non-metropolitan regions of New South Wales. Of course, the IMC was to report back to the Commonwealth against their outcomes. Grading of products exported out of the central west was part of the initiative for ensuring quality of products. We will begin with a question: what advice has the department received from the IMC in terms of achieving those objectives?

Mr Aldred—IMC report regularly and they have reported against their year 1 and year 2 key performance indicators. Some of the achievements that they have made against those include the development of markets in Hong Kong, Taiwan and Singapore. They have also done some exports into Malaysia and are looking at trying to develop further markets. They have established a regional marketing strategy and they regularly meet to brief producers on market trends. They also advise that they have developed a live e-commerce system. All of these go towards meeting the outcomes specified in the deed. But certainly the drought over the last year has caused some problems for IMC.

CHAIR—If you were, in very simple language, to ask the question of what they have achieved over the many years they have been in operation, what would you write on the board?

Mr Aldred—I think I would write that they have raised awareness of opportunities for export of produce and, I think, expanded people's interest in taking up those sorts of opportunities.

Senator STEPHENS—Having said that they have increased awareness and increased interest, do you consider that taxpayers have got value for their money, given that nearly all of this money has been expended?

Mr Aldred—We have assessed the expenditure against the deed and assessed that they have met the performance indicators and made payments on that basis.

Senator STEPHENS—What returns have there been to the region through the expenditure of the money, in dollar terms?

Mr Aldred—If you are asking whether we have undertaken a cost-benefit analysis or something of that nature—no, we have not.

Senator STEPHENS—Is that intended to happen?

Mr Aldred—No.

Senator STEPHENS—In the 2002-03 PBS there is reference made to improving regional supply efficiencies. Can you elaborate on that objective and how it is being achieved?

Mr Aldred—Could you give me the reference, please?

Senator STEPHENS—It is in the 2002-03 PBS.

Mr Wonder—They are the same performance indicators, I am pleased to report, as in the 2003-04 PBS on page 57.

Senator STEPHENS—My question went to the extent to which that objective of improving regional supply efficiencies has been achieved.

Mr Aldred—Again, I would go through and give you the same comments about the development of markets and the e-commerce system that has been set up.

CHAIR—So there is actually something you can reach out and touch, is there?

Mr Aldred—Yes, there is. As I understand it, the system allows people to look at orders, market opportunities and so on. But again, I would say that the current state of the drought has not helped matters.

Senator STEPHENS—I refer you to an article in the *Australian* of 4 December last year, headed 'Parkes sparks a hub hubbub'. In this article, Mr Alex Ferguson was quoted as saying that developing Parkes as a key centre for agricultural exports could take up to 10 years, not three to four years. Are you aware of that article?

Mr Aldred—I am not aware of the article.

Senator STEPHENS—He has suggested that a lack of interest from the federal government in the development of an international freight airport has not helped. Can you tell me what discussions there have been with this department about the need for such an airport to get agricultural exports off the ground?

Mr Aldred—I am not aware of any discussions in regard to that matter with Mr Ferguson.

Senator STEPHENS—You are not aware of any discussions about the airport concept?

Mr Aldred—Do you mean the issue you raised with Mr Ferguson?

Senator Troeth—I think that may have been more the area of the Department of Transport and Regional Services, where it would logically fall.

Senator STEPHENS—Thank you. This department has invested a lot of money in the IMC, and I asked before whether or not you thought that you were getting value for money for that level of investment. Would you consider that?

Mr Aldred—I advise that we consider whether they have met the key performance indicators and administer the deed of grant on that basis.

Senator STEPHENS—The \$4.5 million is over three years. Do you think that the department will continue to invest in the IMC beyond that period of time?

Mr Wonder—That is a decision for the government, not a decision for the department.

Senator STEPHENS—It is a major investment. I just wondered whether or not it would be worth pursuing. Has all of the allocation of \$4.5 million been spent?

Mr Aldred—No. Out of the \$4.5 million, payments of \$4 million have been made.

Senator STEPHENS—Given that the time frame has nearly expired, have there been discussions with the Department of Transport and Regional Services about ongoing funding for the IMC?

Mr Aldred—No, we have not held any discussions with the Department of Transport and Regional Services.

Senator STEPHENS—Given that you have spent \$4 million of the \$4.5 million allocation, is it possible to get a breakdown of that expenditure and where it has actually gone?

Mr Aldred—Yes, it has been spent according to the deed of grant—on regular payments to the IMC. We can provide you with that.

Senator STEPHENS—Thank you.

CHAIR—You do not happen to know what IMC's percentage of the Commonwealth gross take is, do you?

Mr Aldred—Not offhand.

CHAIR—They used to pass the hat around the councils when I was the mayor of wherever I was the mayor of I know.

Senator O'BRIEN—Was it a big hat? That is the question.

CHAIR—Certainly nothing got put in it when I was there.

Senator O'BRIEN—Nothing got put in it; so the Commonwealth was putting the money in but it was not attracting people in the region's attention. I am trying to get some detail here and you are very helpful, Senator Heffernan. What is the life of the West 2000 Plus program?

Mr Aldred—I got slightly distracted with another question while you were out of the room. I will try to continue. The current program is scheduled to end in December 2008.

Senator O'BRIEN—So it started in 2000; is that right?

Mr Aldred—Yes, I think that is right. But given I was not around then, I will need to confirm that for you.

Senator O'BRIEN—Can you give us an idea of the sorts of projects that money has been expended on?

Mr Aldred—There have been a number of training and skills programs and the funding of some alternative industry projects to try to provide alternatives to traditional agriculture.

Senator O'BRIEN—What sorts of industry projects?

Mr Aldred—As I understand it, farm stays, kangaroo harvesting and a small-scale feedlot.

Senator O'BRIEN—Where would the feedlot be?

Mr Aldred—I would have to check. I will take that on notice.

Senator O'BRIEN—It would not have much feed, I don't think. You would have to be giving them a lot of money, I think, for them to be operating. Senator Heffernan tells me there is not a lot of grain out in western New South Wales.

CHAIR—We will not discuss the weather. We will now break for morning tea. Thank you very much, ladies and gentlemen.

Proceedings suspended from 10.44 a.m. to 11.01 a.m.

ACTING CHAIR (Senator Ferris)—Senator O'Brien, I think you are in continuation.

Senator O'BRIEN—Yes. I take it Mr Taylor does not want to make any opening statement.

Mr Taylor—My colleagues made the opening statement yesterday.

Senator O'BRIEN—Sure; I thought I would say that as a matter of courtesy. I want to talk about the ABARE issue, but before we turn to ABARE can you tell me where in Canberra your meeting with the Director-General of the New Zealand department of agriculture was held? I understand you spent some time in the Edmund Barton Building yesterday. Was that the venue?

Mr Taylor—I met with him in the Edmund Barton Building, I met with him over lunch yesterday with the Department of Foreign Affairs and Trade. I met with him and the High Commissioner for New Zealand last night over dinner and I have been meeting again with him this morning. I have just come from a meeting with him to come to the Senate.

Senator O'BRIEN—I understand this New Zealand official met with a range of industry groups on Monday, including the NFF. Did you attend those meetings?

Mr Taylor—The only meeting I did not attend was the one with the NFF.

Senator O'BRIEN—Okay. So I take it most of your day yesterday was taken up in meeting with him.

Mr Taylor—That is correct. I think it is probably worth just recording that I wrote back on 8 May and indicated that this meeting was taking place with the New Zealand Director-General over Monday and Tuesday. I think I indicated that I hoped that this would be acceptable and that I tendered my apologies. But I certainly left it open for a response, and there was no response to that letter to indicate variation to what I had suggested on 8 May.

Senator O'BRIEN—You wrote to the Chair?

Mr Taylor—Yes, I did.

Senator O'BRIEN—When was the meeting scheduled with the Director-General?

Mr Taylor—The Director-General indicated sometime, certainly after the Senate committee had scheduled its meetings, but he had indicated through his office here in Canberra—the High Commission—that he would be visiting Australia on the two dates, the Monday and Tuesday. That is why I wrote to the committee. Importantly, I have gone out of my way to make sure my colleagues were fully briefed across all issues so that in no shape or form would the committee be other than fully supported in its deliberations over these two days.

Senator O'BRIEN—So it was after the program had been established.

Mr Taylor—I think the program was established sometime last year, Senator.

Senator O'BRIEN—I am just curious, because we always have the facility of reorganising the program, and we often do, to meet the needs of parts of the department and other departments. Why, for example, would it not have been possible to reschedule?

Mr Taylor—I am sure that it was quite possible. That is why I wrote the letter on 8 May. There was no approach made to me to ask whether or not we could make a change to the schedule. If that had happened, I would have certainly given it consideration.

Senator O'BRIEN—In your letter to the committee you said that there were important trade, quarantine and animal health issues to be discussed with the New Zealand official. What issues were discussed?

Mr Taylor—We have been discussing a range of issues about trade. Australia and New Zealand in particular have been major partners in the Cairns Group. We work closely together on a wide range of international trade issues and we have been having deliberations across those. Quite clearly, trade issues also involve SPS issues and quarantine issues and we have had some discussions about those. Australia and New Zealand share some of the best circumstances for their animal and plant industries in terms of their low disease and pest status and biosecurity issues surrounding that. They are important issues in this working partnership—maintaining those circumstances.

Senator O'BRIEN—Were there any issues relating to Australian quarantine and problems that New Zealand perceives with it?

Mr Taylor—No, there were not any issues relating to problems with Australian quarantine.

Senator O'BRIEN—So the issue of importation of New Zealand apples to Australia was not raised?

Mr Taylor—The discussions that took place between the director-general and me were of a high-level nature and were very much about how we can better position Australia to successfully open trade and manage SPS arrangements in the broad, rather than dealing with particular import risk assessment approaches or particular trade issues. I believe you had some of my colleagues from Biosecurity Australia in yesterday, who would have no doubt briefed you on any of the information that you sought and, importantly, who deal with our New Zealand colleagues directly. The issues that Murray Sherwin and I were dealing with were not of that nature.

Senator O'BRIEN—Did you raise the issue of the secretive nature of their import risk assessment process?

Mr Taylor—No, we did not raise that in that discussion yesterday.

Senator O'BRIEN—Is that not the sort of high-level thing that might be talked about—the generality of the process in New Zealand?

Mr Taylor—We have had numerous discussions prior to yesterday about how transparent arrangements might be. I think I have actually explained to this committee in the past that Australia has a stand-alone reputation for the transparency of its approach to import risk assessments; it is second to none. In almost every discussion we have where we focus on the detail of how countries might be operating, we draw that issue out. I have certainly had those discussions previously with Murray Sherwin but they were not part of the discussion yesterday.

Senator O'BRIEN—Were there any outcomes of the discussions or were they simply informative?

Mr Taylor—There will be some outcomes. We are going to look at ways—and we will be working with colleagues in the Department of Foreign Affairs and Trade—in which we can further enhance our working together to assist the interests of both Australia and New Zealand in terms of progressing interests of the Cairns Group and improved international trade, which is very important in the agriculture sector in particular. I think there are always possibilities for us to liaise more effectively in those areas and we have certainly given some consideration to that. We have not yet finalised anything but we have had those informal discussions.

Senator O'BRIEN—Is there a projected continuation of the discussions?

Mr Taylor—Yes, there is.

Senator O'BRIEN—When will that be?

Mr Taylor—At this point in time, if it is to the convenience of the Senate, we will be meeting over lunch with a series of high-level officials from the Commonwealth. We will be discussing a range of issues to do with water. New Zealand is also grappling with issues associated with water and we will be looking at that issue in an Australian context and some senior colleagues will be sharing some of our experiences with Murray Sherwin.

Senator O'BRIEN—I am going to proceed to the ABARE issue. In relation to the review of ABARE, on what date was it initiated?

Mr Taylor—I would have to say that I cannot recollect the date exactly. I am sure Mr Banfield or Mr Pahl can find that out for you and will provide it, but it was early March.

Senator O'BRIEN—Was it your decision to commence the review?

Mr Taylor—Yes, it was.

Senator O'BRIEN—Did you consult with Mr Truss before initiating the review?

Mr Taylor—Yes. I had a discussion with Minister Truss, Minister Macdonald and Parliamentary Secretary Troeth, very much indicating that, while it was my decision, it was important to explain what I was intending to do.

Senator O'BRIEN—When did that take place?

Mr Taylor—Some time before the announcement in early March. I cannot give you the date.

Senator O'BRIEN—Can you give it to us on notice?

Mr Taylor—I am not even sure I can do that, Senator. It was an informal meeting that I had with the three ministers.

Senator O'BRIEN—All three together?

Mr Taylor—I can give you an estimate beyond this meeting but my guess is it was either in the first week of March or the last week of February.

Senator O'BRIEN—And all three together?

Mr Taylor—Yes.

Senator O'BRIEN—I take it from your earlier answer that this matter is a matter for you rather than for the ministers.

Mr Taylor—In a formal sense the decision in terms of the FMA Act sits with me. Very importantly, the way I go about managing my organisation is to work very closely with my ministers, making sure that while accepting the responsibilities which have been imposed upon me, I also make sure I at least elaborate on what my thinking is. I listen and I make consequential decisions in terms of analysing all the facts. But I do not think it ought to be seen as something I just do without regard to ministers' views.

Senator O'BRIEN—Mr Truss told AAP—and I quote:

“I think technically the secretary makes the decision, but I'm sure he'd ask me,” he said. “I'm sure he would want to get the government's feeling on this, and I'm sure he would want to ask my opinion.”

Mr Taylor—I think I have actually reinforced all of that, Senator.

Senator O'BRIEN—I guess that makes you pretty powerful in this matter. Is the decision about the future of both ABARE and BRS yours to make?

Mr Taylor—Yes, it is. It does not make me powerful. I think it is an important issue. I actually have formal responsibilities which I take very strongly about the efficient, effective and ethical management of the department which is conferred on me. I do that very strongly in that collaborative way with the government, as I described. I have gone out of my way in this process to consult very closely and initially with the staff about the steps I was taking. I convened a meeting of some 250-plus ABARE and BRS staff. I cannot actually give you the precise numbers that arrived but we filled the largest area we have available. We have had two subsequent meetings, so that has been a very open process of collaboration with them.

In undertaking the review I certainly asked that David Banham undertake it in a very strongly consultative way. I put together a group of people in a steering committee chaired by Geoff Gorrie, who is also known for his consultative approach. There has been a wide range of discussions. I have also consulted with a range of colleagues. So it has been a very open process about what we are doing. It has not been a process that is in any shape or form one of trying to exercise power but much more one of effectively and efficiently managing as best we can. The important thing that led me to make this decision to conduct a review is just recognising where we sit in the year 2003. Importantly, in 2003, there are major challenges about how we address both economic and scientific issues simultaneously.

I will use one that has been in the public domain—the issue of native vegetation, where there are a lot of complex issues, both economic and environmental, that come together. But there are many others of the same nature—the way in which we manage fishing and forestry industry type issues, and the way in which we tackle natural resource management issues. So on the one hand there is the very positive issue about the scope for better integration of science and economics in delivering advice for government, for the parliament and for the community. We have been very strong right from the beginning about the independent nature of the two bureaus being maintained. We have also been strong on giving emphasis to the fact that the important work that has been commissioned by way of government appropriation will be continued.

We were confronted, though, with some of our external funding—both ABARE and BRS being less in 2002-03 and prospectively less in 2003-04 than it had been in the past. It was important to make sure that we just did not drift but that we actually did manage in an

effective and efficient manner and take advantage of those opportunities that are unfolding. I actually see the opportunity for a new future, building very strongly on the strengths of two exceptional bureaus. We do not intend it to be anything other than that. To the extent that there might be any savings, they will be of a nature that is associated with the saving in administration. I think the fact that we have managed to wind up saving in administration is a plus. I do not think that we should ever shy away from efficiency in that area. But in terms of the science and economics, we do not see any change in our commitment to ongoing staff in appropriation.

Senator O'BRIEN—I hear you comment that you do not agree that you are pretty powerful. You are certainly in a pretty powerful position. I think it is correct to say that, technically, you could make a decision to, for example, abolish ABARE without reference to the minister. That is correct, isn't it?

Mr Taylor—I think there is a fair degree of precedent in terms of how secretaries operate.

Senator O'BRIEN—I am asking you: are you empowered to do that under the legislation you referred to?

Mr Taylor—I am empowered to manage the organisation in an effective, efficient and ethical fashion. Part of that—from my acceptance of the way in which the act is written and my responsibilities—is to do that with a strong consultative approach, which I have attacked in that fashion. I do not see myself attacking things in some sort of pre-emptive way at all. I think it is fair to say, and the committee will be not unaware of it, that we have actually made other decisions. We very strongly established a governance group within AFFA some years ago. We made other changes when we split Biosecurity from the Australian Quarantine Service. So it is not that we have not actually exercised that power before, but we exercise it with great care and great thought.

Senator O'BRIEN—Mr Taylor, the proposition I put to you is that you are in a pretty powerful position. I understand that technically you could make the decision to, for example, abolish an organisation like ABARE or put it somewhere else in the organisation. In fact, you could make wholesale changes to the department without necessarily obtaining the approval of the minister. Is that a fair statement of the position that you are in under the legislation?

Mr Taylor—I do not think it is a fair statement at all. I think in practice the way in which senior officials operate is to both respect their responsibilities and exercise them appropriately, as I have described before. I do not think any of us—certainly I do not—

Senator O'BRIEN—So the legislation does not empower you to do that?

Mr Taylor—The legislation sets up a framework in the way people operate, and it was certainly passed by the two houses of parliament. How legislation is carried out in practice is having respect for the institutions, particularly the institutions of the government, and, in this case, the broad service nature of these two bureaus.

Senator O'BRIEN—When was ABARE established?

Mr Taylor—I think ABARE was established in 1987, when two departments came together to form the Department of Primary Industries and Energy—but I would stand

corrected on those dates. I am just giving you my recollection that it took place some time after 11 July 1987.

Senator O'BRIEN—Can you outline for me the functions that it currently performs?

Mr Taylor—I am happy to give you a detailed outline of those. The reason I say that is that it carries out a wide range of functions. Rather than leave some of those out, I will have my colleagues provide that comprehensive brief to you subsequently.

Senator O'BRIEN—I believe ABARE has a good reputation. Would you agree?

Mr Taylor—I have actually explained before that the two bureaus have exceptional reputations.

Senator O'BRIEN—I travel around rural Australia quite a bit and regularly speak to farm organisations, both large and small. Most people I speak to seem pretty satisfied with the quality of ABS work. That is not an issue, I take it, in this consideration?

Mr Taylor—It is certainly not an issue in itself.

Senator O'BRIEN—I guess I want to get to the heart of the problem.

Mr Taylor—The heart of the problem is very easily explained. There is not a problem, there is an opportunity. The opportunity is that we are in an environment where, increasingly, science and economics come together in much of our decision-making. We are grappling with issues of both an environmental nature and an understanding of the way in which natural resources come together and interact with productive systems. Equally, we are very concerned about what the economics of those are. The major challenges sitting in front of us are many and varied, but invariably of that integrated nature of bringing economics and science together.

I reflected on some of the issues around native vegetation management. One of the great challenges for us is water and water management—another very important issue where science and economics intertwine in a very close-knit fashion. The opportunity to gain from integrated delivery is very high, and that is what we intend to gain, as a new opportunity, out of the way in which we bring the two bureaus together.

We also have an opportunity to reduce administration costs, which seems to me to be one that is also wise in respect of effective and efficient management. It was important, particularly with regard to our staff, where we were having declining external revenues, to not just stand by and let that drift on but to see if we could create something that would give an opportunity for expansion. So I see where we are heading to in a very positive sense.

I want to make it clear that those very strong—if you like—icon activities that sit within both the bureaus will be a key part of the new framework. I could range across from the outlook conference, to the important survey work, to the leadership in greenhouse issues, to the extraordinary work that has gone on in trade to the excellent work that has been undertaken in both the forestry and fisheries-type areas. They all have very strong support. By singling those out, though, I do not want to leave the impression that others are not important. That is why I indicated my colleagues would provide you with a more comprehensive list of functions.

Senator O'BRIEN—If you have those views, what is the purpose of the review?

Mr Taylor—The purpose of the review is very important to, as I said, make collaborative and consultative approaches to make sure that those views are shared by others—and agreed by others. Importantly, we have gone out of our way to consult widely, I think. I am not sure whether this was raised with you yesterday, but the overwhelming response has been very supportive of the more integrated approach, as to how we approach the challenges ahead. So in respect of that review and consultation, we have had a very high level of support from parties.

Importantly, we have also touched base with our staff very strongly through the process. As recently as last Monday, I spoke with them. I said, 'As we are reaching final conclusions and starting to deliberate on some more definitive steps, I still want to take that final input from staff.' We did that right at the beginning and I am doing it right at the end.

Senator O'BRIEN—Did you select the review team?

Mr Taylor—Yes, I did.

Senator O'BRIEN—On what basis were they selected?

Mr Taylor—On the basis of their expertise in the past.

Senator O'BRIEN—Is their speciality administrative expertise? How would you break down their expertise?

Mr Taylor—I would call it expertise in a more general sense—senior public servants with a broad range of knowledge, able to make useful analytical decisions about what I call complex administrative decisions—but also to liaise well with the parties involved.

Senator O'BRIEN—Can you tell me when the review commenced and when the first draft report circulated?

Mr Taylor—I think I indicated before that my recollection of dates was not perfect and I will make sure, rather than run the risk of misleading you, that my colleagues provide those to you. But I think I indicated that it was at the beginning of March when we initiated the review. My recollection—and I will have my colleagues make sure the record is correct—is that we started dealing with the first draft at the beginning of April. I would much prefer for my colleagues to just confirm that.

Senator O'BRIEN—Has just one draft report been circulated?

Mr Taylor—Just one draft report has been circulated.

Senator O'BRIEN—How widely has it been circulated?

Mr Taylor—I would have thought that, since we provided a copy to all 250-plus staff members who came to the consultative group—we provided a hard copy to each of them—we were into widespread circulation. Certainly, anyone who had asked for a copy would have been welcome to one.

Senator O'BRIEN—I am interested in your personal consultation. We have been told that you talked to the economics committee of the NFF. Can you tell us—now or on notice—when that meeting took place and who was present?

Mr Taylor—Let me just go back. First of all, with regard to the consultation, my request to the review committee and the panel quite clearly was for them to undertake consultation. So it was not me seeking to supplant that. I have been strongly in consultation with, firstly, other colleagues within the Commonwealth. I have also consulted with the state department heads, who are major users. I also consulted with the NFF. I cannot say that my consultation was broader than that. I will have the date brought to your attention, but it was a couple of Thursdays ago. I cannot recollect it perfectly but my colleagues will give you that date. I met with the economics committee of the NFF, which has a range of both commodity and state representatives on it. I cannot recollect all their names but I am sure that the NFF would be pleased to provide those to my colleagues, who will provide them to you.

Senator O'BRIEN—Thank you for that. What was their response? Firstly, can I ask you did you provide a copy of the draft report to them containing the recommendation that ABARE and BRS be abolished and a new bureau created?

Mr Taylor—I did not provide a copy of the report but I actually walked them through those recommendations.

Senator O'BRIEN—What was their response?

Mr Taylor—We had a detailed discussion. Their response was positive about proceeding with the proposed approach.

Senator O'BRIEN—The NFF isn't the only stakeholder in ABARE, is it? There are a range of commodity groups that rely on ABARE's professional work.

Mr Taylor—I think I indicated that the NFF's representation consisted of both commodity groups and state representatives. I cannot tell you precisely who they were.

Senator O'BRIEN—So, to the extent that they were represented there, you have consulted those organisations?

Mr Taylor—I did.

Senator O'BRIEN—Do I take it that you have not had other outside consultations?

Mr Taylor—No, I think I indicated when I opened this conversation that the consultative process I principally left to the way the review took place. I think it is fair to say that, with the very open consultation with staff and the media comment that has taken place since the beginning of March, it is quite clear that this has been an open process. Anyone who might have wished to make comment who had not been approached I can assure you would have been very willingly listened to. That is in addition to that wide range of people who have been consulted directly.

Senator O'BRIEN—Do you know whether other stakeholder organisations have asked for a copy of the report?

Mr Taylor—I cannot answer that. I am not aware of any.

Senator O'BRIEN—Mr Banfield, can you assist us here?

Mr Banfield—My understanding is that the review team did make copies of the draft report available to selected key stakeholders. I think I indicated that to the committee yesterday.

Senator O'BRIEN—I must say that my communication with the farm sector suggests considerable disquiet with the way the review process has been managed. I appreciate it is difficult if you are close to an issue to get the perspective that others might have of the process. Would you agree that many organisations are unhappy with the consultation process?

Mr Taylor—I do not think I would agree with that at all, Senator. I am not doubting that there may be some people with different views, but I do not agree with that view. Very importantly, as I indicated, those key stakeholders have been consulted. Very importantly, in the decision making process, I have given great emphasis to where the focus of the work of the two bureaus will be in the future. My general observation is that when people ascertain the maintenance of existing high priority activity and the opportunity that will come from more effective integration of science and economics, and the savings in administration that will again be directed at that end of improved integration, improved science economics, there has been very positive support.

Senator O'BRIEN—You are not aware that many organisations are unhappy with the consultation?

Mr Taylor—The best way of responding to you, Senator, is by saying that I have always had an open door and an open phone, and I have made that clear.

Senator O'BRIEN—That is not a response to my question.

Mr Taylor—No, but I am going to answer, Senator, in a slightly different way, if I may. I have not received one comment of that nature.

Senator O'BRIEN—I understand the first draft report for circulation recommended that upon the abolition of ABARE and BRS you would appoint an implementation group to review research activities. Is that correct?

Mr Taylor—Yes it is, but I think it is important to say that the final decisions will be made after all those consultations are drawn together. In the first report we certainly have the review's initial suggestions. I do not want to be bound by any of those particular suggestions. We will be taking those into account in light of all the consultations and the advice from staff and stakeholders.

Senator O'BRIEN—I further understand that the recommendation went on to provide that this group would make its recommendations to you and the outcome would be subject to your approval. Is that correct?

Mr Taylor—If I can put it this way, I know that is what the report said. You actually drew to my attention right at the beginning the authority I have. I have also drawn to your attention how I go about exercising that authority. So I think it is fair to say that yes, I will be the final decision maker, but I have given some detailed elaboration in the earlier discussion about that approach.

Senator O'BRIEN—At what point does the minister become involved?

Mr Taylor—Fortunately, I have regular discussions with my minister. I have been keeping him apprised of progress in this review.

Senator O'BRIEN—I am pleased to hear that; so he is involved on an ongoing basis?

Mr Taylor—Yes, and I think he picked that up in the press statement that you drew to my attention earlier.

Senator O'BRIEN—I don't think the comments by the minister in the press statement are quite the same as what you are saying, but that is a matter for interpretation. Let's not debate that at the moment. In terms of your decision making process, can you tell us what your expertise is with regard to the management of an independent, professional research bureau?

Mr Taylor—The reality is that I have a fairly simple, straightforward role in being the Secretary of the Department of Agriculture, Fisheries and Forestry, which covers a wide range of activities. I have been involved in managing science and economics almost my entire life. In the late seventies and early eighties I led an economics research group. In the mid-eighties I was in charge of both science and economic research groups. Within the department of agriculture in Victoria I was probably in charge of some 1,000 scientists and 100 economists. When we brought together the departments of natural resources and environment, which comprised conservationists, environmentalists, surveyors, agriculturalists, energy experts and mineral scientists, we had a wide range of scientific research and economic teams. I think it is fair to say that there is some experience in that background.

Senator O'BRIEN—Did you effectively sign off on the first draft report when it was circulated?

Mr Taylor—We circulated it as a draft report—it was not signed off on. Very importantly, we provided a draft report that said, 'This is where the first step in this process has gotten to.' This gives an opportunity for people to have something to reflect on in detail.

Senator O'BRIEN—I am asking because I want to understand the status of the draft. It seems to me that it had a greater status than a speculative document about what might be the outcome.

Mr Taylor—No, it clearly had the status of a draft report.

Senator O'BRIEN—So it was the progress of research and a measure of approval by you?

Mr Taylor—There was a measure of approval but, importantly, it was a draft report and we put it for consultation to our staff who are key in delivering on that work.

Senator O'BRIEN—The first draft report for circulation also recommended that a communication framework be developed for the new agency and that this policy be subject to your approval. Is that correct, and do you know what the basis of this recommendation is?

Mr Taylor—The important issue here is that in any organisation there needs to be a clear-cut view about how it is going to communicate. Very importantly, our bureaus have had an excellent capacity to communicate in terms of both quality of information and the provision of independent advice to government and the community in general. Making sure we continue to do that effectively happens to be high on the agenda of the new bureau.

Senator O'BRIEN—I take it that that was one of the recommendations and that is the basis of it?

Mr Taylor—I suspect there were a range of issues motivating the reviewers' comments. You are asking me to give a reaction, and I have done that.

Senator O'BRIEN—Would a new bureau be required to earn a greater percentage of external revenue than is earned by the existing two bureaus?

Mr Taylor—No. Certainly in my mind, the most important first step is to make sure that the new bureau, with that consistent level of appropriation funding, is able to deliver on the framework I described earlier. To the extent that we can earn additional revenue from work that is complementary to the main activity, that will be positively reflected upon. There are certainly no targets to be set on my part. I see the delivery on that main priority issue as being the key issue.

Senator O'BRIEN—It would be interesting to see what the external revenue of each of the organisations was. We received some evidence about it yesterday on a historical basis. We thereby understand the decline in external revenue that you referred to in your earlier answer. It is not difficult to provide that to the committee, is it?

Mr Taylor—I am sure that Mr Banfield can provide that to you later.

Senator O'BRIEN—Thank you. The report says that it is important that the new bureau operates a 'no surprises' policy on communication. What does that mean?

Mr Taylor—I think that is a pretty simple approach that applies to all of us in our day-to-day work—that we keep each other informed about announcements that we are about to make.

Senator O'BRIEN—I am thinking about forecast information released by ABARE. Would that have potential market implications?

Mr Taylor—I think one needs to be very careful to distinguish between approaches here where anything might have a particular market implication. Of course, we would adhere to a prescribed framework, but if you are talking about just general observations about how reports are released, I would put those in the area of keeping people informed as they are about to be released so there would be no intention of having other than market-influential information released in the pattern that it has been in the past, and also making sure that relevant parties are informed as those releases are taking place.

Senator O'BRIEN—So that draft could not refer to most of the information released by ABARE. Do I understand that correctly?

Mr Taylor—I think ABARE releases a wide range of reports that are of a general nature, not of a market-influential nature. They are the sorts of things that we want to make sure we get widely communicated within the community because they can be most helpful to both public policy and public understanding of issues.

Senator O'BRIEN—I am thinking of their regular forecasts. I know there are other reports that they produce from time to time.

Mr Taylor—I think I have just distinguished the regular market forecasts.

Senator O'BRIEN—I am trying to distinguish my question so that there is no misunderstanding about what I am saying and your answer in that context.

Mr Taylor—I do not think we are disagreeing. I am saying to you quite clearly that if there was anything of a market-influential nature one would want that released in a form by which no-one could gain an advantage over anyone else.

Senator O'BRIEN—The first draft report for circulation recommended that an advisory council be created and that the chairperson and members be appointed by you, with terms subject to your approval. What would be the purpose of this council?

Mr Taylor—Firstly let me deal with the terms. The reality is the two bureaus currently report to me. At the end of the day I am the accountable person for their operations and that would not change if we were to follow a merged bureau framework. That is part of the legal responsibility. We often, in a wide range of our activities, seek to draw on outside stakeholders or internal stakeholders about how we might better manage and better operate. Both the bureaus in particular have long had close consultations with stakeholders. We would not see that as being other than continuing and, importantly, we are putting some framework around that to give it some emphasis. How we actually proceed we have not determined in any shape or form, but it is about making sure that, in the same consultative, collaborative approach I described before, we continue to listen to some of those parties that can be particularly helpful in guiding and assisting what we do.

Senator O'BRIEN—How would an advisory council fit with the perceived independence of bodies like ABARE?

Mr Taylor—I think it is pretty clear; it is an advisory council.

Senator O'BRIEN—Going back to the issue of information released regularly by ABARE, has there been any information that ABARE has released that has been a surprise?

Mr Taylor—I am not aware of any that has caused surprise to me.

Senator O'BRIEN—A further recommendation is that the name, positioning and branding of the bureau be subject to your approval. How does that fit with professional independence enjoyed by ABARE?

Mr Taylor—I do not think professional independence and naming are one and the same thing. So in that sense there is no conflict there.

Senator O'BRIEN—I am not sure what 'positioning' means.

Mr Taylor—'Positioning' means how we might actually articulate a role. Quite clearly I have given emphasis to the way in which we want to drive the capacity for not only separate scientific and economic analysis but also to position—if I can use the word 'position' in that sense—our organisation, which is also respected for its capacity to integrate those discipline streams in terms of advising on public policy issues.

To the extent that we might actually want to give some emphasis to that articulation in the future, I would be very positive about it. Quite clearly, in terms of what we actually formally name the organisation, it has to be a decision that is actually made by the organisation. That issue is one that automatically befalls, as we have discussed before, to the responsibilities of the secretary.

Senator O'BRIEN—In view of the wide distribution of the draft, can interested farm organisations and even farmers get a copy of the recommendations concerning ABARE's future? Is it on the web site?

Mr Taylor—It is not on the web site. If you think it would be useful, I am happy to have it put on the web site.

Senator O'BRIEN—Given the interest that has been expressed and the fact that the matter is being aired now, it would be useful.

Mr Taylor—Good.

Senator O'BRIEN—What work has been done with regard to implications for ABARE's reputation? In a way, I think ABARE belongs to all Australians and is not just a preserve of the department or the government. It has a hard-won international reputation and that ought to be factored into the current review. I think stakeholders will take that view as well. Is that something which is to be given importance in considering the outcome of this matter?

Mr Taylor—Certainly, I have actually been one of the strongest people to speak out for both bureaus. I particularly respect ABARE's reputation, which comes from its people in a wide range of international forums and which we will want to maintain and, more importantly, enhance. It remains very high on the agenda and there is no change in that. As I have said before, I think the opportunity for us to make further gain there is quite significant. We are already seen as leaders in economics. We are highly respected for some of the work we undertake in the science area. My guess is that we will also be respected for our work in integrating those science and economic issues. That issue of reputation happens to sit very strongly with me.

Senator O'BRIEN—The theme that runs through the draft report puts responsibility for decision making in the name of the secretary of the department. Perhaps that is not the intention but, if it is, that represents a significant change from the current situation.

Mr Taylor—I think I have made it quite clear, from the very first words that I addressed to the committee this morning, that the same framework in which we have operated about independence is how we see ourselves operating in the future.

Senator O'BRIEN—I understand what you are saying, but there is a document that says something which might be read differently.

Mr Taylor—I think it is your interpretation rather than—

Senator O'BRIEN—Not just mine.

Mr Taylor—Yours and maybe someone else's, but it is not my interpretation. The important point I am putting to you is that I have made it very clear from my opening words about how I perceive that operating, and I do not shy away from those words I expressed right at the beginning.

Senator O'BRIEN—I think the important thing, Mr Taylor, is that both you and I hold positions temporarily: we might influence organisations and events and these positions might subsequently be occupied by others.

Mr Taylor—I respect that point but if I could make it clear that previous secretaries—at least in recent times—occupying my position have operated under the same rules that I am operating under and future ones will operate under the same rules. My general observation is that you have had a stream of colleagues in the past, and I have no reason to doubt it will be the same in the future, that have a very high respect for that independent economic and scientific advice. I have no reason to believe that future successors would not have that view, but to the extent that they have a different one nothing I do will modify that.

Senator O'BRIEN—There are aspects of the report that imply a change in independence and the like that will not be approved in the final analysis.

Mr Taylor—I think you and I have a very different interpretation of what is written in the report. I am indicating that the style of operation will be the same in the future as it has been in the past. I have a different take on the report.

Senator O'BRIEN—I guess the words mean what they mean.

Mr Taylor—To me they mean very clearly that the framework of the bureaus' operation in the past will also be the framework of their operation into the future. I have made that point clear.

Senator O'BRIEN—The framework of the bureaus?

Mr Taylor—You have actually raised the question about how they operate, how they actually provide independent advice. Right from the very beginning of this conversation I have indicated that that is exactly how I see them operating in the future. Unprompted by you, Senator, I raised that.

Senator O'BRIEN—How would you feel if, as a result of publication of the information on the web site, there were a series of representations from farmers and farm organisations which expressed concern about the steps you are proposing?

Mr Taylor—I would view it very importantly. I have actually listened to the peak body of Australian farmer organisations. Given that we are in the business of addressing national policy issues, I will be placing pre-eminence on that advice.

Senator O'BRIEN—I have a problem with that approach, given that nothing that you have said indicates that there was an ability for those people who represent groups and farm organisations to consult and respond. But I would be a lot happier if after a consultation process which allowed the information to be considered more widely that you were able to say you had that response.

Mr Taylor—I understand that. I think I have gone out of my way to ensure that there has been a wide level of consultation with those who are direct stakeholders. I have certainly indicated that, if anyone wanted to raise issues with me, I have got very much an open phone and open reception. Certainly if someone was to raise something I would not ignore it but I am not suggesting we actually change the consultative approach. It has been quite extensive.

Senator O'BRIEN—In terms of the importance of issues, how important is the financial issue?

Mr Taylor—The opportunity for driving a much more integrated approach to the delivery of science and economics on the complex policy questions that are confronting Australia is the pre-eminent issue. To the extent that we have had a decline in some of the external funding, yes, that is an issue, but I want to give the emphasis to the opportunities that are ahead. I have actually given some emphasis to the fact that I suspect there may be—but it is certainly not a precursor in any shape or form—an opportunity to even grow some of that external revenue. But I have not actually made that a major focus, and you heard me make that point quite clearly earlier.

Senator O'BRIEN—Is this groundbreaking or are there organisations that are comparable with the sorts of organisations envisaged?

Mr Taylor—We are always groundbreaking in this area. Australia's reputation and leadership for its thinking on agricultural policy issues, climate change policy issues and some of the work we have tackled in both forestry and fisheries are things we take great pride in. The fact that we might actually be again undertaking some further extension of that is something we would take great pride in.

Senator O'BRIEN—So this is a new model?

Mr Taylor—It is an evolution. I have actually given some serious comment to the fact that the major economic and scientific aspects of it would continue. I have given emphasis to the opportunity in terms of the public policy challenges ahead about where the value of integration comes from. One of the things that we in Australia are doing is grappling with those major challenges very strongly. Our natural resource management framework—the way in which we work—has been an important step in that. Challenges are large. Making sure we think about how we bring our disciplines together most effectively to help those public policy processes is one of the important challenges ahead, and I am sure we will be path breaking in some of them.

Senator O'BRIEN—Finally, what is the timetable for decision and implementation on this matter?

Mr Taylor—I have taken the opportunity, as I indicated before, to have staff reflect on the back of a discussion I had with them last week. I want to take a bit of time off the back of that, but I do not think the time for a decision is far away. I do not want to put a date on it, but I put it in the near future.

Senator O'BRIEN—So if anyone wants to consult you further, they need to act quickly?

Mr Taylor—I think that is a fair comment, because I have given a lot of attention to the key stakeholders and to the staff. I have no difficulty about taking on some of those other parties, but they need to be quick considering we have given a lot of emphasis to those key parties. I gave important emphasis to both other departments, who are key partners, and I have given importance to the staff. David Banham and the steering group have liaised with a wide range of what I would call the using stakeholders. I have indicated some of the consultations I have undertaken, including with the NFF, both its executive and its economics committee, which was a diverse group of commodity and state representatives.

Senator O'BRIEN—I take it the material will be on the web site quickly to allow people who have a view to communicate it quickly.

Mr Taylor—I am sure Mr Pahl will assist me in getting the report on the web site.

Mr Pahl—We will make sure it is there today.

Senator O'BRIEN—Very good. Is there a process to consult state governments about this?

Mr Taylor—I think I indicated earlier that I had consulted my state government heads of departments, who were very positive about the approach we were taking.

Senator O'BRIEN—Thank you for your time today.

CHAIR—Thank you very much, Mr Taylor.

Mr Pahl—While other officers are coming to the table, Senator O'Brien, yesterday you asked for some additional information in respect of question on notice No. 807. In particular, you were interested in departmental executive and chief executive officer costs, ministerial support services costs, and some changes over time. I undertook to get back to you with some information. With respect to the departmental executive and chief executive officers, I have had some additional information given to me. In 2000-01, the costs include costs associated with support staff for the then AFFA deputy secretaries. These costs would have been previously charged to the old AFFA group structures, so there were some internal changes there. In 2001-02, the costs for the chief operating officer were included under this item. In the previous year, these costs had been absorbed by another business as the then acting chief operating officer had a dual role in the department. So he was only paid once, which is effectively the issue there.

Senator O'BRIEN—I would hope so.

Mr Pahl—I am not sure about that! No, I agree, Senator. In 2002-03, the support staff numbers have been reduced as several staff have left and we have not replaced them. That actually accounts for the movements in line 7. In respect of ministerial support services, in 2000-01 the figure included costs associated with freedom of information and privacy issues, which had been met elsewhere in the department in 1999-2000, with that very small function transferring into that unit in that year. In 2001-02, the figures are fairly static, as you will see. In 2002-03, the costs reflect the transfer in of the ministerial council secretariat function, which came from another element of the department and represented a transfer in of about \$440,000 in expenses.

Senator O'BRIEN—Which area did that come from?

Mr Pahl—It had previously been in the innovation and operating environment, so it was an internal change. There is a commensurate reduction elsewhere in the organisation to offset that.

Senator O'BRIEN—Going back to item 7, Support staff for AFFA deputy secretaries, where were they before?

Mr Pahl—As I understand it, they have been included in the group costs in the previous structure. In other words, they were charged down to the business. When we moved to a slightly different structure, we just moved the costing arrangements. Some of my colleagues

have been poring over this; it's very hard to make a comparison through from 1999-2000 to 2002-03, as the accounting and organisational arrangements have changed. We have done our best, but it has not been a static four years so those numbers are bound to be different.

Senator O'BRIEN—Some cynical people would say that there is a bit of design in the movement between areas to make tracing the actuals a bit more difficult.

Mr Wonder—We would never do that, Senator!

Senator O'BRIEN—No, I would never suggest it. I just said that some people might. Where did the chief officer's funding migrate from?

Mr Pahl—When the chief operating officer position was created, it was occupied by a senior officer of the department who had a dual role. So in that first year he drew his salary from his own business unit. It was only in a subsequent financial year, when the position was staffed permanently, that we needed to pay the COO separately.

Senator O'BRIEN—In 2002-03, how much was saved by reducing support staff numbers?

Mr Pahl—I do not have an exact figure for that, but suffice it to say that, if you look across there, you will see there is getting on for a \$300,000 reduction. I would say the majority of that, but not all, would have been the result of a couple of staff leaving the organisation and not being replaced. There might be some minor things like lease costs on computers and so on, because you need fewer computers, and all the associated costs that go with maintaining a staff member.

Senator O'BRIEN—Did they go into another area, or are the positions still there?

Mr Pahl—No. These are a couple of people who I understand have departed the organisation.

Senator O'BRIEN—Were there severance costs involved in that as well?

Mr Pahl—I do not believe so, but I can check that for you if you would like me to.

Senator O'BRIEN—I suppose that for completeness we should know. Would you do that.

Mr Pahl—Certainly. If I can get that information, I will give it to you after lunch.

Senator O'BRIEN—Thank you for that. I understand the Farm Assistance Program in South Australia was designed to facilitate structural adjustment in the central north-east of that state. What progress can you report on that program?

Mr Banfield—While Mr Aldred is looking up his papers I will make a general comment, for which the program for central north-eastern South Australia is a particular case in point. Some of those programs have clearly been impacted by the drought. Farmers have been more preoccupied with surviving the drought than with some of the initiatives under the North-East Central Farm Assistance Program. When Mr Aldred gives you the answer, you need to factor it in that some of these things have been impacted by the drought.

Mr Aldred—That is if, indeed, I can give you the answer, Senator.

Senator O'BRIEN—Just look at that report.

Mr Aldred—I must admit that I do not have the relevant information here. I will take it on notice and give you an update.

Senator O'BRIEN—If you would, please. Have all funds been expended on the Farm Innovation Program, and have all those funds been successfully acquitted?

Mr Aldred—No, they have not all been expended as yet. Funding to the Farm Innovation Program concludes on 30 June. We expect to have fully spent the funds and completed the relevant projects under that program.

Senator O'BRIEN—I understand that it was a pilot program and the last round was 2001-02.

Mr Aldred—That is right.

Senator O'BRIEN—The minister's media statement of 13 May this year refers to the Farm Innovation Program as 'a successful element of the AAA package'. If it is such a successful part of the AAA package, why was it abandoned?

Mr Aldred—It has not been abandoned. The pilot program was due to conclude on 30 June and we will be looking at that in the context of a AAA successor program.

Senator O'BRIEN—There is no money for a successor program in the coming financial year, is there?

Mr Aldred—No, there is no funding for 2003-04.

Senator O'BRIEN—Or for further out years?

Mr Aldred—No.

Senator O'BRIEN—The government's AAA Retirement Assistance for Farmers Scheme appears to have been a dismal failure and ended on 30 June 2001. In March 2001 Senator Troeth said:

Farm succession planning is an important issue for all farmers, especially as we need to encourage the next generation of farmers into agriculture ... These issues are to be considered by the Government, particularly in looking at the issue of planning for the future of the Retirement Assistance for Farmers Scheme.

Was that an accurate view of the government's position at the time, Senator Troeth?

Senator Troeth—Yes.

Senator O'BRIEN—And it conveyed the government's commitment to consider the future of the scheme?

Senator Troeth—Yes, in some form or another, given that the issue to which I think I was referring at the time was succession planning. That has been the object of some of the FarmBis type activities gone on. Farmers have been encouraged to consider their succession planning, along with a range of other initiatives.

Senator O'BRIEN—I look at your terminology—'particularly in looking at the issue of planning for the future of the Retirement Assistance for Farmers Scheme'. Those are your words in your press release of 8 March 2001. Almost two years have passed, and what has happened? What does the government currently provide to assist the intergenerational transfer of farm assets?

Mr Banfield—I might make a comment on that, and Mr Aldred will pick up from it. In relation to the Retirement Assistance for Farmers Scheme, my recollection is that when that was originally announced it was to provide a three-year window of opportunity for farmers to make the transition out of farming. So, right from the very outset, it was a time-limited window of opportunity for farmers to make that transition. My recollection is also that the government did extend the program beyond the original three years for a period of about eight or nine months; so the government went beyond what was originally envisaged. Clearly, we will need to consider intergenerational and support for succession planning issues, and the government will need to make some decisions on them, in the context of the development of a possible successor package for AAA.

Senator O'BRIEN—On page 52 of the PBS, it notes:

The Government will extend the closing date for applications for assistance under the Farm Help programme ... to 30 June 2004—

at a cost of \$2.5 million, as I understand it. It goes on:

Funding for the extension has been allocated to the Contingency Reserve.

Statement 6 in Budget Paper No. 1 says:

The Contingency Reserve is used in budget estimates reporting to reflect anticipated events that cannot be allocated to specific agency or functional areas.

Given that, can someone tell me why the Farm Help funding has been reported in this way?

Mr Aldred—The extension of the Farm Help Program and the costs associated with it would be split between Agriculture and Centrelink in terms of delivery. The estimates are largely in the out years and would also be firmed up in any consideration of a AAA successor package. For that reason, allocation has been made, as I understand it, to the contingency reserve.

Senator O'BRIEN—Perhaps I will put something back to you to help me understand it. Is there a question as to which agency will manage Farm Help?

Mr Aldred—I do not think so at this stage. If Farm Help continued in the context of a AAA successor, the arrangements would need to be clarified and determined.

Senator O'BRIEN—What happens to the money in contingency reserve if Farm Help does not continue? There is no commitment in the budget, is there, for Farm Help to continue?

Mr Aldred—The commitment is in the budget. The funding has not been allocated to our portfolio, but the commitment is certainly there. The extension of the application dates—

Senator O'BRIEN—I understand that, but you are talking about an extension of the AAA package and in that context the potential for the extension of Farm Help. The \$2.5 million does not provide for that, I take it.

Mr Aldred—The extension of Farm Help beyond June 2004 would need to be looked at in the context of the 2004 budget.

Senator O'BRIEN—Who will manage Farm Help for the coming financial year?

Mr Aldred—It is our portfolio, with elements delivered by Centrelink under the standard arrangements.

Senator O'BRIEN—That is not different from existing arrangements in a number of areas?

Mr Aldred—No, it continues the existing arrangements.

Senator O'BRIEN—So it is not there as a provision for underspends in the current year, adjusting for the tendency of agencies to overestimate expenses for the current financial year—in the contingency reserve?

Mr Aldred—I am sorry, Senator?

Senator O'BRIEN—Are you telling me that the \$2.5 million is not in the contingency reserve as a provision for underspends in the current year adjusting for the tendency of agencies to overestimate expenses for the current financial year?

Mr Aldred—No, Senator.

Senator Troeth—It is to provide for the seven-month extension.

Senator O'BRIEN—It is not commercial-in-confidence or national security-in-confidence?

Mr Aldred—No, Senator.

Senator O'BRIEN—It is not an item which is there because of a regular 'conservative bias allowance' to adjust for the historical tendency of forward year expense estimates for existing programs to be understated in the aggregate? I am reading from Budget Paper No. 1 as to what is in the contingency reserve and I am trying to understand how it fits.

Mr Aldred—Can I take it on notice and provide you with a more detailed answer? I think that I would need to consult with the Department of Finance and Administration as well.

Mr Banfield—Matters associated with a contingency reserve are matters that you would need to take up with the Department of Finance and Administration. As I am sure you are aware, Farm Help is a demand driven program. It is an entitlement based program for those that can meet the eligibility criteria, and the government is committed to providing the necessary funding for those that meet those eligibility criteria. The government has taken a decision that the extension will be funded from the contingency reserve. The precise arrangements for the operation of that is a matter for the department of finance.

Senator O'BRIEN—How much of this year's Farm Help funding will be spent this year?

Mr Aldred—Our estimate would be in the budget papers.

Senator O'BRIEN—Where will I find it? What page?

Mr Banfield—On page 21.

Mr Aldred—Yes, estimated expenditure \$28.795 million.

Senator O'BRIEN—How is that running to date?

Mr Wonder—The estimate for 2003-04 is \$24.875 million.

Mr Aldred—Sorry, I apologise. I was looking at the wrong column. As Mr Wonder says, the estimate is \$24.875 million.

Senator O'BRIEN—That is for next year?

Mr Wonder—I thought you were talking about 2003-04.

Senator O'BRIEN—I apologise for the confusion but I meant this year. \$28.795 million is the estimated expense: how much has been spent to date?

Mr Aldred—Program expenditure is \$17.3 million, and Centrelink delivery is \$2.5 million.

Senator O'BRIEN—It is a fair way short of nearly \$29 million. What date is that to?

Mr Aldred—That is to the end of April.

Senator O'BRIEN—Have monthly outgoings been fairly constant over the year?

Mr Aldred—I am not sure that I have got that information but I can check that. You would be aware that there is some overlap between exceptional circumstances and Farm Help in the way that it is accessed by primary producers. There is some potential for significant variation.

Senator O'BRIEN—It appears from those figures, simply on an averaging basis, that there would be a significant underspend of the estimated expenses. Is that a fair assumption?

Mr Aldred—I cannot say.

Senator O'BRIEN—Five-sixths of the year is about \$20 million.

Mr Aldred—There may be an underspend.

Senator O'BRIEN—Is there any way you or the department can make a judgment? Presumably payments under the program are already committed for May and June.

Mr Aldred—We can make an estimate; I can come back to you on that. I think I would need to seek advice from Centrelink as well.

Senator O'BRIEN—I presume that the payment to Centrelink is pursuant to a contract and there are regular payments—or are there activity based payments?

Mr Aldred—There is a contract and it is based on number of clients expected.

Senator O'BRIEN—Do you have figures for numbers of clients by month?

Mr Aldred—I am not sure that I would have them by month.

Senator O'BRIEN—How many clients would attract the payment of \$2.5 million to Centrelink?

Mr Aldred—I do not have the specific information, but essentially it is based on a fixed cost plus a variable cost. I can provide you with details of the calculation.

Senator O'BRIEN—Given that we are now almost into June, it would be useful if you could provide us with some understanding of the expected underspend of the estimated 2002-03 expenses for Farm Help. Would that simply roll forward, or is that a matter for decision?

Mr Aldred—It is a matter for decision. We will be looking at that in the context of commitments under the extended program and so on.

Senator O'BRIEN—I have some questions about the Rural Financial Counselling Service. I note from page 21 of the PBS that there is an expected increase in expenditure this year of \$53,000. Could you advise us of the reason for this increase and whether the total expenditure under this program is included in the \$742 million drought package figure?

Mr Aldred—I would need to check on the slight variation. Essentially the appropriations have not changed from the initially announced package. It is not part of drought related expenditure.

Senator O'BRIEN—So it is not part of the \$742 million drought package figure?

Mr Aldred—No, it is not.

Senator O'BRIEN—In May last year we were told about the Riverland Rural Counselling Service. We were advised that the counselling service was having some problems meeting its contractual obligations and that the department was asked to close the service from 31 December 2001. What arrangements are now in place to supply the Riverland district with rural counselling?

Mr Aldred—My understanding, from memory, is that an additional service has been established in that area, but again I would not have that level of detail with me. I can take it on notice.

Senator O'BRIEN—In May last year, we were told that the department, along with the counselling service itself, had paid for a consultant to investigate the issues that the counselling service was facing. How much did the investigation cost the Commonwealth, and who conducted it?

Mr Aldred—Again in respect of the Riverland service?

Senator O'BRIEN—Yes.

Mr Aldred—I will take that on notice.

Senator O'BRIEN—What did those investigations reveal?

Mr Aldred—I will take that on notice.

Senator O'BRIEN—I draw your attention to the Senate order for the autumn sitting of 2003, which details a list of service providers, describes their services and notes the amount they are paid. Can you tell the committee what service the North Central Rural Financial Counselling Service Victoria will provide the Commonwealth for \$200,000? I am unclear as to what was intended to be put in the description of services column, where it now says 'Please type service activity details here'. Obviously, no-one has put the details of the service delivery by the North Central Rural Financial Counselling Service into the Senate order document.

Mr Aldred—I would need to look at that document and come back to you with that answer.

Senator O'BRIEN—It is near the bottom of page 10 of the Senate order.

Mr Aldred—Thank you.

Senator O'BRIEN—I ask the same question about the services Richmond Valley Business and Rural Counselling Service Inc. will provide for the sum of \$267,573. That is near the bottom of page 12.

Mr Aldred—I will provide that answer.

Senator O'BRIEN—There may be other instances in that document where no activity detail is provided. Could you advise us what it should say in each of the places where the term 'Please type service activity details here' appears in the report?

Mr Aldred—We can certainly check it.

Senator O'BRIEN—In last year's PBS, regional assistance included exceptional circumstances payments. This year, the expenditure figure has been disaggregated and the PBS includes regional assistance and exceptional circumstances. Why has that been done?

Mr Aldred—Could you give me a page reference for this year?

Senator O'BRIEN—Page 23.

Mr Aldred—Is that last year's PBS?

Senator O'BRIEN—I think that is this year's. It is page 98 in the 2002-03 PBS.

Mr Wonder—Is this a breakdown in bill 2?

Senator O'BRIEN—Yes.

Mr Banfield—I am sorry; what was your question?

Senator O'BRIEN—The items were included together in 2002-03. They appear as individual items in 2003-04. Why has there been this change in the reporting mode?

Mr Banfield—I suspect that it is simply to do with the extended severity of the drought, but we could take it on notice and come back to you if there is any other reason. You are quite right: in 2002-03 it was amalgamated. I have the breakdown of those figures, if you want it, from 2002-03.

Senator O'BRIEN—That would be useful.

Mr Banfield—According to my notes the figure in 2002-03 was \$18.3 million, which comprised \$13.703 million for exceptional circumstances interest rate subsidies, \$1.410 million for state administration and \$3.187 million for regional assistance.

Senator O'BRIEN—So \$13.703 million was interest rate subsidies?

Mr Banfield—Yes—\$13.703 million for interest rate subsidies, \$1.410 million for the states to administer it and \$3.187 million for the regional component of it.

Senator O'BRIEN—For the sake of completeness, what programs are funded under these two items?

Mr Wonder—Are you looking at 2002-03 now?

Senator O'BRIEN—2003-04.

Mr Wonder—What is in the regional assistance line for the \$2.064 million in 2003-04?

Senator O'BRIEN—Yes.

Mr Banfield—I do not pretend to be totally comprehensive but I suspect that it is ongoing funding for the regional partnership program. Whether it includes any of the other regional programs, again we will come back to you if there are additional ones.

Senator O'BRIEN—Would that have been the case in 2002-03?

Mr Banfield—Again I will say a tentative yes. If that is not the case we will come back to you on notice and confirm it.

Mr Aldred—I think it is. Looking at 2002-03 I see that a footnote advises that it includes the farm assistance program and WEST 2000 Plus, so Mr Banfield's description would be correct.

Senator O'BRIEN—So it includes part of the AAA package—is that what I should understand you to have just said?

Mr Aldred—Rural partnership programs and so on, yes.

Senator O'BRIEN—I would appreciate a breakdown of that figure with details of the program to which each pot of money applies.

Mr Wonder—The \$3.187 million Mr Banfield referred to?

Senator O'BRIEN—Yes.

Mr Wonder—We will break that down for you.

Senator O'BRIEN—The \$3.187 million became \$3.193 million in this year's PBS. Next financial year it will be \$2.064 million. I would appreciate a breakdown of those numbers, including the program the money will come from. I am about to enter drought—I am declaring it now.

Mr Wonder—Is there anything else we should direct our attention to?

Senator O'BRIEN—I did not pick up Country Women's Association funding and farm management.

Mr Wonder—That is fine.

Senator O'BRIEN—Thank you. Unless I have made a mistake, that is it. Budget Paper No. 2 contains a table estimating Commonwealth drought expenditure out to 2006-07, which is on page 67. I want to turn to the figures in that table later but first I want to ask a more general question about estimating expenditure for demand driven programs like exceptional circumstances and other drought relief. An assessment of current and growing demand is an important factor in estimating future demand, isn't it?

Mr Calder—The first point I would make is that it is a demand driven program, as you have correctly indicated. Estimates are made by the department as to what the most likely expenditures will be. These estimates are done in conjunction with the department of finance. They are based on historical experience of previous EC events for the cases of EC and similar sorts of events. It is not a precise science; it is done on the basis of the best estimates we can do at any particular time.

Senator O'BRIEN—Would you agree that current and growing demand is an important factor in estimating future demand?

Mr Calder—In the context of the drought, yes. It is quite difficult to make accurate estimates purely because circumstances can change pretty quickly in any particular area where we make an estimate. For instance, if you take one of the EC areas, Grafton-Kempsey, for instance, not long after it was EC declared there was substantial rain in that area, which I am quite sure all the farmers welcomed. We would expect in that particular area that our estimates might be somewhat on the high side. In other areas we are already getting some evidence to suggest that our estimates might be somewhat on the low side as this moves through. It is imprecise, but we do our best endeavours to make the estimates as accurate as possible.

Senator O'BRIEN—Since January this year Mr Truss has released a regular summary of federal drought relief expenditure in the form of media statements. I am aware of statements dated 17 January, 6 February, 20 February, 21 March, 10 April and 13 May, which I assume were designed to improve public knowledge about the Commonwealth drought spending. Would that be a fair assumption?

Mr Calder—The minister has certainly been releasing a number of press releases which do include expenditures incurred by the Commonwealth on drought. Also, a number of other press releases have included figures estimating what it is likely to cost the Commonwealth.

Senator O'BRIEN—Presumably the Commonwealth and the minister wanted the public to know that the Commonwealth had the view that it was going to spend a certain amount of money on drought expenditure.

Senator Ian Macdonald—I think he wanted to highlight the fact that the Commonwealth is making a very substantial financial commitment to drought, whereas the states, which really have prime responsibility for these issues, are practically paying nothing. Queensland and New South Wales are two states that spring to mind that are making very little attempt to help farmers in their hour of need. Certainly one of the reasons for highlighting this was to emphasise that the states are paying practically nothing, whereas the Commonwealth has a very substantial commitment to this. We wanted to give comfort—if you can get comfort in times like this—to those impacted upon by drought and assure those who met the criteria that they would receive assistance.

Senator O'BRIEN—You too minister used a number in press releases saying that that was the Commonwealth's commitment to drought expenditure.

Senator Ian Macdonald—Yes, that is right.

Senator O'BRIEN—It was the same number that Minister Truss was using. I presume he gave it to you.

Senator Ian Macdonald—I think we both source our information from the same source.

Senator O'BRIEN—Was it designed to tell the public what the Commonwealth was going to spend in drought expenditure?

Senator Ian Macdonald—It was designed to tell the public what the estimates we were being given were, but emphasising at the same time, as I have explained to you any number of

times and explained to all the organisations that initially were misled by your very misleading press release, that this is demand driven and whoever meets the criteria will get paid, regardless of what the estimates are.

Senator O'BRIEN—I saw the NFS response too.

Senator Ian Macdonald—You would have seen their response nowadays and understand that they now realise the error of their ways and the error of relying on your press releases for any information.

Senator O'BRIEN—I do not understand that. In fact their press release on this subject was in the airways before mine was, Minister, so there you go. I have to concede that they were quicker off the mark on that matter than I was.

Senator Ian Macdonald—They do not have the same view now I can assure you now that they understand it fully.

Senator O'BRIEN—Would you agree that it is important that the public be accurately informed on an issue such as this?

Senator Ian Macdonald—Yes, I agree the public should be accurately informed on anything.

Senator O'BRIEN—Does Centrelink provide the data in the tables in each of these media statements or is it the department or Mr Truss's office?

Mr Calder—If you are referring to the expenditure figures which are reflected in some of the press releases, those figures are essentially provided to us by Centrelink. We then provide them to the minister's office.

Senator O'BRIEN—Can I presume that the minister signs off all media statements issued in his name?

Senator Ian Macdonald—I really cannot speak for him. I do, and I am pretty certain that Mr Truss would.

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

Senator Ian Macdonald—Yes.

Senator O'BRIEN—Officers will recall that in February this year we discussed the circumstances of a media statement by Mr Truss announcing drought funding for the city of Darebin, a metropolitan area in Melbourne. Two statements about the ad hoc drought package were issued. One included Darebin as one of the areas eligible for assistance and the other did not. At the time, Mr Calder, you told us that the difference between the two was attributable to an 'administrative hiccup'. What system did the department put in place to ensure future hiccups are avoided?

Mr Calder—That particular case which you refer to was a one-off situation. As I explained at the time, I was looking at the penultimate draft of that particular press release and I thought that a change should be made to it. This was made in some versions but not all versions which were subsequently released, which was unfortunate. In terms of the information that goes into press releases we do our best endeavours to check the information. Like everything, human error can occasionally occur.

Senator O'BRIEN—So that was a one-off?

Dr Samson—In respect of the incident that you refer to, we were satisfied that the mistake was not the subject of some systemic weakness in the system we have in place in the drought task force. The incident certainly reinforced the requirement to be more vigilant and I am satisfied that indeed is now the case. Having said that, that is not to say that in the best run systems mistakes unfortunately will not happen occasionally.

Mr Calder—There is an issue about whether it was a mistake in the sense that, if you look at the fact that all of New South Wales was also eligible under the 9 December package, that automatically did include all the urban areas of Sydney as well.

Senator O'BRIEN—Yes, but unfortunately it did not include all of Victoria and it included urban areas of Melbourne. On 20 February this year, Mr Truss issued a media statement entitled 'More Farmers Get Federal Drought Relief'. There were two versions of this statement released and they contain no fewer than eight differences. The first version said that 262 farm families were in receipt of EC in New South Wales and the second said that the number was 265. Which was right?

Mr Calder—My recollection is that there was an amended version of that press release put out within a number of hours. As you correctly indicated, there were some differences between the two versions. Some of those differences were in relation to the dollar amount for one particular state—if I remember correctly, it was South Australia. That was a transposition error which occurred with one of my staff in allocating some figures twice, once to South Australia when it should have actually been included in Tasmania.

In relation to some of the other figures—265 or 262 or thereabouts—that arose from the fact that when we checked with Centrelink, Centrelink at that time were collecting their data on the basis of their processing centres. In some states farmers had lodged their EC applications in another state. For instance, if you take the Shepparton processing centre in Victoria, it handles a lot of the processing for southern New South Wales. Some farmers in southern New South Wales had lodged their forms in Shepparton—in other words, across the border. At that time the information we were being given from Centrelink was based upon the processing centre.

Centrelink have subsequently revised their reporting systems to specifically pinpoint back to individual EC areas. But at that particular time that revised system was not in place. So it was possible to get farmers appearing in Victoria, for instance, as receiving EC when in actual fact no EC area was declared in Victoria at that time.

Senator O'BRIEN—Yes. Indeed, the first version said that one farm family in Victoria was in receipt of EC, but that farmer was omitted in the second version. The first version said that two farm families in South Australia were in receipt of EC, and EC payments in the state totalled \$900,000.

Mr Calder—That is right.

Senator O'BRIEN—Yet in the second version the two farm families disappeared, as did the \$900,000. In the first version no-one in the Northern Territory was receiving any Commonwealth drought funding, but in the second version one farm family was in receipt of

\$2,000—making a surprise appearance. Finally, the claimed increase in farmers receiving interim assistance in the first paragraph was wrong in the first release, but the numbers do match up in the second. These two releases carry the same date; they carry the same departmental file number; they purport to show expenditure over an identical period, and there are eight differences in the two documents. Who discovered the errors and when were the corrections made?

Mr Calder—The corrections were made on the same day. My understanding is that the press releases were issued within a matter of hours. We discovered a transposition error of the \$900,000, I think it was, for South Australia. In relation to the actual numbers of farmers receiving benefits, that was a result of us querying Centrelink, and that is when the explanation came from Centrelink as to the fact that this reflected data based upon their processing centres and that some farmers do lodge EC applications across borders. We certainly identified the problems ourselves in the department in relation to the \$900,000. We did receive a query from the minister's office in relation to the numbers of farmers, and that is when we followed up with Centrelink to clarify that situation.

Senator O'BRIEN—I guess that is why I am asking you if the minister and presumably his staff check off the press release before it is issued.

Senator Ian Macdonald—The officers cannot answer that and neither can I, but to the best of their ability they would. In all these things, obviously we rely on the information given to us by the department. The department do a fantastic job, I might say, at a time when the particular area of the department is really very concentrated on getting relief out to those families who need it at the earliest possible time. They have worked day and night and weekends to go through the very difficult EC process, which has been made even more difficult because of the lack of cooperation by the states. They do a fabulous job. Different people do make mistakes. As you well know, we are all human. The important thing is that, as soon as mistakes are noted, we correct them as best we can. I am not quite sure where all your questioning is going, but it seems to me to be fairly much a side issue on the important issue which is getting relief out to those who need it.

Senator O'BRIEN—I referred to a number of press releases by the minister dated 17 January, 6 February, 20 February, 21 March, 10 April and 13 May. Each statement from 6 February has carried an explanation of the time period that relates to the numbers in the table. I read each explanation to mean that the interim figures, farm families and dollars expended, relate to the start date of the prima facie in additional drought measure programs. Can you confirm the start dates of those programs?

Senator Ian Macdonald—Do you understand what the question is?

Mr Calder—Yes, I think I do.

Senator Ian Macdonald—You are better than I.

Mr Calder—For the interim income the start dates can vary. The interim income figures would include prima facie, so it would depend upon the date that any particular area was declared to be in prima facie. These figures would also include people receiving interim income support under the additional drought measures package announced on 9 December. So

the start date for the columns headed up 'Interim income' could vary depending upon when a particular area received *prima facie* and the 9 December package.

Senator O'BRIEN—The explanation for EC data is slightly different. I understand the explanation to mean that the EC farm family number is a snapshot at a given time, but the dollar figure is cumulative from 1 July 2001. Do I understand that correctly?

Mr Calder—My understanding is that the number of recipients is the actual number of people receiving EC at that particular point in time. So, over a period of time, there can be ons and offs in striking that number—some people may not continue to qualify for assistance. In terms of the actual expenditure figures, that is for all EC areas current at that particular point in time.

Senator O'BRIEN—Who made the decision to present the numbers in this way? Was it the minister's office or the department?

Mr Calder—I cannot recall, but it certainly would have been based upon information that we provided to the minister's office.

Senator O'BRIEN—Why was 1 July 2001 chosen as the start date for EC figures?

Mr Calder—As I said, the figures reflect all current EC areas at that particular time—that is my recollection: in other words, from that period onwards, all areas which are declared EC. They do include, of course, some areas which were declared EC earlier in 2002 and in 2001.

Senator O'BRIEN—And they included some that were coming to the end of EC, didn't they—the central highlands in Tasmania being one?

Mr Calder—Yes, that would be the case.

Senator O'BRIEN—Which had completed by 2002?

Mr Calder—Yes.

Senator O'BRIEN—I ask again: who selected 1 July 2001 as a date to be used for the purpose of this calculation?

Mr Calder—I cannot recall any particular decision being made to choose any particular date, but my understanding is that we would have provided that table on which this information was based.

Mr Banfield—There is a logic to it in the sense that we went through, before that period, a period when we had no applications or no areas of Australia in exceptional circumstances. Unfortunately, as you know, the situation has changed dramatically since then, but it started out with a couple of areas in Western Australia and in south-east Queensland. So, again, in a timing sense, there was a logical break to the provision of exceptional circumstances support.

CHAIR—That, of course, does not mean that there were not areas in drought at that time. I can assure you there are lots of areas that have been in drought for all of the nineties that have never shown up on the radar, because the rural land protection boards in the local areas are reluctant to declare a drought officially because they do not want to give the district a bad reputation: there is no benefit in it and they do not want to put the banks on notice. That part of the system is flawed.

Mr Banfield—Absolutely. My point was simply that, in the last three or four years, we did actually have a period where there were no areas in declared Commonwealth exceptional circumstances. That period started to change from 1 July 2001—or, in that year, a couple of areas in Western Australia and areas of the Darling Downs in Queensland were granted exceptional circumstances, so Commonwealth dollars started to flow. It was, in some senses, the start of what was a much worse situation elsewhere.

CHAIR—I will just state for the record that we have only had one good season at the back of Booligal since 1992—and that was the year 2000.

Mr Calder—As the senator has alluded, the nature of drought is that there is no particular starting time for any particular area and there is no particular finishing time for any particular area. It is rather insidious, in some ways, in the way it slowly develops; equally, we can never be exactly sure when the drought is actually over.

Proceedings suspended from 1.00 p.m. to 2.02 p.m.

CHAIR—We will reconvene the committee and proceed down the long, winding road again.

Senator O'BRIEN—Mr Banfield wants to make a statement.

Mr Banfield—I just want to clarify some remarks I made before lunch. In response to a question from Senator O'Brien I indicated that around the period of 1 July 2001 there were no areas in exceptional circumstances. A check of our records indicates that there were in fact some areas in exceptional circumstances at the time. I refer specifically to the central highlands of Tasmania. I understand that there was an EC being provided in respect of Batlow Apples as well. So there were a couple of areas that were in receipt of EC, just to clarify that point.

Senator O'BRIEN—I want to digress a bit as well. I have a question for Mr Wonder relating to the evidence today from Mr Taylor concerning ABARE. Mr Taylor told us that he had consulted with all state heads of department and had received no expressions of concern about the proposal to abolish ABARE and BRS and create a new bureau. In the short time available to me over lunch I have received advice that at least two state departmental heads have not been consulted.

Mr Taylor is not here to provide clarification and I wanted to ask Mr Wonder if he would seek advice from Mr Taylor as to whether he wishes to confirm or amend his evidence to the committee. It would be helpful if that advice was provided this afternoon and perhaps it would be useful if Mr Taylor could tell us when he consulted with the respective state heads of department and what advice he received from each of them.

Senator Ian Macdonald—Perhaps you should tell us which two states have not been consulted.

Senator O'BRIEN—No, I do not propose to do that. I am asking if the secretary confirms his evidence or wishes to amend it. He may have been in error and I want to give him the opportunity to do that.

Senator Ian Macdonald—Your information may not be correct or it might have been an acting head. There could be any explanation.

CHAIR—It could mean advisers to the head of the show. There are any number of ways you can officially consult.

Senator Ian Macdonald—Yes. It is a matter for Mr Taylor, of course, but I would be reluctant to work on this basis. I would be surprised if any departmental head would have given you that information, Senator O'Brien.

Senator O'BRIEN—You are entitled to your view.

Senator Ian Macdonald—I am not quite sure why they would talk to you. Perhaps you may have spoken to one of your political colleagues who may have then said something to their departmental heads. But I think this is most inappropriate. If you would like to tell us which states are relevant, I would ask Mr Taylor to do that. Other than that, I would caution him to be very careful in responding to what obviously is in many times a sort of political witch hunt. That is not what this process is about. If you like to name them, we will follow it up. But if you do not, I will just treat it as a bit of a political stunt.

Senator O'BRIEN—You do that at your peril.

Senator Ian Macdonald—That would be my view. Of course it is a matter for Mr Taylor, not me—

Senator O'BRIEN—It is.

Senator Ian Macdonald—but that would be my advice to him. So you refuse to tell us who it is?

Senator O'BRIEN—I am not going to say what my sources are, Minister. The fact is that I have had a very limited time to inquire into what has been said, but that is the advice that I have received. I thought it appropriate, rather than to wait until after these estimates were over, to give Mr Taylor the opportunity to confirm or otherwise amend his evidence. He can choose to do either and he can take whatever advice he likes.

Senator Ian Macdonald—I am not after your sources; I just want you to say which states.

Senator O'BRIEN—It is not a matter that I am proposing to comment on now.

Senator Ian Macdonald—My advice to Mr Taylor would be not to comment either.

CHAIR—To assist the committee, would it help, Senator O'Brien—perhaps this was a rushed briefing—if you got a fuller briefing and then came back—

Senator O'BRIEN—I will get a fuller briefing. I am of the view that I needed to, before this matter gets out any further, give Mr Taylor the opportunity to consider the evidence that he has given, in the light of what I have been told. He may come in and say, 'I am absolutely certain I consulted them,' and that would be a matter for him. In any case, that is what I wanted to say on that matter; I place it before the committee and with you, Mr Wonder.

Senator Ian Macdonald—I would have to say that some of the state departments in this area would be fairly embarrassed about their involvement in all these things, so who knows what they are telling you, or are allegedly telling you, Senator O'Brien.

Senator O'BRIEN—That is a matter for me to know.

CHAIR—Anyhow, we will pray for rain and push on.

Senator O'BRIEN—Proceeding from where we ended at the lunch break, I think from what you said, Mr Banfield, there are non-drought EC payments included in these drought statements. Wasn't the Batlow Apples circumstance something to do with frost?

Mr Banfield—I hesitate to rely too heavily on my memory, given what happened to me before lunch, but yes, my recollection is that that—

Senator Ian Macdonald—Beware, they may check this with the states and then come back to you and challenge your every detail.

Mr Banfield—My understanding is that Batlow Apples was frost related. The exceptional circumstances declaration in Tasmania, which I am sure you are very well aware of, was drought related.

Senator O'BRIEN—Are there any other non-drought EC payments in the figures?

Mr Banfield—No. Again on a quick check that we did, I indicated Central Highlands and Batlow Apples, and the other one that I have got down here was the Mallee region of Victoria, declared on 3 August 1999. Also—and I guess this was what was driving me when I answered the question—I was conscious that some areas in the south-eastern part of the Western Australian wheat belt were declared in February. There were two or three declarations but it was stemming from about February 2001. My recollection is that was drought related as well. The only one that was not drought related, as far as I am aware off the top, related to Batlow Apples.

Senator O'BRIEN—Would you tell us how much money was involved in that—and any other, when you check—non-drought EC payments that are specified in the amounts in the document?

Mr Calder—We might need to take that on notice. Batlow Apples was declared on 7 July 1999, which means that the amount of expenditure that would have been incurred in 2001-02 would have been absolutely minimal, given the two-year nature of EC declarations.

Senator O'BRIEN—I have looked at the statements. It is hard to make sense of some of the documentation. On 6 February, Mr Truss's drought statement said no Victorian farm families were in receipt of EC and the total EC expenditure was zero. On 20 February, the first version of the statement said one farm family had an EC and a total expenditure of \$2.8 million. The second version dropped the farm family but kept the \$2.8 million and subsequent statements retain the \$2.8 million expenditure figure. I wonder if you could explain why EC expenditure in Victoria was zero at the start of February but \$2.8 million a few weeks later despite no farmers getting any Commonwealth assistance.

Mr Calder—The Goulburn-Loddon-Campaspe area was EC declared on 6 February this year for irrigated dairy producers, and one of the features of that particular EC area has been quite a substantial take-up rate by dairy farmers in that Goulburn-Loddon-Campaspe area.

Senator O'BRIEN—I say again: the statement says that families receiving EC started at one and became zero. I am just wondering where the \$2.8 million came from if that is the case.

Mr Calder—Which particular date was that?

Senator O'BRIEN—That was 20 February. There were two versions on that date: the first version said there was one farm family and a total expenditure of \$2.8 million but the second version dropped the farm family but kept the \$2.8 million. If there were no farm families, how do we get \$2.8 million?

Mr Calder—I will need to check back on that for you.

Senator O'BRIEN—I am just double checking myself. The 10 April statement says that EC figures relate to the period 1 July 2001 to 28 February 2003, but that is all I can find that may assist. I say again: on 6 February it was zero, according to the statement on that date.

Mr Calder—It could well have been the Mallee region of Victoria, which was declared in 1999 on 3 August, but I would need to check on that for you.

Senator O'BRIEN—If you can, because the previous press release on 6 February would certainly have taken into account the Mallee region if it was that period you are talking about and the figure was zero: zero families, zero expenditure.

Returning to the drought expenditure table on page 67 of Budget Paper No. 2, did the department provide the data that formed the basis of the expenditure estimate of \$741.8 million? Did the department do the calculation or was it a matter for Treasury?

Mr Calder—Ultimately, that was a Treasury figure. Certainly we were involved in consultations with the department of finance and the Treasury in terms of revising the estimates. but the final figure was determined by Treasury. It was their decision.

Senator O'BRIEN—So when were the projected drought expenditure figures in Budget Paper No. 2 prepared?

Mr Calder—Revisions had started through April. As to the actual date when this figure was settled on, I am not quite sure.

Senator O'BRIEN—So there was a process during April where you were giving information to the Department of Finance and Administration and to Treasury?

Mr Calder—Yes.

Senator O'BRIEN—Did you give them the \$900 million figure or just information?

Mr Calder—The \$900 million figure was a figure which I think had been our best estimate for quite a few months. That figure was essentially a starting point. Revisions were subsequently undertaken. In the case of revisions there are a number of ons and offs. To arrive at the \$742 million figure, for instance, some of the adjustments down included revisions to the 9 December package, the ADA. The take-up of that particular package had been lower than expected. One of the reasons is that there was just a generally lower take-up rate. The second reason is that there is a certain degree of cannibalisation taking place as more and more EC areas are declared in the areas which are covered under the 9 December package. Then expenditure was being incurred under EC as distinct from under the 9 December package. So there was a substantial reduction to the 9 December package.

There was a relatively minor revision to some of the prima facie estimates and a reasonably substantial revision to one of the Victorian applications, the eastern Mallee area, because only the eastern part of the north-west Mallee area was subsequently declared EC. Instead of

5,000-odd farmers in that area becoming eligible for EC, the number reduced to approximately 1,000. They were some of the offs.

Senator O'BRIEN—On what date did the department become aware that the drought expenditure figure contained in this year's budget papers would be \$741.8 million and not \$900 million?

Mr Calder—It is a bit difficult to specify an exact date. We knew there were going to be revisions. To be quite truthful, the actual number—the \$742 million—I think we became aware of on about the day before the budget as the figure that had been finally settled on.

Senator O'BRIEN—Is it fair to say you knew in April that there were going to be revisions?

Mr Calder—We knew there were going to be revisions but, for every off that was occurring, there were also a series of ons occurring as well, as the result of new applications coming in and prima facie being granted, and also in terms of new EC areas. In fact, something like \$138 million of new areas were being added through that period.

Senator O'BRIEN—Is it fair to say you knew that there was going to be a revision in April?

Mr Calder—We knew there was going to be a revision. There was still some discussion going on as to what the final outcome would be: whether it would be a lesser figure or perhaps even a higher figure, given the number of new EC applications that were coming in.

Senator O'BRIEN—I have found 28 ministerial references to a \$900 million commitment, all made since February this year. Consequently the \$900 million figure has been used in a myriad of media reports as an example of the government's commitment to drought affected farmers. Can you just explain how that figure was calculated? Who came up with it?

Mr Calder—The \$900 million estimate is a figure which we estimated in conjunction with the department of finance.

Senator O'BRIEN—By 'we' you mean the department?

Mr Calder—Yes.

Senator O'BRIEN—It was precisely the department—AFFA—and the department of finance that were looking at the revision of that number in April, together with Treasury?

Mr Calder—That is when the revision started, essentially, yes. I should point out that, in terms of trying to reconcile the \$900-odd million figure to the \$742 million, as I indicated there were something like about 14 new EC areas that came in, on which either prima facie or EC had been declared over that period from February through to towards the end of April.

Senator O'BRIEN—As recently as 7 May, just six days before the budget, Dr Kemp and Senator Macdonald issued at least seven joint media statements about the Envirofund drought round, describing the drought recovery round as 'an element of the \$900 million package of measures introduced by the Government to help drought-affected Australian communities'. Isn't it fair to say the department knew it was unwise to rely on the \$900 million figure as at that date, because it was the subject of consideration for revision?

Mr Calder—My view—bearing in mind this expenditure is all actually demand driven but putting that to one side—is that it would have been my best estimate that, at any of that time from February onwards, \$900 million would represent our best estimate of likely expenditure under drought.

Senator O'BRIEN—But in April you knew the \$900 million figure was the subject of revision.

Mr Calder—We knew it was being revised but we were also adding to the figure, as a result of new applications being received.

Senator O'BRIEN—And taking things off?

Mr Calder—Yes. So there were both offs and ons. Whichever way we cut it and looked at it, we were always seeming to come out at roughly a \$900 million figure, bearing in mind the applications coming in.

Senator O'BRIEN—On 15 May, two days after the budget, Mr Truss issued a press release which said:

Since the Budget figures for drought aid were prepared, further EC drought relief declarations have been approved for parts of NSW and Victoria. These EC declarations are estimated to cost another \$105 million on top of the \$742 million projected in the Budget papers—taking the projected expenditure already to \$847 million.

Mr Truss made EC declarations concerning Victoria and New South Wales on 9 May 2003. Are those the declarations connected with this magical \$105 million?

Mr Calder—Yes. They were the Moss Vale-South Coast area, central Victoria and north-eastern Victoria, which totalled \$105 million.

Senator O'BRIEN—Did the department do that calculation?

Mr Calder—In conjunction with the department of finance. You should bear it in mind that actually there are other players in this too, other departments. Estimates or costings are included in the \$105 million for such things as health cards and Youth Allowance.

Senator O'BRIEN—Those declarations were made four days before the budget. When did the department tell Treasury that the numbers about to be published in Budget Paper No. 2 were wrong?

Mr Calder—There had been discussions with our other departments about the fact that these recommendations were with the minister, but ultimately the timing of any declaration is a decision for the minister.

Senator O'BRIEN—Presumably if you knew the basis for the calculation—

Mr Calder—Essentially, 9 May would have been when other departments would have known that the minister had made a decision in relation to these three areas.

Senator O'BRIEN—It would have been possible to amend the budget figures then, wouldn't it?

Mr Calder—I am not close enough to the Treasury processes to know whether it would have been possible or not, Senator.

Senator O'BRIEN—Treasury knew of the declarations?

Mr Calder—They would have known, certainly, on 9 May.

Senator Ian Macdonald—Some officers in Treasury would have known, but probably not the same ones—

Senator O'BRIEN—Not the same ones that did the calculations on the rest?

Senator Ian Macdonald—who became aware of the more recent announcement.

Senator O'BRIEN—Treasury people do not talk to one another about these things. Is that what you are saying, Minister?

Senator Ian Macdonald—It is not for me to have to wonder at the purpose of these questions. I just hope that you understand that the basis of drought relief is that there will be paid whatever is required. Whether the estimate is \$700 million, \$900 million, \$1,500 million or \$10,000 million, the amount will be paid. We keep reviewing estimates and that is where it is. It seems a fairly simple proposition. We use the last figure that is commonly around and, when that changes, we will use that. But the important thing for those affected is that whoever meets the criteria will be paid the correct amount and will be paid in full.

Senator O'BRIEN—Mr Costello has issued a facts sheet announcing a budget surplus of \$2.2 billion this year. What is the real surplus once Mr Truss's last minute changes are factored in?

Senator Ian Macdonald—That is not for this department, is it?

Senator O'BRIEN—According to Mr Truss, the \$847 million is the figure that should have appeared in the budget papers.

Senator Ian Macdonald—You can ask Treasury about that.

Senator O'BRIEN—Can the department provide us with an accurate projection of drought expenditure figures by year consistent with the minister's media statement dated 15 May 2003?

Senator Ian Macdonald—What do you mean 'by year'?

Senator O'BRIEN—Just the way that the budget papers and the announcement break it down.

Senator Ian Macdonald—Isn't that in the budget papers?

Senator O'BRIEN—Yes, but this is an announcement which is subject to the budget, Minister.

Mr Calder—Before I move on to trying to understand exactly the nature of that request, there have been some announcements since the \$105 million. There have also been three more areas subsequently EC declared—south-east Queensland, central coast Queensland and south-west slopes in New South Wales—which have added approximately another \$106 million to the estimates. So we are now looking at an estimated expenditure of \$953 million for this particular drought event. We can certainly give you a breakdown by broad categories of how that is derived.

Senator O'BRIEN—Do you have those figures with you today?

Mr Calder—Not in a form but it is in a couple of documents.

Senator O'BRIEN—Can we have copies of those documents or is there something confidential about them?

Mr Calder—There is a document in existence which shows the components of the \$953 million, but I do not have it with me.

Senator O'BRIEN—Returning briefly to the EC declarations on 9 May for New South Wales and Victoria, a feature of these declarations is the division between industry groups—that is, the New South Wales declaration excluded beekeepers and stone-fruit growers, and the Victorian declaration excluded irrigated livestock and crop producers. Is it possible to provide us with a table showing each region declared eligible for EC with a note about eligible and ineligible industries?

Mr Calder—Yes.

Senator O'BRIEN—With regard to the table you are talking about, Budget Paper No. 2 provides a table. Mr Truss says that the table is wrong—that is, that there are extra EC declarations. Is that the table that you are going to update?

Mr Calder—If you are talking about how we derive the \$953 million, it will be essentially listing all the EC areas and what is available under the different components. It will include some of the drought measures that were announced late last year. It will include ADA—that is a 9 December package et cetera—and EC expenditures.

Senator O'BRIEN—Is it possible to provide us an update of the table that is in the budget papers taking into account these new figures?

Mr Calder—We have not specifically done that, but I presume it would be possible.

Senator O'BRIEN—Thank you. I think you have touched on this, but on page 67 of Budget Paper No. 2 there is an explanation for the drop in expenditure under the announced \$368 million drought package that the Prime Minister announced in December. That package is now worth \$170.2 million, apparently. Budget Paper No. 2 says the drop can be explained by farm families moving from the ad hoc package to the EC program. I understand why farmers leaving the ad hoc program might reduce projected expenditure on the one-off measures but, if these farmers are making the transition to EC, overall expenditure should not fall, it should rise, because EC support is available for two years. Can you explain the inconsistency between a more efficient EC assessment and lower overall expenditure?

Mr Calder—That was not the only explanation. I do not have that particular paper in front of me, but my understanding too is that essentially there are three reasons why the ADA figure has been revised down substantially. The original estimate was made early in December. It was based upon our expectations at that particular point of time. It was our best estimate. With the benefit of hindsight, I think we overestimated, bearing in mind that it was essentially a new type of program. We assumed at that time that approximately one-third of farmers in any of the areas covered under the 9 December commitment—that is a one-in-20-year nine-month drought period—would probably access it. That was not the case. Partly the reason for the case of course was the subsequent coming in of EC applications.

I think also that the take-up of drought assistance generally for this drought appears—and we have not done a full analysis yet—to be somewhat slower than perhaps in other drought events. That may well be due to the fact that farmers for this drought have been coming off a couple of pretty good years and may have had such things as additional assets which meant that they were disqualified, perhaps at least initially, from the assets test in meeting some of the eligibility requirements for assistance. But we have done no analysis on that. That is largely based upon anecdotal type comments which we are receiving.

But you are correct in the sense that, if some of the people who were originally assumed to be likely candidates for assistance under the ADA subsequently ended up in EC for a period of time, that would not alter the actual expenditure on those individuals—though of course they will ultimately end up being potentially eligible for 24 months worth of assistance as distinct from a maximum of six months under the ADA.

Senator O'BRIEN—Exactly right. I do not want you to be at a disadvantage. I am sure someone at the table has Budget Paper No. 2 and they can show you page 67.

Mr Calder—I have an extract of it but not the full page. Actually I do have page 67 in front of me.

Senator O'BRIEN—That is where the measures are set out.

Mr Calder—Yes. As the statement here says, it did reduce demand for this package, and that is entirely correct.

Senator O'BRIEN—So the 9 December commitment by the Prime Minister was for \$134.4 million for income support. Can you provide updated figures for 2002-03 and 2003-04?

Mr Calder—The current estimate is \$72 million for 2002-03 for interim income support.

Senator O'BRIEN—Anything in 2003-04?

Mr Calder—No.

Senator O'BRIEN—The Prime Minister committed \$130.8 million for interest rate subsidies on loans for stock support and drought recovery. How many farmers have received subsidies; and what are the revised expenditure estimates for 2002-03, 2003-04 and 2004-05?

Mr Calder—The revised figures show an estimated expenditure of \$2.34 million in 2002-03; \$7 million in 2003-04; and \$4.66 million in 2004-05. About 750 have received support to date.

Senator O'BRIEN—Of the other measures announced by the Prime Minister, I understand that small business support and drought force are administered by other departments. Is that correct?

Mr Calder—Yes.

Senator O'BRIEN—Can you update us on those figures, or do we need to rely on other departments for that?

Mr Calder—We have been advised informally of the revisions that have taken place. Of the actual revisions, I have not seen anything official.

Senator O'BRIEN—I think the figures that you have given us so far amount to \$86 million. That is just a fraction over half of the revised figure of \$170.2 million. I suppose that means that those measures will be found in those other areas. Do I understand that correctly?

Mr Calder—Centrelink delivery costs also need to be factored in.

Senator O'BRIEN—What do you expect Centrelink to extract for their services?

Mr Calder—For the ADA package, which was substantially revised down, there has been a reduction in Centrelink delivery costs, and over the period of the package it is now \$5.6 million.

Senator O'BRIEN—I have a few more questions about income support under the ad hoc package. If a farmer in one of the areas declared eligible for support applied today, would that assistance end on 10 June or would it extend for six months?

Mr Calder—If a farmer is in one of the 9 December areas which is not subject to EC—and many of those areas have subsequently been covered by EC—yes, he will apply for assistance and he can be backdated to 9 December, but essentially the assistance he is eligible for terminates on 8 June.

Senator O'BRIEN—He can be backdated or he will be backdated?

Mr Calder—He can be if he meets the eligibility criteria for the full period.

Senator O'BRIEN—What communication has the department had with farmers about to lose their income support entitlement under the six-month ad hoc package?

Mr Calder—I think it is fair to say that in excess of 80 per cent of all the farmers who were living in areas under the 9 December package have been subject to EC applications which have subsequently been lodged. Therefore their claims for ongoing assistance have already been assessed by the National Rural Advisory Council. At the moment decisions have yet to be made on about seven EC applications.

The first point I would like to make is that many of the farmers under the 9 December package have already had their claims assessed for EC. In many cases the areas have been declared EC. In other cases some of the farmers have not been able to demonstrate that they meet the EC criteria. In relation to the first part of your question about what contact we have had, there has been some contact by individual farmers with the department wishing to see the 9 December package extended, but that is obviously a decision for the government and not for the department.

Senator O'BRIEN—Has the department, as a matter of routine, written to those in receipt of assistance advising them that the assistance is about to end?

Mr Calder—The department has, in conjunction with Centrelink, taken out newspaper advertisements in a number of these areas, drawing it to their attention. We have not been writing to the tens of thousands of farmers who potentially might be affected.

Senator O'BRIEN—When you say 'potentially might be affected', surely you know who is receiving assistance. They are the only ones you need to write to, aren't they?

Mr Calder—We do not have the names and addresses of individual farmers receiving assistance. That, of course, is administered by Centrelink. I suspect there would be privacy considerations there.

Senator O'BRIEN—Centrelink could not send them a letter on your behalf?

Mr Calder—I am not aware that that is being done. As I indicated, there have been newspaper advertisements undertaken.

Senator O'BRIEN—You say that the assistance will end on 8 June.

Mr Calder—That is for the income support. If, of course, an application is received by that time the interest rate relief component can continue for two years. They are eligible to receive that subsidy for two years, so that will take them into 2004.

Senator O'BRIEN—I thought the minister said that the assistance would end on 10 June.

Mr Calder—8 June is actually the official end date, but that happens to be a Sunday. The Monday is a public holiday, so it has been decided that any applications received on 10 June will still be processed.

Senator O'BRIEN—But only paid until 8 June.

Mr Calder—No, if they are eligible—

Senator O'BRIEN—Paid up to 8 June.

Mr Calder—Yes, only paying up to 8 June. But applications will be received up to close of business on 10 June.

Senator O'BRIEN—I want to deal now with the Country Women's Association and farm management deposits. Perhaps we will deal with the Country Women's Association first. In February this year we discussed the \$1 million Country Women's Association drought fund. According to the answer to question on notice 1216, the first monthly report on expenditure was received in February. Almost \$500,000 had been expended by 31 January. Can you provide the committee with an update on total expenditure and a state and territory breakdown of expenditure figures?

Mr Aldred—The total expenditure to 30 April 2003 was \$934,846. State-by-state break-up is: New South Wales, \$400,000; Queensland, \$250,607; Victoria, \$169,950; Western Australia, \$100,000; and South Australia, \$14,289. There has been no expenditure in the Northern Territory or Tasmania.

Senator O'BRIEN—Do you have any idea what the expenditure has been made on, for or to?

Mr Aldred—In line with the guidelines, essentially household expenses and so on. There has been a predominance of things such as phone bills, utilities and school expenses.

Senator O'BRIEN—Last year, changes were made to the legislation governing the Farm Management Deposit Scheme, allowing farmers in EC declared areas to have access to their money but retain the associated tax concession. Mr Truss recently released a table showing FMD figures for the December quarter. The bill amending the scheme did not gain assent

until 19 December, so the December quarter figures will not be substantially affected by the changes, will they?

Mr Aldred—I would not expect them to be significantly affected.

Senator O'BRIEN—What assessment has been made of the likely impact of the early withdrawal rules in subsequent periods?

Mr Aldred—Relatively little. The scheme, as you would be aware, has only been in operation for a few years and we do not have a lot of information on the overall patterns of expenditure on which to model various changes.

Senator O'BRIEN—When will the next set of quarterly figures be released?

Mr Aldred—I cannot say when they will be released. The financial institutions are required to provide information to us within two months of the close of a quarter, so we would not yet have received all of the information for the March quarter.

Senator O'BRIEN—I want to clarify the rules relating to early withdrawal. Is it the case that farmers in receipt of ad hoc assistance announced in December cannot take advantage of the early withdrawal provisions?

Mr Aldred—First I should qualify it: the legislation that governs FMDs is the responsibility of the Department of the Treasury and the Australian Taxation Office, so matters of interpretation of the legislation properly rest with those agencies. That being said, the rules that govern early withdrawal are related to the need for a particular producer to be wholly or partly within an EC declared area and obtain an exceptional circumstances certificate.

Senator O'BRIEN—What about the provisions relating to farmers in EC declared areas? Does a farmer have to hold an EC certificate to take advantage of the early withdrawal rules, or just live in an EC declared area?

Mr Aldred—The legislation requires the producer to have an EC certificate, I think from memory within three months after the close of the year of income.

Senator O'BRIEN—What about areas subject to prima facie EC assessment? Can farmers in these areas take advantage of the revised scheme?

Mr Aldred—I would expect that they would be unable to obtain an EC certificate.

Mr Banfield—There has to be a formal declaration of EC in the area.

Senator O'BRIEN—A formal declaration of EC, not just—

Mr Banfield—Prima facie does not constitute a formal declaration of EC. It is in the form of interim assistance while a formal assessment and a decision is taken on EC. The FMD relief provisions are limited to those in areas where exceptional circumstances have been declared.

Senator O'BRIEN—What impact do the rules have on farmers in EC excluded industries operating in EC declared areas—for example, cane growers in last week's Queensland's central coast region?

Mr Banfield—Mr Aldred might want to add to it, but that is an issue we are looking at to see if we can administratively work through that, because there are some issues raised there.

Senator O'BRIEN—When will we know what the outcome of working through it is?

Mr Aldred—It is an issue that we are aware of and seeking to address. I am unable to give you a particular date.

Senator O'BRIEN—Has Treasury asked the department to investigate reform of the FMD scheme that would require farmers to withdraw FMD deposits before applying for EC assistance?

Mr Aldred—Not to my knowledge.

Senator O'BRIEN—Can you check that?

Mr Aldred—I can check that.

Senator O'BRIEN—Has the department done any work on the consequences for Commonwealth drought expenditure, if that occurred?

Mr Aldred—No.

Senator O'BRIEN—Mr Calder, I think I understood you correctly as saying, in relation to the ad hoc support that ended on 10 June, that an application lodged on 10 June would be accepted and processed.

Mr Calder—Yes.

Senator O'BRIEN—And processed?

Mr Calder—Yes.

Senator O'BRIEN—I think I am ready to proceed to Senator Macdonald's area of responsibility.

Senator IAN MACDONALD—Mr Chairman, before we do that, can I just indicate, with some great sadness I might say, the response to the insinuation that Senator O'Brien made about a very competent and straight down the line officer, Mr Mike Taylor. Mr Taylor tells me that he spoke with all of the leaders of the various state agencies, at about 5 p.m. on 10 April in Brisbane, at the time of the primary industry standing committee meeting, which preceded the Primary Industry Ministerial Council meeting. Those present were Mr Richard Sheldrake from New South Wales, Ms Chloe Munroe from Victoria, Mr Warren Hoey from Queensland, Mr Graeme Robertson from Western Australia, Mr Jim Hallion from South Australia, Mr Kim Evans from Tasmania, Mr Roger Smith from the Northern Territory and Ms Maxine Cooper from the ACT. That was raised with those people. I am concerned that these insinuations are made. They can sometimes reach the media or reach people involved. They are insinuations that a very competent and honest officer might be misleading the Senate. Mr Taylor holds his reputation very highly, as he should. I think public servants are often an easy target for those sorts of unscrupulous allegations.

Senator O'BRIEN—I reject that it is an unscrupulous allegation. There was a statement made. I made inquiries and was given information. I drew that matter to the attention of the committee, to give the secretary the opportunity to reflect and affirm or correct his evidence,

rather than have it sit there and at some stage deal with it in circumstances where he would not have the opportunity that I have just given him.

Senator Ian Macdonald—The insinuation is there. You indicated yourself that you only had a very quick opportunity to do this. I asked you to name which states, so that some pressure could be put on those who would give you incorrect information, and I am disgusted that someone from those states would give wrong information to you. I am disappointed that you would accept that without further checking, because these sorts of allegations are easy to make and they are difficult for public servants to respond to, and I view that quite seriously.

Senator O'BRIEN—They are serious matters.

Senator Ian Macdonald—It might well be in the purview of the committee to offer an apology to Mr Taylor for the insinuation that was contained in the question.

CHAIR—I am sure that this committee in its deliberations would not have intended any ill will toward or slur on the reputation of such an eminent person as Secretary Mike Taylor. I am sure that Senator O'Brien would concur with the view that we hold him in high regard. You will be aware that I tried to intervene, saying that perhaps Senator O'Brien should go away and tighten up the information he had received. I am sure in the fullness of time he will do that and make a more fulsome explanation to this committee.

Senator O'BRIEN—You are absolutely right. I will either do it to this committee or to the Senate.

CHAIR—Settle down. This is a long camp, and we have a long way to go. I would not like to think there was any ill will.

Senator O'BRIEN—I am agreeing with you.

CHAIR—But I am sure, Minister, that you can convey to the secretary that there is certainly no imputation on his integrity intended by this committee.

Senator Ian Macdonald—Thank you. I will do that.

Senator FERRIS—Mr Wonder, before you go, is there any information—

Mr Wonder—I am not going anywhere.

Senator FERRIS—I am sorry. I thought that you may have been leaving the table, while fisheries—

Mr Wonder—No, I am not. Mr Pahl was indicating to me that there are a couple of little items that we undertook yesterday to come back to the committee on later in the hearing and he has some additional information to provide. I will be here to the end of the hearing.

Senator FERRIS—What I was going to ask you is whether you yet have any information on the report from the AWI board meetings last week.

Mr Wonder—As far as I am aware, we do not have that information at this point. I have not inquired today, I must say; I did inquire yesterday. I will endeavour to get an update on that this afternoon.

Senator FERRIS—I would appreciate that, thanks.

Mr Pahl—I just want to put on the record a response to a couple of matters that we undertook to come back to the committee about. Just prior to lunch, Senator O'Brien asked me some questions about costs related to executive and chief officers. I have checked and in fact two staff resigned early in the current financial year. Neither of those staff members received any form of retrenchment or redundancy payment; they just received their normal entitlements.

Yesterday in the course of the proceeding there was some discussion about Minter Ellison, the corporate legal providers for the department. In the course of that discussion, there were a couple of questions asked about their contractual arrangements with the department. There are five full-time lawyers and support staff engaged under this contract. They provide all the corporate legal services to the department, other than those that remain in the purview of the Attorney-General's Department, which are primarily related to issues of a constitutional nature. The 2002-03 fixed price fee for these services is \$1.4 million.

Senator FERRIS—Is it possible to have a breakdown of how that cost is arrived at?

Mr Pahl—It is. My recollection is that we purchase under the contract a certain number of hours, at a fee per hour. We guarantee up to a certain level of activity and, in return, the contract provisions provide for a fairly good discount in terms of the hourly rate.

Senator FERRIS—Is this the first time that the department has engaged in a contract such as this?

Mr Pahl—No. We have had now three separate providers for legal services over recent years. We go to the market from time to time. We generally appoint a primary provider of the services and we then have a contract panel of one or two other providers to ensure that, if an issue arises in which Minters, for example, have already been acting on behalf of a client and would be in a conflict of interest situation if they were to actually take on our work, we have that covered by having those panel members available. We can then utilise them in those sorts of circumstances. But, as I say, this is one of the more longstanding outsourced arrangements.

Senator FERRIS—How long is this contract to run? Is it just year by year?

Mr Pahl—No, to the best of my recollection it is a three-year contract. This particular contract is probably in its second year at the moment, but I just don't have the actual detail. As I said before, the key issue is that constitutional issues are dealt with by the Attorney-General's Department, not by our corporate legal people.

Senator FERRIS—This is the first time I have become aware that we had this arrangement, so if in due course you are able to give me any more information on it I would be very interested.

Mr Pahl—No problem.

Senator FERRIS—Thank you very much.

CHAIR—Could we now move on to fisheries and forests.

Mr Quinlivan—We have got the fisheries crew here first. Is it convenient to begin with fisheries?

Senator O'BRIEN—Yes, by coincidence it is, actually. I will start with questions about AFMA's budgetary position. The financial statement published in the portfolio additional estimates statement for 2002-03 estimated a deficit of \$1.13 million this year and small surpluses for 2003-04 and 2005-06. The 2003-04 PBS paints quite a different picture. Rather than a small surplus, AFMA is budgeting for a deficit of \$1.39 million in 2003-04 and growing deficits in the three following years. Can someone explain the change?

Mr Meere—I have not got the other additional estimates straight in front of me.

Mr Quinlivan—I do not think there is any doubt that that is correct.

Mr Wonder—What page are you on in the additional estimates there, Senator?

Senator O'BRIEN—It is page 107.

Mr Wonder—The additional estimates from last year, 2002-03? My book finishes at page 86.

Senator O'BRIEN—I have got the wrong page here, I am sorry.

Senator Ian Macdonald—Anyhow, I think the officers have indicated the general proposition is right, without agreeing with your actual figures because we do not have a copy here of those. We can talk generally and we will try and find it.

Mr Quinlivan—The question might come from page 59 in the additional estimates statement.

Senator O'BRIEN—I have not got the document here that I normally have.

Mr Quinlivan—That is projecting a deficit of \$1.13 million in 2002-03 and, as you say, small surpluses in the out years of \$16,000, \$10,000 and \$2,000 respectively.

Senator O'BRIEN—I do not have the page here.

Mr Meere—I now have the figures in front of me. You are correct that the figures have changed from the additional estimates through to what you have in front of you now for 2003-04. The principal reason for the change is that, in submitting the figures last year, we were told that we had to budget for balanced budgets from 2003-04 for a further three years. We have now sought and obtained approval for a loss in the coming financial year of \$1.392 million—that is the 2003-04 figures. We have submitted our best estimates of where we think the financial situation for the organisation will be in out years, but they have not been approved by the department of finance, to my knowledge.

Senator O'BRIEN—The note on page 109, I think, says that AFMA will use accumulated reserves to fund the difference between total revenue and the total cost of outputs. What is the state of the authority's accumulated reserves?

Mr Quinlivan—If you turn to page 122 of the 2003-04 statement, you will see under 'Assets' AFMA's estimated cash holdings across the period of the forward estimates, beginning with \$14 million.

Senator O'BRIEN—Yes, I can see that. You say that this approach has not been approved. What is the process that has been followed there?

Mr Meere—The coming financial year has been approved—that is my understanding, although I have not seen formal advice to that effect—but I understand that in the coming year we will be asked to go through a process to look again at our costs and also at the cost recovery policy which underpins arrangements for recovering costs of the authority from industry and government. The whole question of our forward estimates will then be considered in that context.

Senator O'BRIEN—When will you know whether that has been approved? How long do you expect it will be before you know whether this approach has been approved?

Mr Meere—I would have thought that this will have to be part of deliberations in the 2004-05 budget cycle, commencing at the end of this year.

Senator O'BRIEN—A comparison between the revenue tables published in the PBS this year and last suggests a significant shift in the balance between industry levies and fees and the Commonwealth contribution. In 2002-03, industry levies and fees contribute about 40 per cent of overall revenue. In 2003-04, the industry contribution is estimated to rise to 47 per cent. What is the basis for that change?

Mr Meere—Fundamentally it relates to AFMA's role in Southern Ocean patrol programs. You would recall that for the last four years ending this 30 June we have actually run a whole of government program by which we have received about \$4 million per annum over that period for Southern Ocean surveillance. That program now has been moved to another portfolio and we will have a much scaled back involvement in that program, hence the shift in government appropriations versus industry appropriations. There has been no fundamental change to the proportions and the cost recovery policy still applies in relation to recovering those costs.

Senator O'BRIEN—I was going to ask about that change. You will not manage the Southern Ocean surveillance and enforcement program after 30 June, I think you just said.

Mr Meere—That is correct.

Senator Ian Macdonald—You won't be paying for it. I think that is more accurate, isn't it? You will still be managing it.

Mr Meere—Contributing to it, yes.

Senator Ian Macdonald—The money for the southern oceans, instead of coming to us and then being paid to a service provider, so to speak, will go straight to the service provider—in this instance, Customs. Don't ask me why it is done that way. Somebody might know, but I do not.

Senator O'BRIEN—I think AFMA has been allocated \$1.8 million and Customs \$10.2 million. I am just trying to understand precisely how the management of the program will differ next year, and why the management model was selected.

Mr Quinlivan—The main logic underlying the shift was to move the southern oceans program onto the same basis as for border surveillance elsewhere in Australian territory, which is that Coastwatch have responsibility for coordinating all of the activity and the service is actually provided by Customs and Defence, on behalf of clients such as AFMA. In this case, the government has decided that Customs will, for the most part, be the available

and preferred service provider in the southern oceans. The \$11 million or \$12 million, or thereabouts, has been provided for the total program: \$1.8 million is for AFMA to deal with post-apprehension processing and related functions, which it will retain, and the balance of the money is appropriated to Customs for the actual service provision.

Senator O'BRIEN—Do you know whether Customs takes a share for administration?

Mr Quinlivan—I am sure they must. It would be impossible for them to run a program of this size without incurring some overheads, and I am sure they are included in the charges.

Senator O'BRIEN—What was AFMA's or AFFA's overhead cost for running the program this year?

Mr Quinlivan—AFFA's overhead cost was negligible. We have got some resources devoted to the task but they are not actually overheads to the program; they are more related to the policy development work that goes with it. And for AFMA, Frank may be able to give you an answer.

Mr Meere—No, I do not have those figures at hand. I will take that on notice and provide you with the exact amount. I just point out again that it is calculated consistent with the cost recovery policy that we apply to other government services and to industry services.

Senator O'BRIEN—The PBS notes that a review of the surveillance and enforcement program is currently under way. When did this review commence and how is it being undertaken?

Mr Quinlivan—The decisions announced in this budget were for 2003-04. No decision has yet been taken on the program beyond 2003-04. A task force dealing with illegal fishing has been created. That task force is preparing a memorandum for cabinet at present to be considered in the period before the budget cycle commences later this year. The task force will be undertaking the review and the product of that review will be a report to the cabinet in the form of that memorandum.

Senator O'BRIEN—Is AFFA, Customs or some other department conducting the review?

Mr Quinlivan—The review is being undertaken by the task force itself, which is essentially an interdepartmental committee.

Senator O'BRIEN—I take it that that will be funded out of the budget for the program?

Mr Quinlivan—No, the review will be just policy development work undertaken by the relevant departments. It does not have special funding and it certainly is not an overhead to the program.

Senator O'BRIEN—Senators Macdonald and Ellison issued a media release on 12 May about Operation Rushcutter. The release reveals the duration of the patrol, the name and displacement capacity of the patrol vessel, the composition of the crew and the operational outcome. Last year, in answer to a question on notice about patrols to Heard and McDonald islands, Senator Macdonald advised me: Patrol frequency and capability is important tactical information and if made public could compromise future monitoring, surveillance and enforcement activity by Australia against illegal fishing activity at the HIMI fishery.

I want to understand the policy in this area. Does the line between important tactical information and full disclosure hinge on a photo opportunity?

Senator Ian Macdonald—There was not a photo opportunity, so that part of the question is ridiculous. Quite obviously, we do not like to forewarn those who might benefit from forewarning of what we are going to do and when we are going to do it. In this instance the media release was issued to highlight yet another one of many actions that the Australian government is taking to catch those who fish illegally in our waters.

Mr Quinlivan—The objective of the program is to deter illegal fishers. The judgment was made in this case that, because there was a significant additional enforcement capacity with this operation, it was important that the illegal fishers were aware of that and were aware that we were now sending armed people down to the southern oceans. It was important on this occasion to be very public about the operation, what had happened and what new capacity we now had in the southern oceans.

Senator O'BRIEN—In the same joint release of 12 May, Senator Ellison is quoted as saying:

The fact that this patrol found no sign of illegal fishing vessels in Australian waters around Heard Islands and McDonald Islands is a positive sign that Australia's patrol program, and the tactics it employs, is serving as a deterrent against illegal fishing.

Yet in relation to northern waters, a media release from Senator Macdonald on 16 May says that 53 apprehensions in less than five months is evidence that the government's patrol program is working. You cannot have it both ways. You cannot say 'no apprehensions is a good result' and three days later say the opposite.

Senator Ian Macdonald—I see no inconsistency at all, if you are asking me.

Senator O'BRIEN—I am happy for you to answer, Minister. You can see no inconsistency between those two positions?

Senator Ian Macdonald—No.

Senator O'BRIEN—I am happy to rely on that answer! Can you provide an update on how many illegal fishing boats have been apprehended in northern waters this year?

Mr Quinlivan—There have been 65, Senator.

Senator O'BRIEN—What progress has the marine affairs and fisheries working group of the Australia-Indonesia ministerial forum made in relation to illegal fishing?

Mr Quinlivan—There are two illegal fishing problems that that group is interested in. One is illegal fishing in northern Australian waters; the other is illegal fishing in Indonesian waters. Illegal fishing in Indonesian waters, until quite recently, has been out of control. There are very large numbers of large commercial vessels from a variety of other neighbouring countries fishing illegally in Indonesian waters, and some of that occasionally spills over into Australian waters. The Indonesian government is making great progress in getting all of that under control and registering vessels on a conventional vessel register of the kind we have. That issue has got a lot of prominence in that ministerial forum.

In Australian waters the drivers for illegal fishing are: poverty on the Indonesian side, the very high commercial value of shark fin in Asian markets, and the relatively healthy shark stocks in Australian waters compared to Indonesian waters. The kind of fishing we are worried about in our northern waters is of a vastly different scale to the illegal fishing that I mentioned in the Indonesian waters, so I think it is unreasonable of us to expect the Indonesian government to make that a very high priority. The work that the ministerial forum working group has done has at least raised it as an issue between us. We have got a variety of programs and activities under way which I think are going to increase capacity on the Indonesian side to cope with illegal fishing. They will also allow us to engage directly with the provincial authorities in those areas that the illegal Indonesian fishers are coming from, because they come from specific provinces.

Over the last 12 months I think we have gone from not having this issue on Indonesia's radar screen at all to a point where they acknowledge our concerns. They have agreed to a series of joint activities, including on fisheries management and enforcement. We have recently got authority to begin directly talking to the provincial authorities on regulating the access of Indonesian fishers to Australian waters. We regard that as significant progress, although obviously this is going to be a long and slow process because those drivers that I mentioned earlier are so fundamental.

Senator O'BRIEN—What is the program of future meetings?

Mr Quinlivan—I am not quite sure what the intervals have been so far. We have had two meetings in the last 18 months. We will probably meet on a six- to nine-monthly basis from now on. We have had success in the recent AusAID funding round and two projects are commencing soon, one of which will have some senior Indonesian officials coming out and spending time with AFMA and with Coastwatch, learning their systems and the Australian practices. That will both improve relationships and improve capacity on the Indonesian side. So we are going to see more interaction between the actual meetings in the future as well.

Senator O'BRIEN—When we last met, the matter of a bond on the fishing vessel *Volga* had been the subject of a determination by the International Tribunal for the Law of the Sea. The vessel itself is located in Fremantle. A domestic court case related to illegal fishing by the crew on board the vessel was pending. Can you provide us with an update?

Mr Meere—Yes, I can do that. Unfortunately the matter has not moved particularly quickly. In relation to the crew, there are procedural matters still to be heard by a judge, hopefully on 14 July, with a trial hearing date set down for March 2004 as the earliest time available in the Western Australian District Court. The district court has set aside five weeks for the trial.

In the intervening period, the crew, as I think we probably reported last time, has been bailed—the master on \$95,000, and \$75,000 for the other crew members—returned to Spain, where they have surrendered their seaman's papers and passports, and have to report monthly to the Australian embassy. In relation to the challenge in the Federal Court against the forfeiture by the Commonwealth, a preliminary hearing has been heard, but there are a number of procedural points to be further explored. We do not have a date for that except that

the applicants have until 5 June to submit their case. The next directions hearing on the matter will be 12 June.

Senator O'BRIEN—It is taking some time. Are the crew regularly attending the Australian embassy in Madrid as required?

Mr Meere—They are.

Senator O'BRIEN—I presume their bail will be forfeited if they do not?

Mr Meere—It will.

Senator O'BRIEN—And what would happen then, if they forfeited their bail? Will they be extradited?

Mr Meere—I cannot answer that, although I do recall that in a previous case where—

Senator O'BRIEN—Or are they going to Majorca?

Mr Meere—The big advantage is that we not only got the bail but we have got their passports and their seaman's cards. Hopefully that is significant disincentive for them to jump.

Senator O'BRIEN—It did not stop someone we know, who resided in Majorca and got a new passport.

Senator Ian Macdonald—We would have the bail, which has been set to be what the fine might be, in any case.

Senator O'BRIEN—What has happened with the *South Tomi* and the *Lena*? Are they sitting on the ocean floor yet?

Mr Meere—Not yet, but they are being prepared to sit on the ocean floor. The city of Geraldton has taken charge of the *South Tomi*, and it is being prepared for sinking, and the Bunbury chamber of commerce has taken responsibility for the *Lena*, and it is also preparing it. They are expecting to be able to commission them down to the bottom of the sea later in the year.

Senator O'BRIEN—There could not be a better place for them. Is this the right place to ask about the Eden Regional Adjustment Package?

Mr Quinlavan—Does that mean you have no more fisheries questions?

Senator O'BRIEN—I think it does.

Mr Quinlavan—The answer is yes, in that case.

Senator O'BRIEN—Why will the Eden Regional Adjustment Package expenditure in 2002-03 exceed the estimate contained in last year's PBS? That is on page 21 for this year and page 96 of last year. In 2002-03, last year's PBS, it was \$435,000; estimated expenses were \$588,000.

Mr Quinlavan—We think it is the unspent 2001-02 moneys rephased into 2002-03. The adjusted total for the year after additional estimates was \$0.588 million.

Senator O'BRIEN—So \$150,000-odd was carried forward?

Mr Quinlavan—Yes, \$153,000.

Senator O'BRIEN—The PBS shows no estimated expenditure for next financial year, the coming one.

Mr Quinlavan—That is correct.

Senator O'BRIEN—Does this mean the program is concluded?

Mr Quinlavan—Our current hope is that the program will be concluded this year. As I understand it, there are two outstanding projects. If sufficient progress can be made, the program will be paid out this year. In the event that they are not, and one of them is a bit uncertain, there will be an underspend this year. If it is approved in the next additional estimates, the unspent moneys will be rephased into next year to complete the program and that particular project.

Senator O'BRIEN—Last May I asked for—and you were kind enough to provide on notice—a breakdown of the amount for each application and the grants either requested or made. Could that be updated for the committee?

Mr Quinlavan—Yes.

Senator O'BRIEN—From memory, applications for the ERAP program were put through an area consultative committee process and, from there, applications with merit were forwarded with recommendations to the minister for approval, a model not dissimilar to the DRAP scheme. Is that an accurate reflection?

Mr Quinlavan—I have nothing to add to the advice we gave last time. If that is your literal reading of what was said last time then I am sure it is correct. In other words, I am not personally sure, but I know we got it right last time, because we had somebody at the table who was able to provide that advice.

Senator O'BRIEN—ERAP applications stipulated the number of jobs that the enterprises would create if successful, and figures were supplied to the committee of job numbers expected in the first and fifth years. What is the long-term work plan beyond the funding life of the ERAP program for following up these grants to monitor whether the claimed job creation was delivered and, more importantly, sustained into the future? I would assume that would be an important process to ensure, at least, that public moneys have been spent appropriately.

Mr Quinlavan—We have to date sought periodic advice from the project grant recipients on employment generation, and we will continue to do that until the program is completed. So there will be a final wash-up of the program either early next financial year or slightly later, depending on the outcome of that delay in additional estimates, a possibility mentioned earlier.

Senator O'BRIEN—In your answer to question on notice FF08 from 27 and 28 May last year, there is an item called ERAP 42, which received \$451,500. I presume that this is for the Seahorse Inn at Boydtown—is that correct?

Mr Body—I am sure that would be; that is the amount for that project.

Senator O'BRIEN—When was the grant made, and has the full amount been handed over?

Mr Body—That is actually the delayed project that Mr Quinlavan was referring to. It would appear that it may not be completed by 30 June.

Senator O'BRIEN—So the money has not been handed over?

Mr Body—A small amount has. The bulk of it is not yet been paid. It is paid on the achievement of milestones by the company.

Senator O'BRIEN—What exactly was the grant for, in terms of works or extensions to the Seahorse Inn?

Mr Body—It was a major refurbishment of the old hotel to add convention facilities and to upgrade accommodation. It is a big refurbishment to make it more of a resort to cater for the tourist market.

Senator O'BRIEN—Have any of the jobs materialised yet?

Mr Body—Only in the building and construction side of it, not the long-term employment.

Senator Ian Macdonald—Probably in the solicitors' offices too, I would say, because I think they had a lot of trouble with getting planning approval from the heritage commission, didn't they? I think that has been the cause of the delay. Until it is finished I do not expect the job projections would come to pass.

Senator O'BRIEN—When ERAP concludes, what will have been the total expenditure by the Commonwealth on this program?

Mr Quinlivan—Somewhere in the order of \$3.1 million?

Mr Body—\$3.2 million.

Senator O'BRIEN—\$3.2 million, okay. I wanted to ask some questions about FISAP. Page 23 of the PBS shows an increase in estimated FISAP expenditure of \$3.97 million from 2002-03 to 2003-04.

Mr Quinlivan—Senator, is that the movement from \$14,084,000 to \$18,055,000? Is that what you are referring to?

Senator O'BRIEN—Yes. During hearings last May we were told that in terms of the FIDWA, 30 expressions of interest were received, and at that time there had been no expenditure on these applications. How much of the increase in the estimated expenditure relates to these FIDWA applications?

Mr Quinlivan—None.

Senator O'BRIEN—None?

Mr Quinlivan—FISAP was due to terminate at the end of 2002-03 so last year's papers will show nothing in the forward estimates beyond 2002-03. In this budget, the government has rephased monies into 2003-04 and 2004-05 and there are funds available in 2003-04 to meet our anticipated calls on the program. As you probably know, the Minister issued a press release with the budget papers outlining where those monies are likely to be spent but also saying that the offer remains open for Western Australia. If there is satisfactory resource in Western Australia to sustain commercial investment then the Commonwealth will be in a position to honour its commitment for a FISAP program in WA.

Senator O'BRIEN—Is there a time limit on that?

Mr Quinlivan—There is a time limit on the Commonwealth's patience, I think, yes. The forward estimates do include sufficient monies for the program and the commitment that has been made, but the onus is really on the Western Australian government to provide the basis on which companies can invest. We can then spend our program monies. So the program was due to terminate this year. It has been given two years reprieve, if you like, but I think it would be difficult to imagine a longer reprieve.

Senator O'BRIEN—Is the Victorian Data Assistance Strategy the new title for the review of the aggregate sawlog licence volumes in Victoria contained in the 2002-03 PBS?

Mr Quinlivan—I am sorry, could you—

Senator O'BRIEN—In the 2002-03 PBS there is reference to a review of aggregate sawlog licence volumes in Victoria, on page 14.

Mr Quinlivan—That is correct. I think there was \$160,000 allocated for that purpose last year. It now appears as an administered item, if you are on page 23 of the PBS you will see, just under those FISAP numbers, the Victoria Data Assistance Strategy at \$940,000. That is the second part of that program with Victoria on sustainable yield review.

Senator O'BRIEN—It was \$1.5 million for 2002-03 to 2004-05 in last year's PBS. What is happening to the out years, is it further carried forward?

Mr Quinlivan—There is \$940,000 in 2003-04 and there is something in the last year as well, I am not quite sure how much it is. Again, it is a bit like the WA FISAP program. We have provided the monies to enable this work to be done so that Victoria can bring forward the review and then sign the contract so that people are able to invest. The onus is on the Victorian government to make best use of this opportunity we are providing. There is \$400,000 for 2004-05.

Senator O'BRIEN—Is there any in 2005-06?

Mr Quinlivan—The object behind this particular activity was to bring forward the analyses that Victoria was doing so that they could then sign contracts with operators in Victoria. This was our estimate of how quickly the work could be done. There is no point doing it any later than that because in Victoria's own program of analysis, with this sawlog review, they will have done the work and signed the contracts. The purpose here was to make this money available before then and do the work more quickly.

Senator O'BRIEN—The total expenditure was \$1.34 million and the original bundle was \$1.5 million—what has happened to the other \$160,000?

Mr Quinlivan—The \$160,000 was last year.

Senator O'BRIEN—But you did not spend any of that.

Mr Quinlivan—We did spend it. We invested quite a lot of effort in trying to set up this work with Victoria.

Senator O'BRIEN—So that has gone into administration costs?

Mr Quinlivan—It was spent within the department on work related to getting up this sustainable yield review in Victoria.

Senator O'Brien—I refer back to the FIDWA and your comments about the alleged recalcitrance of the West Australian government in quantifying the jarrah resource. Given that FIDWA is a purely Commonwealth program and the minister is very keen to see it make progress, has any move been made for the Commonwealth to contribute to West Australia in the form of the Victorian Data Assistance Strategy?

Mr Quinlivan—My understanding is that West Australia already has a program for developing a forest management plan and settling the resources available to the timber industry, which would lead to decisions this year. Our latest advice from WA is that it will be some time towards the middle of the year.

Senator Ian Macdonald—No, the last advice we had was that it would be now blown out to December. It was originally September last year, then it was going to be November last year, then it was going to be February this year, then it was going to be April, then it was going to be no later than 30 June, then we had heard September this year and then someone told me at a conference recently that it is now likely to be December next year. So take your pick, Senator, I cannot get a decision out of the West Australian government. I have told three of their ministers any number of times, I have told any number of officials and I have told any number of people who have approached me; there are two things, we want 200,000 cubic metres and we want a decision. The West Australian government seems quite incapable of making a decision. It is now at least six months since their first indication of when they were going to tell us what it was. So we cannot be specific, you would have to ask the West Australian government that.

Senator O'Brien—Is it possible to get a state by state breakdown of actual FISAP expenditure for the current financial year against estimated expenditure?

Mr Quinlivan—It is. They would be estimates but we can provide those.

Senator O'Brien—Thank you. In last year's PBS, revenue from forestry levies was estimated at \$2.6 million. That appears on page 94. In the 2003-04 PBS revenue from forestry levies for the current year—that is 2002-03—is now estimated to be \$3.3 million.

Mr Quinlivan—That is correct.

Senator O'Brien—How do you explain the increase?

Mr Quinlivan—The increase?

Senator O'Brien—Yes. It has gone from \$2.6 million to \$3.3 million. That is on page 94. Forestry levies were \$2.610 million.

Mr Quinlivan—The estimated revenue from the forestry levy in the original budget papers, as you say, was \$2.6 million. The later estimate, which appears in this PBS, is actually \$3.285 million so the revenue was significantly higher.

Senator O'Brien—By 25 per cent, yes.

Mr Quinlivan—The levies have not increased. In fact, there have been some reductions of levies on some classes of logs. So that increase has been driven by, I imagine, increased

production by the timber industry. It is simply a function of sales and as you would see from the PBS, that is projected to actually fall this year for the same reason.

Senator O'BRIEN—Sales will fall?

Mr Quinlivan—I assume that is the principle. The reductions in the levies would account for some of that impact but probably not all of it. We can provide you with a more detailed accounting of the differences, but the things that drive these numbers are quite simple.

Senator O'BRIEN—I appreciate that. Estimated revenue in 2002-03 from forestry import charges also jumped—can we get a similar explanation for that?

Mr Quinlivan—Again, I know that the levy on imported timbers did not change over the course of the year, so it would have simply been an increase in volume. Both of those would be principally driven by residential construction activity over the course of the year.

CHAIR—Do you have any idea of how much new plantation forestry is planned for the next 10 years in the Murray-Darling Basin?

Mr Quinlivan—No, I do not. The vast bulk of the new plantation plantings have not been in the basin proper; they have been in high rainfall areas where the blue gum plantations are going in. There are some significant policy debates going on within the Commonwealth and between the Commonwealth, the states and industry at present on plantations for environmental purposes. There is a push on all our parts to get plantations planted west of the divide in the lower rainfall areas if we can manage it. But there are a lot of dots to join up before that is going to happen.

CHAIR—Do you give consideration to the hydrological impact of the runoff in the higher rainfall catchment area—the back of the Snowy et cetera?

Mr Quinlivan—We do not, but I know that the Murray-Darling Basin Commission is watching this activity very closely and is not only quite interested in using trees for environmental plantings in the right places but also quite concerned that we do not get large-scale plantings in areas where runoff is necessary to retain water quality. The Murray-Darling Basin Commission is watching this closely and in fact is involved in the policy debates I mentioned earlier.

Senator Ian Macdonald—I was just asking whether the MDBC appear at this estimates committee but I am reminded that it is not a Commonwealth instrumentality, so they do not.

CHAIR—The information we were given is that there are 200,000 hectares of new forest plantation planned for that area, which relates to 400,000 megalitres of water out of the system per annum.

Senator Ian Macdonald—We should arrange to speak to the MDBC.

Senator O'BRIEN—On the issue of plantations and the related issue of farm forestry, where does responsibility lie for policy initiatives relevant to farm forestry, as distinct from plantation forestry, if you understand the subtlety of the difference?

Mr Quinlivan—Farm Forestry is a program that has been developed under the NHT. That particular part of the program is administered by AFFA, by my group. Plantation policy development issues are principally to do with land management and are more a responsibility

of the state governments. They are making the decisions which are more directly relevant to plantation development.

Senator O'BRIEN—Plantations are relevant to the regional forest agreement process, aren't they? Wood production zones, at least in Tasmania, can lead to a plantation forest being planted in a previous native forest wood production zone.

Mr Quinlivan—Within some limits, I think.

Senator O'BRIEN—Yes.

CHAIR—You say that debate is ensuing on plantation planning in the lower rainfall areas. In your view, what is the major benefit of planting—you may not be the person to answer this—in the lower rainfall areas? What are you after there?

Mr Quinlivan—I think planning would be too strong a word at the moment. What we are trying to do is design a policy framework which will encourage it. We know that a lot of the landscape in the low rainfall areas will benefit from increased plantings of trees.

CHAIR—What are those benefits?

Mr Quinlivan—If they are planted in the right areas they can assist in managing salinity. The key seems to be planting in the right areas because, as you mentioned, if they are planted in areas where the runoff is making a big contribution to stream quality and so on you can actually have negative impacts. So it is a balance.

CHAIR—I will just say that I have a very strong view that you are better off to put those poor farmers into lucerne and other income-earning pastures that do the same job as the trees so that they do not all go broke while they are waiting for the trees to grow.

Mr Quinlivan—I understand that point of view.

Senator O'BRIEN—They just need water to irrigate their lucerne so that they get a fine crop.

CHAIR—No, they don't.

Senator Ian Macdonald—Senator, you have mentioned that to me a couple of times but we are the forestry area, we do not deal with—

CHAIR—I know, I just thought I would sort of biff you a bit on it.

Senator Ian Macdonald—Are you finished with forests?

Mr Pahl—Can I just take one moment to provide an update—I am determined on this Minter's contract that I will not have a question on notice. Just to give the factual material: the current contract commenced in July 2000; the initial term was for three years; there was a two year extension available under that contract and that extension has been taken up quite recently so that the contract will now expire in July 2005. The contract is for 7,250 legal hours per annum and that is spread across five lawyers and two support staff and the monthly bill is \$116,600.

Senator O'BRIEN—Are those lawyers located in AFFA premises?

Mr Pahl—They are, yes.

Senator O'BRIEN—Do they pay rent?

Mr Pahl—No, they do not. We supply the premises over and above the contract price.

Senator O'BRIEN—Power, phone, cleaning services?

Mr Pahl—No.

Senator O'BRIEN—All of that is provided by the department?

Mr Pahl—We provide those services.

Senator O'BRIEN—So it is sort of like a labour hire.

Mr Pahl—What we do have, in addition to the legal staff and support staff on site, is free access to their various legal people not only in the ACT but throughout Australia, and indeed overseas where they have a presence, so there is a global reach issue to this that allows for specialist needs to go to specialists.

CHAIR—Is there much of that?

Senator O'BRIEN—You are going to shudder when I ask you this but what is the value of the rent, power, phone and other services provided to them that should be therefore added to the value of their contract?

CHAIR—Can I just counsel you on that before you answer that. It depends whether you are using Centenary House rating valuations or just normal downtown valuation. Just work out which rating you are using.

Mr Pahl—The value of the contract, when it was negotiated, clearly took account of the services that AFFA would be providing as opposed to charging the services on to the contract provider.

Senator O'BRIEN—I know that. I am asking you the amount which it cost you in terms of the provision of those additional services because that is obviously an additional cost.

Mr Pahl—Indeed. If you based it around the per square metre cost for our accommodation it is somewhere in the \$320 to \$340 per square metre, I do not know the exact figure but it is certainly in that area. I do not know the exact square metreage that they are occupying, but if they have seven staff on board I would imagine you would be looking in the 120 square metre category it might be a few more than that. It is not terribly difficult to work out what the rent and so on is. We could do the calculation, likewise if need be, on a per capita basis for electricity and cleaning and all those sorts of things if you would like.

Senator Ian Macdonald—It is all part of the tender thing but things like phone calls that we might provide for them is really quite irrelevant because if they were paying for it they would charge us that back at the other end anyhow, like all lawyers do.

Senator O'BRIEN—They would, and it would be part of the billing process. But you have got a flat rate billing process which takes it into account and that is all I am asking.

CHAIR—It is four o'clock we will take a break.

Proceedings suspended from 4.00 p.m. to 4.18 p.m.

CHAIR—We turn now to natural resource management. The minister should be with us soon.

Senator O'BRIEN—As I understand it, there have been two rounds of the Envirofund drought recovery funding program. That is correct, isn't it?

Mr I. Thompson—I think there has been one round of the drought Envirofund and one of the normal Envirofund, and another round has just been called.

Senator O'BRIEN—Of which, the drought fund or the normal one?

Mr I. Thompson—The normal Envirofund.

Senator Ian Macdonald—The drought was a one-off.

Senator O'BRIEN—In relation to the normal Envirofund, I understand Tasmania received no funding in the first round. But in the second round, which was the drought one-off round, it received one project valued at \$21,855. Do I understand that correctly?

Mr I. Thompson—I do not have that detailed information with me. I do not recall its being like that. I thought there was money distributed around fairly widely in all states. If you had said the drought Envirofund, I would not be surprised that there was not much in Tasmania, because of the nature of the drought being more intense in the other states and because of the eligibility criteria. But under the normal Envirofund I would have expected it to be spread across all the states.

Mr Wonder—I am sure we can check that, Senator, if you like. We will come back with it as soon as we can.

Senator Ian Macdonald—I would be surprised if that were right. We are so generous to Tasmania in most things—NHT, forests and all those sorts of things.

Senator O'BRIEN—You may be surprised, Minister. The first round is being checked. In the second round I think there is one project.

Senator Ian Macdonald—That is the drought round you are talking about. As Mr Thompson said, that could well be right.

Mr I. Thompson—We will have to check that, Senator. I will get someone to do it now. The criterion in the drought round was that areas had to be EC declared, which meant that not all areas of Australia were able to apply.

Senator O'BRIEN—So to receive funding under the drought round, if I may call it that, the area had to be declared an exceptional circumstances area?

Mr I. Thompson—That was my understanding, yes.

Senator Ian Macdonald—The criteria for that are on the web site.

Senator O'BRIEN—There was one announced in the press release by Senator Macdonald and Dr Kemp on 7 May, headed '\$21,855 for Tasmanian drought recovery measures' and beginning:

A major environmental program aimed at protecting coastal vegetation on the Tasman Peninsula from fires, exacerbated by the invasion of radiata pine ...

I think that is 0.2 per cent of the total funding available. How were the two funding rounds advertised in Tasmania?

Mr I. Thompson—Again I do not have the specific details for Tasmania. We would have to take that on notice. But the process of advertising the Envirofund in all states was for advertisements to be placed in relevant national and local newspapers, and to be notified through the web site and through email distribution through Landcare coordinators and facilitators and like people, and the placement of similar information in the sorts of newsletters that circulate through the environmental, Landcare and rural community—in conjunction with media announcements by ministers.

Senator O'BRIEN—Can you find out for us how many applications were received from Tasmania, by round?

Mr I. Thompson—Yes, we do have that information. I do not have it with me, but we could get that.

Senator O'BRIEN—Apparently a grant of funding was made for the Tasman Peninsula. I do not believe it is EC declared, so that cannot be a criterion, can it?

Mr I. Thompson—Again I do not have the specific criteria for the drought round with me. I know that all those projects that received drought funding did meet the criteria, and I know the intent was to target EC declared areas. It may well be the case that there was some room around the edges for drought affected areas. In the current drought, while EC declared areas are the core areas of drought, other areas are affected by it.

Senator O'BRIEN—Let us take the announcement on 20 March by Senator Macdonald and Dr Kemp of funding totalling \$3.3 million, with no projects in Tassie. Was that the first round or the second?

Mr I. Thompson—The drought Envirofund was announced in two stages. There was an accelerated round for those people who could process their applications quickly, and a subsequent announcement when applications that came in a little later were able to be fully considered. Some applications under the drought round were also accepted late, where the people preparing the applications or the proposals were affected by fires.

Senator O'BRIEN—In relation to the drought round, isn't it the case that parts of Tasmania have been the subject of rainfall deficiency this year? For example, the latest Bureau of Meteorology drought statement shows that the southern midlands and the far north-east of Tasmania have experienced serious rainfall deficiency over the past 13 months. Were matters such as rainfall deficiency relevant to the assessment of these projects?

Mr I. Thompson—I am not familiar, other than at a general level, with what the rainfall situation is in Tasmania. Levels of rainfall deficiency are the sort of thing that is taken into account as to whether an area is experiencing drought, but I have not been involved in analysing that situation in Tasmania so I would not be able to provide any detail on that.

Senator O'BRIEN—Can you tell us which projects, announced in the two stages of the second funding round, were in EC declared areas and which were not?

Mr I. Thompson—We do not have that information immediately to hand. We would be able to pull that together. We would have to take it on notice, though; it would take a little bit of time to compare the applications against EC declared areas.

Senator O'BRIEN—There were 164 projects in the first stage of the second round and 381 in the second stage, according to the press releases I have here.

Mr I. Thompson—Yes.

Senator O'BRIEN—Where would we find the guidelines for the funding of the projects?

Mr I. Thompson—The guidelines are on our web site. I do not have the exact URL, but if you go in through the AFFA web site you can go through 'Natural resource management' to get to the Envirofund. The guidelines are there.

Senator Ian Macdonald—I am just trying to find whether we have got them recorded in my filing system—which is a bit dangerous to rely on. We will see if we can get a hard copy of the criteria and of the statistics. If not, we will try and get someone up from the department with all those before the day finishes.

Senator O'BRIEN—Is it the case that the Envirofund drought funding round was a reallocation of existing NHT resources?

Mr I. Thompson—The drought round was, yes. It was a reallocation of the national component of the NHT.

Senator O'BRIEN—Does that mean that, on the basis of the assessment used in this round, Tasmania had a less than equal opportunity to access those funds? NHT would not have been the subject of a drought consideration.

Mr I. Thompson—I find it difficult to compare their capacity to apply under the drought round with their capacity to receive funding under the national component of the NHT. The national component, unlike the component that is provided for projects in and around the states, is for elements of the NHT which are achieving national objectives and outcomes. It is not something that is allocated on some formula between the states; it is addressing national priorities. So, clearly, under the drought round, in those states that were experiencing more drought than others a greater number of people could have applied. Tasmania would have had fewer people able to apply, but I am not sure it is possible to make a valid comparison with the NHT.

Senator O'BRIEN—So 0.2 of one per cent of the funding round would be less than a per capita outcome.

Mr I. Thompson—Yes, it would be, but the objective of the drought round was to target assistance to those areas that were experiencing drought or recovering from drought to address the natural resource management and environmental degradation that might be associated with droughts. In that respect, all states were treated equally. Tasmania had been fortunate and had not perhaps experienced the same intensity of drought as some other states.

Senator O'BRIEN—At that time, yes.

Mr I. Thompson—Yes.

Senator O'BRIEN—You could always make a case that there were other times when this funding was not available based on this criteria which might have advantaged the central highlands when it was the subject of an EC declaration, for example—in 1998, I think.

Mr I. Thompson—The Envirofund did not exist at all at that time. It only came into existence last year.

Senator O'BRIEN—I know, but NHT did.

Mr I. Thompson—Yes.

Senator O'BRIEN—I want to ask some questions about the land clearing moratorium recently imposed by the Queensland government with the agreement of the Commonwealth. I understand that the Prime Minister wrote to the Premier of Queensland on 15 May this year in the following terms:

... I therefore wish to advise that I would be agreeable to your government placing an immediate moratorium on the issuing of further permits, pending consultations with stakeholders and further considerations of the proposal by our governments.

I presume the Prime Minister has provided Mr Truss with a copy of his correspondence and that Mr Truss, in turn, has provided his department with a copy of the letter. Is that correct?

Mr Thomas—We have seen a copy of the letter.

Senator O'BRIEN—I am accurately reflecting the contents?

Mr Thomas—I do not have a copy of the letter in front of me, so I cannot confirm that.

Senator Ian Macdonald—I don't know that it is appropriate if the Prime Minister of our nation writes to a premier—a letter, I think, of some confidentiality—

Senator O'BRIEN—This is actually published in the *North Queensland Register* on 22 May.

Senator Ian Macdonald—The letter or just an extract?

Senator O'BRIEN—The extract that I have read.

Senator Ian Macdonald—In an advertisement for Mr Beattie?

Senator O'BRIEN—It could be that. I am asking: is it an accurate reflection of the Prime Minister's statement in the letter? That is a fairly simple question: is the department aware of the letter?

Senator Ian Macdonald—I think that is quite publicly our position.

Senator O'BRIEN—The two portfolio ministers are Queenslanders. When did the Prime Minister engage the ministers in discussion about the moratorium?

Senator Ian Macdonald—There are four ministers involved—I am one, Mr Truss, Mr Macfarlane and Dr Kemp.

Senator O'BRIEN—Three out of four. When did the Prime Minister engage the ministers in discussion about the moratorium?

Senator Ian Macdonald—You are getting into cabinet confidence stuff, but it was discussed at the sustainable environment committee of the cabinet and had been raised a little prior to that—a couple of weeks ago.

Senator O'BRIEN—What contribution did the department make to the government's consideration of this matter? Did the department provide advice?

Senator Ian Macdonald—The department provided advice and some details that we had from Queensland showing a very high level of recent applications for clearing permits. In the previous few days it dramatically increased. I do not think I am giving away any secrets in saying that it was fairly clear that something had to be done in an interim way until the whole issue was further investigated. We saw the merit of a moratorium as a temporary measure until we could reach a more final conclusion.

Senator O'BRIEN—Did the department engage in departmental level discussions with the Queensland government before the Commonwealth's consent was given to the moratorium?

Mr Wonder—We have been having some discussions with Queensland colleagues. Those discussions were under way prior to the moratorium decision being taken by Premier Beattie.

Senator O'BRIEN—How long before?

Mr Wonder—I do not have any precise dates in my mind. My estimate is that it would have been a matter of four to six weeks.

Senator Ian Macdonald—Generally speaking, it is well known that vegetation management is a matter for the Queensland government constitutionally. It is something that they should be dealing with. But it has been well known publicly—the Prime Minister has spoken about it on a number of occasions—that Queensland was concerned about not only the greenhouse outcomes of land clearing but also the biodiversity aspects. To that end, there has been quite a lot of discussion and Mr Beattie has put some proposals to the Commonwealth over that period of time. Some of them were not acceptable to us.

Senator O'BRIEN—Did the department talk to any farming or environmental organisations about the proposal before the Commonwealth gave its consent?

Mr Wonder—Which proposal are you referring to, the moratorium?

Senator O'BRIEN—The moratorium.

Mr Wonder—I referred to discussions with Queenslanders, prior to the announcement by Premier Beattie, that from rough memory were about four to six weeks ago. Those discussions did not concern the moratorium per se; rather they were more focused on broader land clearing issues in Queensland. As far as the moratorium is concerned, we were aware in a much shorter time frame than that because the data that Minister Macdonald just referred to came to light somewhat more recently than four to six weeks ago. I cannot recall the precise date but we are talking about a couple of weeks at the most.

Senator O'BRIEN—Can you give us that date on notice?

Mr Wonder—I cannot give you a date off the top of my head but we are talking about the last couple of weeks. The urgency with which the issue needed to be addressed is for the

reasons Minister Macdonald indicated: that there were some very significant increases in applications occurring at that time.

Senator O'BRIEN—Was the Commonwealth's consent to the moratorium the subject of a cabinet decision?

Senator Ian Macdonald—Yes.

Mr Wonder—Yes, it did go to a subcommittee of the cabinet. But in any event, as the minister advised a moment ago, there was correspondence from the Prime Minister to the Premier of Queensland advising the Commonwealth's position on the matter.

Senator O'BRIEN—Was that letter the formal notice to Queensland or was that communicated in another way?

Mr Wonder—No, that was that letter. It was the relevant documentation.

Senator Ian Macdonald—Queensland proposed it and I think we agreed, in the circumstances that had come to light—over a period of three or four days, as I recall it.

Senator O'BRIEN—According to the text of the doorstep interview on 22 May, published on Dr Kemp's web site, Mr Truss was present at a meeting with Dr Kemp, other ministers and Queensland farm organisations on 22 May in connection with the moratorium. How many officers of this department were at that meeting?

Senator Ian Macdonald—That was the meeting in Brisbane between the four ministers I have mentioned, AgForce and the Queensland Farmers Federation representatives.

Mr Wonder—There were no officials from AFFA present at that meeting.

Senator O'BRIEN—You have mentioned the groups that were represented.

Mr Wonder—Yes, the minister mentioned AgForce and the Queensland Farmers Federation.

Senator O'BRIEN—Which Queensland government departments were represented?

Senator Ian Macdonald—None. It was a meeting between Commonwealth ministers, AgForce and QFF, to indicate to them the Queensland proposal that was subsequently worked on between Queensland and Commonwealth officials. The Commonwealth had not—and has not—signed off on that, but we wanted to put to the stakeholders the proposal that had emanated from Queensland.

Senator O'BRIEN—Had the department consulted with land-holder groups at other meetings?

Mr Wonder—No.

Senator O'BRIEN—What are the implications for the timber industry?

Mr Wonder—Of what?

Senator O'BRIEN—Of the moratorium on land clearing.

Senator Ian Macdonald—None, I would hope.

Mr Wonder—The moratorium is on the issuing of further permits. To the extent that the forestry industry is dependent upon the issuing of permits, there would be an implication. But

the forestry industry does not rely on the issuing of permits, in my understanding. Permits are issued for the purposes of agricultural clearing, to make available land that would not otherwise be available for broadacre agriculture or other similar activities.

Senator Ian Macdonald—My understanding of this, which I hope is correct, is a fraction different. When I have inquired I have been told that the permits are issued under the Queensland Vegetation Management Act and that sustainable forestry is exempt under that act.

Mr Wonder—That is right.

Senator Ian Macdonald—So it really will not impact upon it.

Senator O'BRIEN—I understand that the Commonwealth and Queensland governments will contribute \$75 million each to a compensation fund for land-holders affected by permanent changes to land clearing rules.

Mr Wonder—There are no decisions on this matter. There is a proposal that initially came from the Queensland government—predating the moratorium declaration by the Premier—to basically address the clearing of remnant vegetation in Queensland. This indeed was the subject of the discussions, as I understand it, between the Commonwealth ministers, AgForce and the QFF. Part of that proposal includes an adjustment package which captures the details you were just referring to, relating to financial assistance to assist with transition incentives for improved management and a program for farm management plans—which in total adds to \$150 million. The proposal also includes for those costs to be shared by the Commonwealth and Queensland.

Senator O'BRIEN—Dr Kemp was pretty forthright in the press conference. He was asked the question:

Dr Kemp, how much of the hundred and fifty million will the Commonwealth be contributing?

Dr Kemp answered:

Half. It's a split.

He was asked:

Dollar for dollar?

And Dr Kemp answered:

50-50 split.

Mr Wonder—That is the proposal.

Senator Ian Macdonald—There is a media release with all this in it.

Senator O'BRIEN—Yes, dated 22 May. Dr Kemp has this interview on his web site, so I thought I could rely upon the contents of it, as approved by him.

Senator Ian Macdonald—Hopefully his media release is on his web site, too.

Senator O'BRIEN—I am sure it is.

Senator Ian Macdonald—In fact, I know it is because I see that Mr Wonder's copy was taken from the web site, so we can confirm that.

Senator O'BRIEN—What is the status then of that fifty-fifty proposal? Is that the Commonwealth's proposal to the states or the states' proposal to the Commonwealth? Is it agreed? Is it subject to further consideration?

Mr Wonder—Effectively it is the subject of further consideration. The minister will probably want to add to these remarks. A whole lot of other aspects to it are outlined in Minister Kemp's release that Minister Macdonald just referred to. The details of that proposal were discussed with AgForce and QFF. I understand that some meetings with environmental groups were held as well on that day. The best thing to do is to quote from Minister Kemp's press release:

The Commonwealth indicated it is willing to consider alternatives to the proposal that achieve the Commonwealth's objectives in an assured, timely and cost effective manner.

He also indicated:

We understand the strong interest in this proposal from a range of groups and we—the Commonwealth effectively—

intend, with Queensland, to hold consultations with other industry groups, conservation groups, regional bodies, local government and the finance sector as soon as possible.

In effect, there is a proposal and there is an opportunity now for the groups that have been spoken to to come back with any other ideas that they may wish to put on the table that would still have the achievement of the outcomes that are desired, but possibly may vary the detail of how that would be achieved.

Senator O'BRIEN—How will the Commonwealth component of any package towards a compensation fund for land-holders affected by permanent changes to land clearing be funded—another levy or tax or something?

Mr Wonder—I do not think there has been any final decision on how the Commonwealth will fund it. If it is to be 50 per cent of the \$150 million that you referred to a moment ago, Senator, as you said, that is equal to \$75 million. I do not think any final decision as to how the Commonwealth will provide those funds has been taken, but the government has been considering its options in that regard.

Senator O'BRIEN—In relation to the 22 May meeting with the farm groups, Dr Kemp said:

... the financing package that was put before them was \$150 million. That figure is based on analysis that has been done by the Commonwealth science agencies and economic analysis agencies, ABARE, BRS. And so far as our assessment goes, that package is sufficient to compensate or adjust farmers to assist them to cope with the full economic consequences of the proposal that was outlined ...

Can you detail the analysis for me?

Mr Wonder—As you refer to, ABARE and BRS have undertaken an analysis of the socioeconomic impacts of the proposal outlined in Dr Kemp's press release. The essence of what they looked at was to try determine what clearing would be economic to undertake if there were to be a ban on remnant vegetation clearing, after you allowed for all of the national parks and so on being taken out. The key result was that the total socioeconomic cost of the proposal—in the study it is called the opportunity cost, to use the economic term—was in the

same order of magnitude as the \$150 million that has been identified in this possible adjustment package, were it to be put in place. That was the nature of the result.

Senator O'BRIEN—Can that analysis be made available to the committee in written form?

Mr Wonder—The analysis is now on the BRS web site.

Senator O'BRIEN—Excellent. Thank you for that. Have you any idea how a compensation scheme would work? How the money would be spent, and over how many years?

Senator Ian Macdonald—No. That is something that we want to work through. We want the stakeholders to make suggestions on how that would best be done and administered. I do not think any of the detail has been gone into, beyond that being—as Mr Wonder has indicated—about the figure that BRS indicated.

Senator O'BRIEN—Mr Truss is quoted in the *Australian* of 23 May as saying that the plan would help Australia reduce its overall greenhouse emissions under the terms of the Kyoto protocol. Can you quantify the greenhouse gas emission reduction in contemplation by Minister Truss?

Senator Ian Macdonald—It would be between 20 and 30 megatonnes per annum.

Mr Wonder—I think, Senator, I should do justice to the Australian Greenhouse Office, who are responsible for preparing the estimated impact of the proposal and its relationship with greenhouse gas emissions. I think it would be appropriate to direct any detailed questions about how they have done that work to them. We have not, through ABARE and BRS—the portfolio agencies that we are responsible for, been involved in the estimation of the greenhouse impacts of the proposal. The government asked ABARE and BRS to have a look at the socioeconomic impacts of the proposal, not the greenhouse gas emission aspects or the biodiversity aspects. Nevertheless, as the minister has indicated, there has been analysis undertaken and in broad terms it is understood that the proposal would be able to generate greenhouse gas emission savings of the 20 to 25 megatonnes that was being sought. Indeed, the question of whether all of the remnant clearing would need to be stopped to achieve that 20 to 25 megatonnes, or indeed some portion of it, is probably worthy of some further investigation.

Senator O'BRIEN—I am just wondering if the minister's statement is an indication that there is a rethink of the government's consideration of supporting the ratification of the Kyoto protocol.

Senator Ian Macdonald—Absolutely not. We are one of the few countries in the world that are getting close to our Kyoto targets. We have done pretty well and are patting ourselves on the back as a nation.

Senator O'BRIEN—What is the problem with ratification?

Senator Ian Macdonald—We are doing the greenhouse reductions and we are doing it in the way we think is appropriate. But we are always conscious that without the big emitters in the world—China, Russia and India—ratification simply puts some of our industries at a disadvantage, which we are not prepared to do because it means jobs and workers' salaries.

Senator O'BRIEN—But if we are close to meeting our targets, surely that is not the case.

Senator Ian Macdonald—We are doing that in a voluntary way but we do not want to be bound to an arrangement that the big emitters in the world are not bound to.

Senator O'BRIEN—Mr Truss is also quoted as saying:

We want to be able to trade without any restrictions placed on us by other countries who may look unfavourably on our greenhouse effort ...

Can you detail the department's consideration of the trade implications of the moratorium?

Senator Ian Macdonald—Not of the moratorium, of the greenhouse effort. I would assume that what Mr Truss is saying is that some countries which have very green governments would say, 'We are not going to deal with you because you have not reduced your emissions.' Notwithstanding, I think, that a lot of the countries around the world have made all the promises in the world but have not done much. Is that anyone else's understanding or should we ask Mr Truss what he was thinking? We will refer that to the minister. That would be my interpretation of what he was saying.

Senator O'BRIEN—I look forward to the response. I have a series of questions about sugar related projects which I was advised by the department to ask in this part of the program.

Mr Wonder—Are these the ethanol related ones? Mr Thomas is able to address your questions.

Senator O'BRIEN—Firstly, there is the ZeaChem grant. Can you provide us details about the ZeaChem funding listed on page 21 of the PBS? I understand that ZeaChem is a new American process which has the potential to increase the amount of ethanol output from a given quantity of feed stock.

Mr Thomas—That is true. With most of the ethanol processes there is a surplus of carbon, if you like, which is then wasted in the in the form of carbon dioxide, to the extent that if you can find any additional hydrogen from some other source you can then produce additional ethanol. That is expected to have both environmental greenhouse gas emission and economic benefits.

Senator O'BRIEN—Why is the funding listed under output 1 and not output 3: industry development?

Mr Thompson—I think the reason for that is that it could be seen as an industry development exercise. In the context in which it arose, it was seen as something that could improve energy efficiency and was something that could be related to the natural resource management output. It fitted with the greenhouse parts of the portfolio which are located under output 1.

Senator O'BRIEN—So it is seen as more of a greenhouse project than an industry development project?

Mr I. Thompson—It is something that, I think, falls half and half. Because we had people in the greenhouse area who were familiar with biofuels, it was being handled in the NRM area. The sugar people are more familiar with the agricultural side of the business.

Senator O'BRIEN—The Deputy Prime Minister, in his media release of 15 September last year, said:

The grant will enable the institute to conduct laboratory tests on the process, which could be completed within 6 to 12 months. The technology would then have to be tested in a pilot plant before it could be commercialised.

Can you advise us of the outcome of the laboratory tests, and whereabouts the pilot testing proposal is up to?

Mr Thomas—The pilot testing has not yet been completed, and no consideration has been given by this portfolio to any further grants beyond this initial stage. We are really looking at bench testing the process.

Senator O'BRIEN—So it is at a laboratory stage?

Mr Thomas—It is very much at a laboratory stage. The process is yet to be proved.

Senator O'BRIEN—You may not know the answer to this, but it would be interesting to know when we can expect commercialisation. What sort of time line are you looking at?

Mr Thomas—I do not think it is possible to answer that. We have got to get through the laboratory tests and get into a pilot phase, if that looks appropriate. I would not even hazard a guess about the next step to commercialisation.

Senator O'BRIEN—I take it there is no idea of the likely cost to the ethanol producer of adopting this technology.

Mr Thomas—It is expected to lead to a benefit to the ethanol producer, in that you are getting an all-round, more efficient process.

Senator O'BRIEN—But there would be an up-front cost, presumably.

Mr Thomas—There would be an up-front capital cost, but again until we get past the testing stage I do not think we could even hazard a guess there.

Senator O'BRIEN—Beyond the production subsidy announced last week, are there plans to provide ethanol producers with Commonwealth assistance to adopt this technology if it is successful?

Mr Thomas—Specifically with relation to this technology, no, but there is still an unresolved matter that is being considered by government with respect to a capital subsidy for biofuels production. The government is still looking at the best way to implement that process and there is consideration being given to that—but nothing with respect to this particular process.

Senator O'BRIEN—How will ZeaChem specifically assist sugar producers?

Mr Thomas—ZeaChem is a technology that is of general value, I think, to the production of ethanol. To the extent that sugar is a feed stock for ethanol, yes, it will assist sugar producers. But it will also assist other commodities that can be used—corn gluten, for example, is another alternative feed stock.

Mr Wonder—It has the potential to make ethanol a more competitive product, because if it works effectively it both enhances ethanol production and reduces production costs. If it does

both of those things and if it can have the desired outcome of actually making ethanol more competitive, then any of the feed stocks for ethanol using this technology would also be more competitive, with flow-on benefits to the producers.

Senator O'BRIEN—I am presuming from what you are saying that it is not envisaged that it will advantage one feed stock against another.

Mr Thomas—No, except to the extent that you have got a feed stock that is high in carbon and low in hydrogen; there is a greater potential there. ZeaChem itself has got the potential to produce up to 60 to 70 per cent more ethanol from theoretical feed stock. But again it is all theoretical. We have got to get to understand the process before we can have any numbers at all there.

Senator O'BRIEN—In this year's budget it was announced that ethanol producers—I am not sure if that is a plural, I think there are probably two aren't there? CSR and Manildra will receive a production subsidy to fully offset the excise of 38.143 cents per litre of ethanol until 30 June 2008. Proportionally, wheat is by far the major feed stock for ethanol production in Australia, isn't it?

Mr Thomas—I would have to check that; I do not know. Ethanol is produced both from molasses and, as I understand it, from wheat gluten but I would have to check the proportions.

Senator O'BRIEN—I understand that Manildra uses wheat and is the largest producer of ethanol.

Mr Thomas—I would want to check the numbers.

Senator O'BRIEN—Besides the ZeaChem project, what work has the department done specifically on sugarcane and its by-products as feed stock for ethanol and to model the impact on the sugar industry?

Mr Thomas—I would have to take that one on notice. That goes back beyond my experience.

Mr I. Thompson—I am not aware of any recent work in that area.

Senator O'BRIEN—I take it from your earlier answers but I will ask it just for completeness: can you tell us the percentage of Australian produced ethanol currently derived from nonsugar feed stock?

Mr Thomas—Again, I would have to take that on notice, as with the proportions.

Senator O'BRIEN—I quote:

From 18 September 2003, the Government will apply excise duty to biodiesel at the current rate of excise duty on diesel fuel ... Grants will then be provided for production or importation of biodiesel ...

That is taken from a press release of the Treasurer of 13 May. What work has the department done to identify potential feed stock for biodiesel and to model the impact on the industries producing those feed stocks?

Mr Thomas—Again, I do not have the history to answer that question. I would like to take it on notice. I am not aware of any recent work. I suspect some work has been done in the research and development corporations but I would want to check that before giving a response.

Senator O'BRIEN—I note from *farmonline*, in a story dated 26 May 2003, that a new ethanol plant is to be built at Gunnedah in New South Wales, which will hopefully start production in January next year. Besides the subsidy offsetting the excise on ethanol, was any Commonwealth money provided to assist in the establishment of that project?

Mr Thomas—I have no knowledge of any other Commonwealth money. I will take it on notice and get back to you.

Mr Wonder—There is nothing in our estimates. We cannot answer on behalf of other portfolios but there is nothing in the AFFA portfolio estimates.

Senator O'BRIEN—I wanted to know if the department has done any work on the effect of ethanol, particularly on the subsidy of ethanol, in lifting demand and thereby prices for feed stocks used in the production of ethanol. Specifically, I am interested in work done to quantify the effects that this may have on those industries that compete with ethanol producers for the feed stock. Feedlots, for example—wheat might be used for feed stock rather than in a feedlot.

Mr Thomas—I am not sure if any of that work was done as part of an earlier ABARE study looking at the viability of cane-based fuel ethanol. Again, I would have to take that on notice. That is not a subject that we have been into. Perhaps a point that I could make is that our interest in the matter of responsibility for fuels generally is reasonably limited. Environment Australia and the Energy Task Force are really the two groups that have been paying the most attention to fuels and fuels policy.

Senator O'BRIEN—I understand that fuels and fuels policy is an aspect of it. The question I raise is about the impact on the industries this department has specific interest in and the effect of taking—

Mr Wonder—I would be prepared to say that—when you think about the nature of the demand and supply for feedstock concerns and the fact that Australia is a price taker on most of those international agricultural markets—it would be pretty hard to imagine that an increase in the demand for any of those feedstocks as a result of an ethanol market in Australia would have any impact on the cost of feedstock that farmers were selling to alternative food-related purposes. I could not see that it would have an impact.

Senator O'BRIEN—Presumably, a production facility using a feedstock would be more likely to contract-buy than spot-buy because it would need continuous supply. That would take a quantity of product out of market. It may be argued that would increase production by growing for that market as well as for a spot-market international trade. That is not always possible; take this year, for example. That is why I am interested, when we are looking at a policy outcome in this area, whether any work has been done on the potential for a negative outcome in another important area of regional employment.

Mr Wonder—All I am saying is—and it is the same way of analysing it—when Australian production of sugar, for argument's sake, goes up or down you do not see any fluctuations in that world price for sugar.

Senator O'BRIEN—No, I take your point there.

Mr Wonder—I am just offering analysis.

Senator O'BRIEN—I suppose we have seen in the domestic market for wheat, a substantially higher domestic price for grain than there has been internationally.

Mr Wonder—Yes, I agree we have got those differences between import and export parity.

Senator O'BRIEN—And the specific climatic circumstances here, given our difficulty in importing grain, for example.

Mr Wonder—I have reached the limit of my analysis, Senator. I probably should not have started.

Mr Thomas—The other consideration is that feedstock for ethanol can very often be a by-product—molasses is used for ethanol production out of the sugar industry. There could be an impact on molasses prices. That indeed has been one of the concerns of the feedstock industry.

Senator O'BRIEN—Of dairy farmers!

Mr Thomas—Yes. I am sure that our sugar producers would be interested in higher returns for the crops they are producing.

Senator O'BRIEN—If that were the outcome.

Mr Thomas—If that were the outcome. It is a bit difficult; the same with wheat gluten, which tends to be a by-product. I think the analysis is certainly correct but you have got to look at the alternative feedstocks and I am not aware of any of that sort of work being done. It would be highly speculative in any event.

Senator O'BRIEN—I think CSIRO have done work on alternative feedstocks for ethanol. Can you provide advice about the salinity mitigation item that appears in Table 1.4 on page 21 of the PBS, including whether this expenditure is related to the National Action Plan on Salinity and Water Quality?

Mr I. Thompson—Is that the Contribution to Salinity Mitigation heading under Output 1? That is a contribution to salinity mitigation in the Murray-Darling Basin. It is primarily expended on salinity interception works along the Murray River. It is not funded as part of the national action plan it is a separate but complementary appropriation for initiatives undertaken by the Murray-Darling Basin Commission and agreed between the governments to maintain salinity levels in the river.

Senator O'BRIEN—It is not part of the national action plan?

Mr I. Thompson—No.

Senator O'BRIEN—Is the National Action Plan on Salinity and Water Quality a key element of the government's program to facilitate sustainable agriculture?

Mr I. Thompson—Yes.

Senator O'BRIEN—I want some advice about why this program is so chronically underspent. In 2001-02, the Commonwealth environment expenditure statement of the national action plan spending in the four years from 2001-02 to 2004-05 was projected to be \$575 million. Now, based on the figures that appear in this year's budget papers allowing for full expenditure of allocated funding in the next two years, by the end of 2004-05 expenditure

will total only \$359.2 million, an underspend of \$215 million over four years. Can you clarify why the NAP spending has been moved from Appropriation Bill (No 1) to Appropriation Bill (No 2)?

Mr I. Thompson—Perhaps I will start with the last one. The initial advice was for placing the national action plan in Appropriation Bill (No 1). There was subsequent advice this year that, as a program essentially of payments to the states for works and measures, it was more appropriate to be placed under Appropriation Bill (No 2). So we were acting on advice from the department of finance in that regard, and it appears to have changed over the years as they have become familiar with the program.

In terms of the amount of money, I have not added up those numbers you have suggested but I think that the facts of the matter are that the national action plan has had underexpenditure in its earlier years. We have reprofiled that expenditure to later years, and there was a media statement by Minister Kemp that the full \$700 million commitment is still there it is just that it has been added on to the end of the program. There have been considerable challenges in putting this new program in place. We have had to develop agreements with the states which are now all but in place. We have also had to provide resources to regions to develop, in some cases completely new regional plans, in others modifications to plans to add in elements like targeting, monitoring and evaluation requirements. Different communities have been at different stages in their capacity to do that and their information base, and that has taken longer than we have anticipated. The first regional plan was accredited and announced in Victoria on 17 April, but planning is now well under way in all those national action plan regions. We would expect things to accelerate as those plans come on stream, and regions are better placed to spend money.

Senator O'BRIEN—So what is the state by state position?

Mr I. Thompson—In terms of bilateral agreements, we are still finalising agreements with Western Australia and the ACT, they have been signed with all other states.

Senator O'BRIEN—Following the signing of the bilateral agreement, what is the next process?

Mr I. Thompson—The next process is the completion of regional plans.

Senator O'BRIEN—How are they going?

Mr I. Thompson—Progress is varied across a number of states, the first plan has been accredited for the Goulburn-Broken catchment in Victoria. A number of plans have been agreed at official level and are currently with ministers at the state and Commonwealth level for accreditation. I think there are seven or eight in New South Wales at that stage and another three or four in Victoria that are at the penultimate stage.

Senator O'BRIEN—Is that state ministers or federal ministers?

Mr Thompson—It is a combination of both. A number have been submitted to Commonwealth ministers. In other cases state ministers are still to finalise as well. Sorry, I may have muddled two regions—it is Glenelg-Hopkins in Victoria that has been approved, not Goulburn-Broken.

Senator O'BRIEN—What is the difference?

Mr Thompson—Goulburn-Broken is on the Murray, Glenelg-Hopkins is on the Glenelg River which runs into Bass Strait.

Senator O'BRIEN—Can you give me a state by state idea of where numbers of regional plans are with ministers? Obviously they will not be in West Australia or the ACT.

Mr Thompson—In Victoria we have one accredited and two with ministers, in New South Wales we have nine with ministers and in South Australia we have one with a minister and a number that are very close to the final stages of accreditation.

Senator O'BRIEN—How many plans are outstanding? Aren't there a number of catchment plans that you require?

Mr Thompson—Yes, there are 21 catchments so it is 21 minus that number.

Senator O'BRIEN—Minus 13?

Mr Thompson—Yes, that would be right.

Senator O'BRIEN—How is progress in Queensland?

Mr Thompson—Queensland is running slower than the other states for two reasons: there were negotiations with Queensland over a number of issues to do with the implementation of the NAP, but the more important one is that Queensland did not have a catchment management structure in place at all which the NAP could use. So there has been a process of establishing regional bodies and providing them with foundation funding to gather the information necessary for planning, then building up their capacity to complete plans. It was always expected that Queensland would run a bit slower than the other states on the national action plan because at the time of the national action plan Queensland signed on saying, 'Yes, we want to move to a regional approach but we are going to have to build our regions,' unlike states like South Australia or Victoria where essentially they had a regional model already in place.

Senator O'BRIEN—How many catchments are there in Queensland—to test your knowledge? That is catchment plans or regional plans.

Mr Thompson—We are looking at 14 regions for the NAP and the NHT. For the NAP, there were four announced regions but, in terms of regional plans, some of those regions may actually produce two because of the size of the area. Sorry, there were four regions in Queensland under the NAP except the Burdekin-Fitzroy was one region and they are actually working as two regions that complement each other.

Senator O'BRIEN—Has the Prime Minister had any role in negotiations with the states over the progress of the national action plan?

Mr I. Thompson—In each state there is a steering group made up of Commonwealth and state officials and that group oversees the delivery of the national action plan in those states. So, yes, there is quite a high level of consultation and interchange on the rollout of the national action plan.

Senator O'BRIEN—With the Prime Minister? That was my question.

Mr Wonder—Some, perhaps all—I can't quite recall now, of the bilateral agreements between the Commonwealth and the states have been signed by first ministers—by the Prime Minister and respective premiers.

Mr I. Thompson—In most cases the bilaterals have been signed by the Premiers, the accreditations by respective action ministers.

Mr Wonder—In terms of implementation of the NAP for the Commonwealth, Ministers Truss and Kemp have been taking principal responsibility for Commonwealth decision making. I guess the Prime Minister would have also taken an interest in it from the perspective of the regular reports to the government, including to the Prime Minister, on the progress made with NAP. There has, as you know, been some discussion of the NAP in the COAG context. So it is a whole of government initiative.

Senator O'BRIEN—I would now like to find out if the committee can have a summary of the Great Artesian Basin Sustainability Initiative, including total program funding.

Mr Dalton—This is the last year of the program, 2003-04. The amount of \$31 million is the Commonwealth contribution over that period, matched with contributions from each of the states involved. There was a notional allocation of the funds amongst the three states—Queensland, New South Wales and South Australia—reflecting the nature of the overall task of where we thought it was agreed the major burden of targeting was required and that has been reflected in the division of funds between the states.

As at June 2002—we have not got the final figures for 2002-03—a total of approximately 130 uncontrolled bores have been capped. There is a combination of works; some of those involve just capping and others would involve a combination of capping and piping to replace the earth and bore drains. Our estimate is that some 3,000 kilometres of bore drains have been made redundant as a result of replacement with piping from the bores. As to the final figures for the number of bores and piping that would be covered in 2003-04, we have not yet got the full projects from each of the states, which is the basis upon which we can collate that. But I would expect that the performance in 2003-04 would be somewhat similar to 2002-03, which was a major funding year for the project.

Senator O'BRIEN—You have got the outcomes to June 2002.

Mr Dalton—Yes.

Senator O'BRIEN—You have not got any idea what they will be for the current financial year?

Mr Dalton—It has not all been provided, but I am happy to provide that.

Senator O'BRIEN—It would be good if you could do that.

Mr Dalton—When that is available.

Senator O'BRIEN—Sure. Do you know how much has been spent in this financial year?

Mr I. Thompson—When you are talking about outcomes, in terms of spending money on the projects, that material is more readily available. When Mr Dalton was talking about the outcome from the program we were referring to the pressure recovery that has occurred, and that is a matter of actually collecting some monitoring information over a reasonable period of

time then running that through some computer models to see what it actually means. That itself is a process that takes some time.

Senator O'BRIEN—Perhaps we could find out about the money a bit sooner.

Mr I. Thompson—Yes.

Senator O'BRIEN—How much has been spent this financial year?

Mr Dalton—Approximately \$8.5 million. There was some carryover from the previous year which added to the 2002-03 allocation. The allocation that was recommended for spending in 2002-03 was \$8.5 million—that is rounded.

Senator O'BRIEN—How much remains of the \$31 million?

Mr Dalton—I would have to check. The \$8.5 million had been fully expended, so there would be between \$8 million and \$9 million remaining.

Senator O'BRIEN—I understand that this department and Minister Truss have a key role in the administration of this program.

Mr Dalton—The department does. Under the arrangements between Mr Truss and Senator Macdonald, Senator Macdonald has main ministerial carriage for this particular program.

Senator O'BRIEN—Is it correct to say that this program started in 1997?

Mr Dalton—The program funding did not start that year. I think there was a commitment. The first funding year was 1999-2000. The commitment came out of the 1998 election. There was funding in previous years prior to the GABSI. It was funding for this kind of activity under various parts of the National Landcare Program. So there was previous expenditure. The GABSI was seen as being directed towards trying to accelerate that activity in some key targeted areas.

Senator O'BRIEN—Can you confirm that a draft strategic management plan for the basin was released in November 1998 but the agreed strategic plan was not released until September 2000?

Mr Dalton—I would have to check the dates. There was a draft strategic management plan for the Great Artesian Basin, which was developed by the consultative council, and then it went through a process of revision and clearance, and there was a period between the draft and the final. I would just need to check the dates. From recollection, they are very close.

Senator O'BRIEN—If you could check the dates. That is my advice. The original financial commitment was \$31.8 million over five years, with \$3 million available in 1999-2000, as I understand it. Going back to page 23 of the 1999-2000 PBS, the forward estimates from that PBS provide \$6.2 million in 2000-01, \$7.9 million in 2001-02 and \$8.1 million in 2002-03. The actual expenditure in 1999-2000 was \$2.6 million. Expenditure in 2000-01 also fell short of the original figure contained in the original estimates portfolio budget statement. So the figures in the current PBS are suggesting that the program is back on track.

Mr Dalton—We made some assumptions about the ramping up of the program in the middle and final years. In the earlier years there was an inability of some states to match the available Commonwealth expenditure, which was remedied in later years—in the third year and fourth year. We have not seen the 2003-04 budgets from the states, but in recent years

state expenditure has been able to match the available Commonwealth expenditure. That would account for the increased expenditure.

Senator O'BRIEN—Could you provide us with a breakdown in the years of spending? I am looking at the PBS from the past and working it through to the current time, but it would be useful to have that breakdown. Can you also tell us how much has been spent on administration, including for the Great Artesian Basin Consultative Council, that has come out of those figures?

Mr I. Thompson—Funding for the GABCC initiative is split into two components: one is the component for capital works and there is a smaller component which is in the order of \$400,000 a year, which includes the costs to the Consultative Council and some work on monitoring, review and some of the work like preparing the strategic plan. Are they the sorts of administrative costs you are after?

Senator O'BRIEN—If they comprise the administrative costs of the program, yes.

Mr I. Thompson—The department itself, in running the program, also has departmental resources which are applied to the 1½ people who provide the cheques and sign the contracts and those sorts of things.

Senator O'BRIEN—Do they come out of the funding for the program?

Mr I. Thompson—They do not come out of the funding that is identified in the PBS. They are part of the natural resource management business unit's operating costs. The only administrative costs that are contained in those numbers you are seeing in the PBS are administrative costs associated with the consultative council.

Senator O'BRIEN—I presume the funding was available in terms of infrastructure renewal aspects of the strategic management plan for both infrastructure and infrastructure planning. Is that right?

Mr Dalton—The strategic management plan has a broader audience than the initiative in the respect that the strategic management plan covered some issues around infrastructure, but there were some normal sorts of things to do with broader natural resource management and environmental issues. It was seen as an overall strategic approach to management of the Great Artesian Basin resource, rather than being the exact blueprint for the sustainability initiative. But it did provide the basis upon which we decided where the priority areas were, had a sense of the scale of the project and, if you like, the task, the number of bores, number of uncontrolled bores and so forth. Within the state programs that are put up each year there would be some planning around the best ways in which to rehabilitate bores, some scheduling perhaps, but also tied to a judgment about where is the best biophysical or hydraulic location of the bores.

Senator O'BRIEN—I refer to the annual report for 2000-01 of the Great Artesian Basin Consultative Council.

Mr Dalton—The consultative council has provided reports at various times.

Senator O'BRIEN—I am just double-checking. I think it is the Great Artesian Basin Consultative Council report 2000-01 which provides a basin-wide snapshot of progress. The figures are described as cumulative as at 30 June 2001. The number of bores capped is given

as 68; the number of schemes piped is given as 28; kilometres of bore drains deleted is given as 2,382; and water saved is given as 18,538 megalitres. However, these numbers appear to have been revised in the following year's report.

Mr I. Thompson—The current situation, as I understand it, is that rehabilitation has either been completed or commenced on 130 bores and 3,580 kilometres of drain have been replaced.

Mr Dalton—That is essentially a doubling or thereabouts from those figures that you have there.

Senator O'BRIEN—I understand that you have given me some other figures, but the 2000-01 report gives figures as at 30 June 2001 that I have just outlined. Then the following year's annual report of the consultative council gives figures for the same date of 30 June 2001: the number of bores capped 36; the number of schemes piped zero; the number of bore drains replaced, which I assume is the same as deleted, 1,689. Does that mean that there had been a revision downwards of the previous figures in the previous annual report?

Mr Dalton—I was not responsible for the GABCC report, unless the figures that you are quoting refer to one state rather than the total.

Senator O'BRIEN—I do not think so. It says the following information provides a basin-wide snapshot.

Mr Dalton—I would need to consult the reports. They were prepared by the—

Mr Wonder—They are not our reports.

Senator O'BRIEN—Yes, I understand that. This is a body funded out of—

Mr Wonder—Yes, I understand.

Senator O'BRIEN—The answer to question on notice No. 882 advises that a review of the effectiveness and efficiency of the Great Artesian Basin Sustainability Initiative was scheduled to commence early this year.

Mr Dalton—That is correct.

Senator O'BRIEN—What has happened with that review and where is it up to?

Mr Dalton—As indicated, the review has commenced. We went through a process of calling for tenders for the review and it is scheduled for completion in June this year.

Senator O'BRIEN—Who is undertaking it?

Mr Dalton—Hassell and Associates were the successful tenderers and it is overseen by a steering committee of Commonwealth, state and some stakeholder interests. Unfortunately, I cannot tell you the precise stage they are at but I am not aware that there are any major concerns about delivery of that project against the time lines.

Senator O'BRIEN—Are there terms of reference?

Mr Dalton—There are terms of reference for the review which were advertised publicly. I can make them available for you.

Senator O'BRIEN—Is there an estimated cost of the review?

Mr Dalton—Yes, there is. I do not have that figure in front of me. I will not go by recollection; I will check and provide it to you. It is on the page that I have not printed off.

Senator O'BRIEN—Has the department managed to post the ABARE-BRS recommendations on its web site?

Mr Wonder—The recommendations relating to what?

Senator O'BRIEN—To the review, as promised.

Mr Wonder—Mr Taylor indicated that earlier today.

Senator O'BRIEN—I think we had an assurance that they would be on the web site this afternoon.

Mr Wonder—Could we check that and come back to you?

Senator O'BRIEN—Yes, please. Would you also give us the web address, if possible.

Mr Wonder—I have just been advised that it is under way at the moment. It takes a bit of time to get these things completed, but it is being worked on as we speak.

Senator O'BRIEN—We were trying to log on and find it. When we could not, I thought I would ask about it.

Senator Ian Macdonald—I wonder whether you saw the report in the Melbourne *Herald Sun* about the budget allocation for the Great Artesian Basin. The newspaper reported it in this way:

Exciting news from conservation minister Senator Ian Macdonald, who reported that additional funds had been made available to rehabilitate 130 uncontrolled bores. With only 226 federal members of parliament, that has got to be a mighty start.

Senator O'BRIEN—Do you get extra pay for that job?

Mr Dalton—Senator, I have figures for you on the review.

Senator Ian Macdonald—You are getting back to the sensible stuff now, are you?

Mr Dalton—No, Mr Minister, I could not hope to compete with you in that regard. The review of the GABSI program cost \$120,000.

Senator O'BRIEN—Is that Commonwealth-state, or funded out of the program?

Mr Dalton—It is out of the program, out of that administrative component.

Senator O'BRIEN—I have a question on Landcare funding to the states. Table 1.5 on page 23 of this year's PBS says the payments for 2002-03 are down to \$28.9 million—so it has been \$37 million down to \$29.7 million down to \$28.9 million. In February we were told that the revision in the portfolio estimates statement related to the transfer of funding between Landcare and the national action plan. Can you confirm that advice and then give us an explanation as to why the number has dropped by another \$800,000?

Mr Willcocks—Yes, I can confirm that. There was an amount of \$7.3 million in an adjustment made to the payments to the states in 2003 at additional estimates, which brought the allocation down from \$37.058 million to \$29.715 million. Then there was an additional amount—

Senator O'BRIEN—Are you saying that that involves a downward revision of the amount to be paid to the states?

Mr Willcocks—The adjustments were to repay transfers that had been made into that appropriation item in an earlier year—that is, \$4.142 million to the NAP, the national action plan.

Senator O'BRIEN—Where did this money you are talking about that was transferred into the fund come from?

Mr Willcocks—From time to time adjustments are made at the margins to the programs to most efficiently use the money available. There were Landcare projects in 2001-02 that could be funded, and therefore transfers of the \$4.142 million were made into the Landcare appropriation in that year and an additional \$4 million worth of projects were funded. The payment was refunded to the national action plan in 2002-03, and that was one of the adjustments made at that time. There were two other adjustments made. One was a transfer of \$1.73 million to the Landcare program reserve, which is under bill 1 in the appropriations, and that was to provide funding for a number of projects at the national level. There was a transfer to the Farm Innovation Program of \$1.5 million that was used to fund a number of natural resource management related projects. We provided information on those projects following the last estimates hearings.

Senator O'BRIEN—So those decisions were made after the 2002 budget?

Mr Willcocks—The original transfers into the National Landcare Program budget line were made in 2001-02. At the time that transfer was made, the decision was made to repay that money in the following year.

Senator O'BRIEN—But the estimate for 2002-03 was \$37.058 million at the time of the budget.

Mr Willcocks—Yes.

Senator O'BRIEN—But then by the time of the additional estimates statement the \$7.3 million, or thereabouts, was taken from the National Landcare Program payment to the states. So I presume the decision to refund moneys to the NAP for 2002-03 was taken after the budget in 2002.

Mr I. Thompson—I cannot recall the exact dates of the additional estimates process in those years, but in some years the time for the closure of the budgets and setting up changes can be tight. Changes of that sort then get made at additional estimates, rather than in the budget itself.

Senator O'BRIEN—Perhaps you could tell us, on notice, when those decisions were made.

Mr I. Thompson—Yes, we can do that.

Senator O'BRIEN—Were they made within the department, were they cabinet decisions or what?

Mr I. Thompson—They are decisions that are made by ministers, on the advice of the department, and they are whole of government decisions in the sense that changes of that size

have to be advised to the Minister for Finance and Administration. In a sense, they are made in a whole of government budget process.

Senator O'BRIEN—Is the funding for the payment to the National Action Plan for Salinity and Water Quality for 2002-03 within this department's budget or another department's budget?

Mr I. Thompson—It is wholly within this department's budget. Both those appropriations are to this portfolio.

Senator O'BRIEN—Would you tell me where that increase in funding shows up in the appropriate line item in the additional estimates.

Mr I. Thompson—The repayment?

Senator O'BRIEN—Yes.

Mr I. Thompson—In the 2002-03 additional estimates, it is on page 52, under output 1. If you run down you will see 'National Action Plan for Salinity and Water Quality' with an increase of \$4.142 million. It is the reversal of that NLP appropriation.

Senator O'BRIEN—Was that money expended?

Mr Wonder—The bottom line is that it gets caught up in the broader budget for the NAP, I would have thought, and then some of those funds were spent and some have been re-profiled for later use.

Mr I. Thompson—Yes. So it is hard to say whether it was that money or not—

Senator O'BRIEN—I understand that.

Mr I. Thompson—But there is an amount of money under the NAP that has been—

Senator O'BRIEN—You put an extra \$4 million-odd in the national action plan for 2002-03, but you do not use it in 2002-03?

Mr Wonder—But it has been kept in the program.

Senator O'BRIEN—Potentially, it could be re-profiled?

Mr Wonder—It has been. Effectively, either those dollars or some other dollars in the 2002-03—I think we are on the same wavelength—have been re-profiled. The money has been retained, and the full integrity of the NAP commitment has been maintained.

Senator O'BRIEN—I refer now to the \$1.73 million to the Landcare reserve fund. Is that how you described it?

Mr I. Thompson—Yes. There are two appropriations for Landcare, one under bill 1 and one under bill 2.

Senator O'BRIEN—You say it is to fund a number of national projects. What were they?

Mr Willcocks—The funding from the reserve is used to fund a number of national projects which include the Australian Landcare Council, Landcare Australia Ltd, *Landcare Magazine* and the National Landcare Facilitator Project. The transfers were made to increase the budget to fund a number of industry based national projects. Examples are farm forestry support that was paid to Greening Australia, building of capacity for local communities through a project

undertaken by Conservation Volunteers Australia to implement projects at a regional level, *Landcare Magazine* and engaging industry in natural resource management, which was \$450,000, largely funding for projects that came out of the Dairying for Tomorrow strategy that was developed by the dairy industry as part of the National Land and Water Resources Audit. These included a self-assessment tool, property management planning for dairy farmers, setting industry targets, and facilitation and industry catchment collaboration. These projects provided a start in implementing this Dairying for Tomorrow strategy.

Senator O'BRIEN—Perhaps you can give us a breakdown—you have some documentation there and you might want to polish this up—of how the \$1.73 million to the Landcare reserve fund and the \$1.5 million to the national Farm Innovation Program were spent.

Mr Willcocks—We have already provided that information to you.

Senator O'BRIEN—Did you?

Mr I. Thompson—You asked at the last additional estimates for a list of the NRM related Farm Innovation projects.

Senator O'BRIEN—If you have already provided it I am happy with that. If there is some deficiency I hope I can come back and raise that with you. There has been a drop from the additional estimates of \$29.7 million down to \$28.9 million, according to this year's PBS. Where has that \$800,000 gone? Is it an underspend?

Mr Willcocks—It was another repayment of another transfer to the Great Artesian Basin initiative. It was an adjustment made after additional estimates.

Senator O'BRIEN—I take it that these transactions—if I can call them that—are having an impact on the total funding for the Landcare Program.

Mr I. Thompson—The only transaction that is having an impact on the total funding for the Landcare Program would be the one to the Farm Innovation program. It was a move to another program. As we have said before, it was for programs that were very closely related to landcare objectives. The ones that we are talking about now do not detract from the overall level of funding because, as can be seen for the GAB, there are transfers in and transfers out in maintaining those funds.

Senator O'BRIEN—It is a pretty simple process to transfer out. The fact that the money is in the forward estimates does not guarantee that it is going to be spent on land care. Is that a fair comment?

Mr Wonder—I think the officers are saying that the net effect in the National Landcare Program is zero.

Senator O'BRIEN—Except for \$1.5 million so far, I thought.

Mr Wonder—Sorry, other than the caveat that Mr Thompson gave in which he said that those programs were closely related to land care. Outside that, the transfers in and out have really only changed the time profile of when the money has been spent under the National Landcare Program. But the total expenditure over the life of the program remains the same, other than that \$1.5 million—is that correct?

Mr I. Thompson—Yes, that is correct. It is changing the time profile and optimising the availability of funds for closely related programs that can use the funds at that point in time.

Senator O'BRIEN—As we know now. The forward estimates are capable of decisions to transfer money in and out at any time.

Mr I. Thompson—In accordance with the government processes and, as you see, they appear in reports like the PBS.

Senator O'BRIEN—It is sort of like trains going through tunnels—there is money popping in and out everywhere. On page 23 of the current PBS estimated expenditure is \$1 million for the Tasmanian water infrastructure—particularly the Meander Dam—previously known as A Stronger Tasmania. Why the name change?

Mr I. Thompson—A Stronger Tasmania was when it was announced as part of a broader package.

Senator O'BRIEN—Do you mean it was an election commitment?

Mr I. Thompson—It was part of an election commitment. It was not exactly helping people understand what this money was for. A Stronger Tasmania could apply to a whole range of things, so we sought agreement to describe what it actually was.

Senator O'BRIEN—So you just changed the description in the PBS?

Mr I. Thompson—The intent is exactly the same, but it is now clear that it is about water infrastructure in Tasmania—particularly the Meander Dam.

Senator O'BRIEN—Presumably it is as simple as that and there is no cost involved?

Mr Thompson—No, there has been no change to the funding.

Senator O'BRIEN—I presume this is money towards the Meander Dam Project?

Mr Dalton—Yes, that is right. There was an announcement in last year's budget that funding would be made available, consistent with that commitment to A Stronger Tasmania, but the funds were to apply from 2003-04.

Senator O'BRIEN—I take it that no money has been spent, under the former name or any other name, on the project?

Mr Dalton—No.

Senator O'BRIEN—Is it intended that the entirety of the commitment will be available to be spent in 2003-04 subject to Dr Kemp's deliberations?

Mr Dalton—The first year is 2003-04. Subject to the deliberations that you refer to, the first tranche of the payment would be 2003-04 and payments for the balance would be 2004-05 and 2005-06.

Senator O'BRIEN—Could you remind me of the total funding towards the project from the Commonwealth?

Mr Dalton—It is \$2.6 million.

Senator O'BRIEN—Mr Truss announced funding of \$500,000 for the Climate Variability in Agriculture Program on 29 October last year. There is a Climate Variability Applications

Program listed in the Land and Water Australia report on page 211 of the PBS. Is that the same program?

Mr I. Thompson—Yes, it is the same program. Land and Water Australia run a climate variability in agriculture program for which they contribute and they also seek contributions from other parties. AFFA is one of the parties contributing to that program.

Senator O'BRIEN—What is the profile of the funding allocation—that is, in which financial years will the funding be allocated from the National Heritage Trust?

Mr I. Thompson—That is a 2002-03 program. We expect to spend it this financial year.

Senator O'BRIEN—What other funding appears in the PBS for that program?

Mr I. Thompson—I think it would be the funding that is provided as part of the Natural Heritage Trust national component which does not appear in this PBS. It is part of the national component of the NHT, so it would appear in Environment Australia's PBS as an aggregate under the NHT national projects. The component that would be encompassed in this PBS would be Land and Water Australia's contribution to the program.

Senator O'BRIEN—The Climate Variability in Agriculture Program that was to be funded is now called the Climate Variability Applications Program—is that right? That is why I asked you whether they were one and the same.

Mr I. Thompson—My understanding is that the program is currently being reviewed. The name may be changing but it is the same suite of activities. We had the Climate Variability in Agriculture Program. It developed a number of tools for people in agriculture and broader areas, including water management, to use in handling variable climates. There is a chance of the name changing to Climate Variability Applications Program to reflect the nature of the work and that it might be broadening beyond agriculture.

Senator O'BRIEN—And it is moving to Environment Australia?

Mr I. Thompson—No. Land and Water Australia are developing that program, and they have a prospectus available at the present time for other funding partners. The contribution that we as a department have been making has been out of the national component of the Natural Heritage Trust. I am looking at Land and Water Australia's outputs now, and yes, they have called it Climate Variability Applications Program. I think this reflects the move from the previous program—the Climate Variability in Agriculture Program, which actually finished some 12 months ago—to a broader program, with the aim of obtaining more funding partners.

Senator O'BRIEN—Funding ceased at the end of last year?

Mr Thomas—I think that is right. There was a review of the program undertaken by Hassell and Associates around 12 months ago. The results of that review were, essentially, that the program had developed some very useful tools but there had been some problems in having those tools taken up by the industry. The funding that was provided this year, the half million dollars that you are referring to, was directed more to having those tools taken up within industry. So there was a change in the emphasis, from the development of the tools through to their application.

Senator O'BRIEN—So funding for development of these sorts of tools is finished?

Mr Wonder—The emphasis is now being put on the uptake of the tools.

Senator O'BRIEN—I understand your putting it that way. I am understanding you to say that, because of the changed emphasis, you are no longer funding the development of these tools.

Mr I. Thompson—I do not think it is quite as black and white as that. We looked at what the Climate Variability in Agriculture Program developed: it was a major contributor to that Rainman tool and to a stream reporting tool and some other tools of that sort. As Mr Thomas has pointed out, the problem of getting that applied and accepted by a range of people had been identified in the Hassell review, so the balance of the program, in its present phase, has shifted towards getting those tools adopted. In some cases that might mean presenting them slightly differently or extending them more widely to potential users. It is not saying research or the development of tools will stop; it is that the balance of the program is increasing its emphasis on application and adoption of the tools that have already been developed.

Senator O'BRIEN—Would you remind me how much funding is actually committed to this program? Or is it an indefinite amount at this stage?

Mr I. Thompson—There is a commitment made in 2002-03 of \$500,000. As I said, Land and Water Australia have a prospectus out for continued funding of the Climate Variability Applications Program, and decisions from this portfolio's point of view on whether to be a partner in that initiative, beyond Land and Water Australia's contribution, are yet to be made.

Senator O'BRIEN—Is the \$500,000 expended?

Mr I. Thompson—I am not sure of the details. Some of it has been expended, but I know not all of it has been expended. It is expected to be fully expended this financial year.

Senator O'BRIEN—Could you confirm that, or let us know if that is not to be the case.

Mr I. Thompson—Yes.

Senator O'BRIEN—Thank you. That will do me for this program.

Mr I. Thompson—Senator, you had some questions about the Envirofund. We have got some information which I think answers most, if not all, of those questions. Would you like me to answer some of them now?

Senator O'BRIEN—You might as well.

Mr I. Thompson—The applications for the Envirofund are available on the web. The wording in relation to exceptional circumstances was that priority would be given to applications from areas which have been declared exceptional circumstance areas, or areas which have established a prima facie case. It was not exclusive. You went on to ask how many applications we received from Tasmania. We received only one application from Tasmania, the Tasman Peninsula project which you referred to. Overall there were 963 applications for the drought round.

Senator Ian Macdonald—So Tasmania got 100 per cent. No other state got 100 per cent.

Senator O'BRIEN—They were probably put off by the EC commentary.

Senator Ian Macdonald—You are never satisfied, Senator. We do so much for Tasmania.

Senator O'BRIEN—\$21,855?

Senator Ian Macdonald—100 per cent of the application!

Senator O'BRIEN—Did they ask for \$21,000?

Mr I. Thompson—Yes, they did.

Senator O'BRIEN—Precisely the amount they were granted. Is that what happened?

Senator Ian Macdonald—Probably they only asked for \$10,000.

Mr I. Thompson—Yes, they asked for \$21,855 and they were granted \$21,855.

Senator O'BRIEN—They were very precise with their application. That is all I can say.

Senator Ian Macdonald—It was probably because of Senator Colbeck's support that they got that.

Senator O'BRIEN—Is that right? He is out of territory as well?

Mr I. Thompson—I think you also asked, Senator, how many Tasmanian projects were in the normal round. There were 80 Tasmanian projects in the first round, and that summed to \$1.3 million. That is the information I have.

CHAIR—It is mixed grill time. Thank you very much for your attendance, Mr Wonder and all your officials, and for the enthusiasm and spirit in which you embraced the process. We will see you all again soon.

Mr Wonder—Thanks, Senator.

Proceedings suspended from 6.16 p.m. to 7.39 p.m.

TRANSPORT AND REGIONAL SERVICES**In Attendance**

Senator Ian Macdonald, Minister for Fisheries, Forestry and Conservation

Corporate Governance Group

Mr Peter Yuile, Acting Secretary

Ms Lynelle Briggs, Deputy Secretary

Economic Research and Policy Coordination

Mr Tony Slatyer, First Assistant Secretary

Mr Malcolm Thompson, Assistant Secretary, Policy Group

Corporate

Mr Roger Fisher, First Assistant Secretary

Mr Jeremy Chandler, Chief Finance Officer

Mr David Banham, Chief Information Officer

Mr John Kilner, Assistant Secretary, People and Performance Branch

Transport Group

Australian Maritime Safety Authority

Mr Clive Davidson, Chief Executive Officer

Australian Transport Safety Bureau

Mr Kym Bills, Executive Director

Mr Joe Motha, Director, Safety Research and Education

Mr Robin Graham, Director, Safety Investigation

Mr Alan Stray, Deputy Director, Air Safety Investigation

Transport Security

Mr Andrew Tongue, First Assistant Secretary

Mr Jim Wolfe, Assistant Secretary, Maritime Security

Transport and Infrastructure Policy Division

Dr Greg Feeney, First Assistant Secretary

Dr Gary Dolman, Assistant Secretary, Logistics and Technology

Mr John Elliott, Assistant Secretary, Infrastructure Investment

Dianne Gayler, Assistant Secretary, Infrastructure Investment

Transport Regulation Division

Mr Bill Ellis, First Assistant Secretary

Mr Peter Robertson, Assistant Secretary, Vehicle Safety Standards

Ms Linda Addison, Assistant Secretary, Airport Planning and Regulation

Mr Robert Hogan, Assistant Secretary, Surface Transport Regulation and Reform

Transport Programmes Division

Ms Sema Varova, First Assistant Secretary

Ms Trudi Meakins, Assistant Secretary, Transport Programmes South East

Ms Linda Holub, Assistant Secretary, Transport Programmes North and West

Aviation and Airports Policy Division

Mr Martin Dolan, First Assistant Secretary

Ms Merrilyn Chilvers, Assistant Secretary, Aviation Operations

Mr Andy Turner, Assistant Secretary, Aviation Security Policy

Mr Nick Bogiatzis, Assistant Secretary, Aviation Markets

Mr Mike Smith, Executive Director, National Airspace System Implementation

Civil Aviation Safety Authority

Mr Mick Toller, Director, Aviation Safety

Mr Bruce Gemmell, Deputy Director, Aviation Safety

Mr Rob Elder, Executive Manager, Corporate Affairs

Mr Mike Williams, Executive Manager, Aviation Safety Compliance

Mr Bill McIntyre, Executive Manager, Aviation Safety Standards

Mr Rob Collins, Executive Manager, Regulatory Services Division

Mr Ray Comer, Executive Manager, Corporate Development

Ms Sue-Ellen Bickford, Executive Manager, Corporate Services

Mr Peter Ilyk, General Counsel

Ms Karen Nagle, Risk Manager

Airservices Australia

Bernie Smith, Chief Executive Officer

Mr Tom Grant, General Manager, Organisation Development and Corporate Secretary

Mr Hisham El-Ansary, Chief Financial Officer and General Manager

Regional Development Group

Regional Policy Division

Mr John Doherty, First Assistant Secretary

Ms Joan Armitage, Assistant Secretary, Regional Policy Analysis

Mr Daniel Owen, Assistant Secretary, Regional Policy Development

Regional Programs Division

Ms Leslie Riggs, First Assistant Secretary

Ms Wendi Key, Assistant Secretary, Stronger Regions

Dr Leo Dobes, Assistant Secretary, Regional Access

Ms Vicki Dickman, Acting Assistant Secretary, Regional Network

Ms Kelly Pearce, Director, Area Consultative Committee and Regional Package Team

Territories and Local Government Division

Mr Mike Mrdak, First Assistant Secretary

Mr Andrew Wilson, Assistant Secretary, Non-Self-Governing Territories

Mr Adrian Beresford-Wylie, Assistant Secretary, Self-Governing Territories
Local

Government and Natural Disaster Management
National Capital Authority

Ms Annabelle Pegrum, Chief Executive
Mr Lindsay Evans, Managing Director, Business
Mr Graham Scott-Bohanna, Managing Director, Design
Mr Ross Addison, Director of Finance
David Wright, Director, National Capital Plan

Secretariat

Craig O'Neill
Chris Hartnett

CHAIR—On 13 May 2003, the Senate referred to the committee the particulars of proposed expenditure in respect of the year ending 30 June 2004 for the portfolio area of transport and regional services. The committee will now consider proposed expenditure for the Transport and Regional Services portfolio. The committee is required to report to the Senate by Thursday, 19 June 2003. Answers to questions taken on notice and additional information should be received by the committee no later than Friday, 11 July 2003. The committee members and participating members have been provided with the portfolio budget statements for the department. Members have also been given a briefing on the form of this year's portfolio budget statements by the department. As agreed, I propose to call on the estimates according to the format adopted in the printed program.

The committee has authorised the recording and rebroadcasting of proceedings in accordance with the rules contained in the order of the Senate of 23 August 1990.

Department of Transport and Regional Services

CHAIR—I again welcome Senator Ian Macdonald, the Minister for Fisheries, Forestry and Conservation, representing the Minister for Transport and Regional Services. Senator Macdonald is accompanied by Peter Yuile, Acting Secretary; Lynelle Briggs, Deputy Secretary; and other officers from the Department of Transport and Regional Services and related agencies. Officers are also reminded that an officer of the department of the Commonwealth or the state shall not be asked to give opinions on matters of policy and shall be given reasonable opportunity to refer questions asked of the officer to superior officers or to a minister. Finally, witnesses are reminded that the evidence given to the committee is protected by parliamentary privilege. I remind you that giving false or misleading evidence to the committee may constitute a contempt of the Senate. Minister, do you or Mr Yuile wish to make an opening statement?

Senator Ian Macdonald—Well, I do not.

CHAIR—You obviously want to get on with your dinner.

Senator Ian Macdonald—I do not know what you are talking about. Your introduction was different from the other one, so it does not attract from me a response statement. I have nothing to say. I do not know about Mr Yuile.

Mr Yuile—There are two things by way of opening. One is to note the absence of Ken Matthews, our secretary, who is out of the country at the moment on long planned leave with

his family. It was planned ahead of the timing of the estimates. He asked me to convey his apologies to the committee. He usually attends, as you know. The second thing was just to clarify, if I may, with you the areas you think we might cover by 11 o'clock. We have a number of officers in the other room that I would like to give an opportunity to go home if they are not needed.

CHAIR—We might kick off. If they are not immediately available, we will certainly advise you.

Senator O'BRIEN—I can say that unless the answers are 'yes', 'no' and 'maybe', then we are probably not going to get to ATSB. If you want to keep them there as a safety net, then that is fine. But that would be about it.

Mr Yuile—Thanks.

Senator O'BRIEN—We can reassess ATSB at 9 o'clock. Those who are later in the program get to go home, in my view.

Senator Ian Macdonald—If we happen to get through them, we can all go home.

Senator O'BRIEN—I think there is a union ticket on that one.

CHAIR—Very good thinking.

Senator Ian Macdonald—Does that give everyone an indication that the answers should be 'yes', 'no' or 'maybe'?

CHAIR—Thank you very much, Mr Yuile.

Senator O'BRIEN—I wanted to ask some questions of Mr Fisher, who I understand has commenced recently with the department. I understand that you were formerly with the department of finance.

Mr Fisher—That is right.

Senator O'BRIEN—When did you transfer to the department?

Senator Ian Macdonald—These questions are hardly relevant to this estimates. When he transferred here is, but where he came from is not relevant.

Senator O'BRIEN—When he transferred is a question.

CHAIR—He was just checking to see that he did not come from June.

Senator O'BRIEN—Is that where Finance is?

Mr Fisher—January 2002.

Senator O'BRIEN—Do I take it you are somewhat of a specialist in finance for the department?

Mr Fisher—No. I do not think that would be an accurate description.

Senator O'BRIEN—What is the accurate description?

Senator Ian Macdonald—He is an officer.

Mr Yuile—The officer can answer for himself, of course. We had an opportunity to attract Roger Fisher to the department a bit over a year ago now. He came to us to work on transport

policy, in particular aviation policy issues. He augments in a very significant way at senior level the resources that we had in the department working on aviation policy matters. His background is both in the finance department and, originally, in this department or its predecessors, as well as other agencies, such as the former Public Service Board. He is a very senior public servant and a welcome member of our team. He certainly brings finance experience as well, so all of those things give him a very good basis to make a contribution to our department.

Senator O'BRIEN—That sounds very good. I will follow that comment through. What level were you in Finance, Mr Fisher?

Mr Fisher—I transferred to DOTARS at my substantive level, SES band 2.

Senator O'BRIEN—I have just been looking at the PBS. In terms of the department's liability, the department seems to be in some sort of financial difficulty, if you look at, for example, the primary liability of accrued leave entitlements. I have been told that Mr Fisher recently travelled to Sydney to seek advice on how to best manage the department's current financial woes. Is that correct?

Senator Ian Macdonald—They are difficult questions. That presupposes that he agrees with you that the department has financial woes. I would not have thought that the department has financial woes. Quite frankly, whether this officer travels to Sydney, Melbourne or Timbuktu is not really relevant to this. If you have questions about the budget estimates and about the administration of the department, that is fine.

Senator O'BRIEN—This is about the administration of the department.

Senator Ian Macdonald—Whether he travels to Sydney or not is not relevant.

Senator O'BRIEN—If he just travelled to Sydney to look at the Harbour Bridge, it probably would not be. There was more to the question than that. The answer may well be no. I am saying what I have been told and I am giving the department an opportunity to disabuse me of the information I have been advised of.

Senator Ian Macdonald—I do not think it is a question the officer should be asked to answer. I advise him not to. I ask perhaps that—

Senator O'BRIEN—You advise him not to answer a question about the administration of the department?

Senator Ian Macdonald—Whether he is going to—

Senator O'BRIEN—Whether he has gone to Sydney to seek advice on how to best manage the department's current financial woes.

Senator Ian Macdonald—I think that is quite inappropriate. I do not think it is a fair question of an officer. Try your next question.

Senator O'BRIEN—That is a 'yes' or 'no', isn't it?

CHAIR—The difficulty is that, with great respect, Mr Fisher may have gone to Sydney to see a man about a dog, for all I know. He may have gone to take the kids to whatever. At the same time he may have done some other business, including business for his department. I would have thought you are entering into an area where anything could be the answer.

Senator O'BRIEN—As we always do, I suppose. We often do with some expectation of the answer.

Senator Ian Macdonald—You would have to say no, he did not go to Sydney to get some help about the woes of the department, because that would be admitting there are woes in the department. I am sure he would not, I would not and nobody would agree that there are woes in the department. That is why it is an unfair question. Perhaps your next question will elaborate it. If we could move onto that, he might get a question he can answer.

Senator O'BRIEN—It would seem to me that if Mr Fisher has an answer that is not 'yes' or 'no', he can give that as well?

Senator Ian Macdonald—It requires him then to argue with a senator about whether the department is accurately described as being in woe, or whatever your description was.

Senator O'BRIEN—Presumably if it was, he would give a truthful answer. If it was not, he would give a truthful answer.

Senator Ian Macdonald—Your definition of woe may be well different to anyone else's.

Senator O'BRIEN—Okay, we might explore that.

Senator Ian Macdonald—Anyhow, I have asked him not to answer it.

Senator O'BRIEN—Well, I am asking whether there was a trip to Sydney. The purpose of the trip was to consult with a firm of accountants.

Senator Ian Macdonald—Which trip? What date are you talking about?

Senator O'BRIEN—I used the term 'recently'.

Senator Ian Macdonald—I am sure he has been to Sydney several times recently. You identify—

Senator O'BRIEN—No, I will not.

Senator Ian Macdonald—Again, I will ask Mr Fisher not to answer.

Senator O'BRIEN—Where there is smoke, there is fire, I suppose. Have you recently spoken with a firm of accountants regarding the department's financial position?

Mr Fisher—The answer is yes.

Senator O'BRIEN—Where and when did that take place?

Mr Fisher—Well—

Senator Ian Macdonald—What has this got to do with the budget estimates?

Senator O'BRIEN—It has to do with the circumstances of the department's financial position, which is absolutely pertinent to this committee's hearings.

Senator Ian Macdonald—Well, why don't you start by asking the secretary if the department is in financial woe and what they have done about it, and work from that, where you can establish a case?

Senator O'BRIEN—I am sure you will get your turn to do what I am doing. I will no doubt have a view on how you should ask questions. But you will want to ask them in a way you want to ask them. I want to ask them in a way that I want to ask them.

Senator Ian Macdonald—Well, they have to be germane to the estimates for the 2003-04 budget. Whether this officer went to Sydney—

Senator O'BRIEN—All you are telling me is that you have something to hide, Minister. That is what you are telling me.

Senator Ian Macdonald—Well, we may have something to hide, but I do not know about it. It is not my department any more. I am just working on the basis of some fair questioning to officers. I have no idea what you are getting at. It is not my department any more. But you have to be fair.

Senator O'BRIEN—I am. The reasonable question is: where and when did that take place?

Mr Fisher—I have spoken to a number of firms on a number of matters, as I do, as head of the corporate division. I do not have a firm recall of which firms I have spoken to on which days. Sometimes I speak to different accounting firms on the same day. I would have to come back to you. It would help if I had some more clarity about the nature of the discussions that you are looking for.

Senator O'BRIEN—That is fine. I am happy to proceed down that path. Have you spoken to a firm of accountants or financial consultants who specialise in advising companies that are insolvent?

Senator Ian Macdonald—Whose definition of who is a specialist in what is that? Is it yours, or is there a register of who the specialists are in these areas? The questions are quite inappropriate.

Senator O'BRIEN—The question is appropriate. There is no doubt a simple answer.

Senator Ian Macdonald—Does this officer know the description of the—

Senator O'BRIEN—Well, the officer just said he speaks to a number of accountants. He has experience in the department of finance. I have made the assumption, I agree, that that experience and his other experiences would allow him to make that judgment.

Mr Fisher—I think—I am not absolutely sure—all the firms I have spoken to have insolvency practices.

Senator O'BRIEN—But you would not categorise any as specialists?

Mr Fisher—It is not really for me to make that judgment.

Senator O'BRIEN—How many of these firms have you seen in Sydney?

Senator Ian Macdonald—Which firms?

Senator O'BRIEN—The accountants or financial consultants.

Senator Ian Macdonald—About departmental work, you mean?

Senator O'BRIEN—Obviously. Which firms based in Sydney have you seen this year?

Senator Ian Macdonald—I would assume any conversations Mr Fisher had with a firm of accountants would involve professional accountants and would have a degree of confidentiality about them. I do not know that these sorts of questions are relevant to the issue before this committee.

Senator O'BRIEN—I am waiting for an answer.

Senator Ian Macdonald—I think the officer is in a bit of a difficult situation. He understands quite correctly that I do not think these questions are appropriate and should be answered. If you have specific questions about the budget and about the administration of the department, then the officer is obliged and encouraged to answer them.

Senator O'BRIEN—Good. I have just asked a question that is relevant to the administration of the department and I would like an answer.

Senator Ian Macdonald—My interpretation is that it is not.

Senator O'BRIEN—What are we going to do? Bring the Clerk here and rule on it? This is ridiculous.

Senator Ian Macdonald—Don't waste your time with the Clerk, and take no notice of his advice either.

Senator O'BRIEN—That is a judgment that you make. We have been down this process before. I am asking a question which is relevant, in my view, to the administration of the department. We have had an exchange about whether there are financial concerns. I think these questions are relevant. I am asking them. I am entitled to an answer because I am not seeking something which is germane to what this officer has said in advice to a minister or cabinet. I am seeking details of an activity which is completely consistent with a whole range of questions with which we have dealt in the previous estimates while you sat at this table.

Senator Ian Macdonald—You have not even established that there is a financial concern.

Senator O'BRIEN—I will ask the questions, and I guess the *Hansard* will show whether I do or do not.

Senator Ian Macdonald—So what is the question?

Senator O'BRIEN—I asked which of those firms that he has seen this year were based in Sydney.

Senator Ian Macdonald—Which of the firms are based in Sydney? How many of the firms that you have seen are based in Sydney?

Mr Fisher—Could I have the question again, please.

Senator O'BRIEN—Which of the firms of accountants or financial consultants that you have seen this year are based in Sydney?

Mr Fisher—Frankly, I do not know where the head office is.

Senator O'BRIEN—Which did you meet with in Sydney, then?

Mr Fisher—I met with a firm called Prentice Parbery Barilla.

Senator O'BRIEN—Can you tell us whether that consultation incurred a cost for the department?

Mr Fisher—I very much doubt that it would have cost the department.

Senator O'BRIEN—Can you confirm whether you met with a person in that office to seek advice on how best to manage the department's finances?

Mr Fisher—No, I cannot confirm that because it is not true.

Senator O'BRIEN—Can you tell us what the nature of the consultation was?

Senator Ian Macdonald—Again, as I understand it, he says he has not been charged. It would almost seem like it is a private consultation. You are getting into very difficult ground here for the officer.

Senator O'BRIEN—When did this occur?

Mr Fisher—I said I do not remember the precise dates or times on which I spoke to different firms.

Senator O'BRIEN—Can you give us an approximate time that you went to Sydney to speak to this firm?

Mr Fisher—My guess is that it was in March, but I would have to check my diary.

Senator O'BRIEN—Can you do that for us, please.

Mr Fisher—Sure.

Senator O'BRIEN—You say you doubt there will be a charge. Can you tell us why. Is this a firm with any special relationship with the department, or is there some special reason why they would not charge you for whatever the purpose of the meeting was?

Mr Fisher—In the nature of the business, I need to deal with and talk to professionals in the field on a regular basis. It is not the practice for firms to charge for every discussion that you might have.

Senator O'BRIEN—I suppose in my mind that creates the idea that you might have a preliminary meeting with someone about whether there is the potential for further business. Is that the sort of meeting it was?

Mr Fisher—No, it was not of that kind.

Senator O'BRIEN—Was the question of the financial position of the department discussed?

Mr Fisher—The question of the financial position of the department was discussed.

Senator O'BRIEN—Was the question of the department's liabilities discussed?

Mr Fisher—Not specifically, to my recollection.

Senator O'BRIEN—Was there any follow-up material or briefing provided by or to that firm to you or by you? Did they supply you with material following that, or have you supplied them with material following that meeting?

Mr Fisher—Yes.

Senator O'BRIEN—What sort of material?

Mr Fisher—We have had discussions with that firm and others on a range of issues around aspects of the department's financial position. It was the nature of general advice and general briefings.

Senator O'BRIEN—Does this firm have as a significant part of its practice dealings with corporate insolvency?

Mr Fisher—It is not for me to comment on that.

Senator O'BRIEN—You do not know? Is that what you are saying? I am wondering whether you know if they have as a significant part of their practice the business of dealing with corporate insolvency.

Senator Ian Macdonald—Mr Chairman, how can what this officer's view of what a firm in Sydney is reputed to have expertise in possibly be relevant to the questions on the 2003-04 budget?

Senator O'BRIEN—Well, I think it is relevant. Prentice Parbery Barilla are, as I understand it, receivers and an insolvency specialist group ranked 24 in the top 100 firms; and Mr Stephen Parbery, one of the partners, is the president of the Insolvency Practitioners Association.

Senator Ian Macdonald—Okay. That is your evidence to the committee.

Senator O'BRIEN—Does that help you understand my questions, Mr Fisher?

Mr Fisher—I understand the question perfectly.

Senator O'BRIEN—I asked you whether the firm had a significant part of their practice as insolvency. It clearly is the case, isn't it?

Mr Fisher—I do not know. I have never made a study of their business. I do not know what proportion of their revenue comes from corporate insolvency as opposed to other work.

Senator O'BRIEN—Did you make that trip with any special authorisation, or was it a decision of yours to visit this firm?

Mr Fisher—I made that visit with authorisation.

Senator O'BRIEN—Who authorised that? Mr Matthews?

Mr Fisher—In the normal course of events, travel was approved and the purpose of the travel was approved by a senior officer.

Senator O'BRIEN—Is there a piece of paper in relation to this trip?

Mr Fisher—There would be an electronic record, I expect, yes.

Senator O'BRIEN—Can you supply that to the committee, a copy of it?

Senator Ian Macdonald—We will take that on notice.

Senator O'BRIEN—It would be interesting if you do not.

Senator Ian Macdonald—It would be interesting to you.

Senator O'BRIEN—Not just to me. In relation to the provision in the PBS about the departmental liabilities on pages 95 to 96, could you tell me how provision has been made for the department's liability for employee entitlements arising from services rendered by employees?

Mr Chandler—The liabilities of the department in relation to employees is reported as part of the budgeted departmental statement of financial position on page 88. The budgeted estimate for 2003-04 at 30 June 2004, at the end of that fiscal year, is \$28.866 million. That is in respect of primarily accrued leave liabilities, and it is offset, as part of the liabilities of \$40.5 million, by total assets in that same column of \$376 million. The Commonwealth's total equity, therefore, is \$335 million, which is lower down that column. The total equity of the Commonwealth is therefore substantially in the positive. Employee liabilities are the largest of the liabilities shown.

Senator O'BRIEN—And growing.

Mr Chandler—And simply reflects the valuation of the liabilities of all staff accrued to date. Those liabilities, as they need to be paid out over time, would be paid from the department's appropriation revenues and cash holdings.

Senator O'BRIEN—You have got financial assets and non-financial assets.

Mr Chandler—Correct. Financial assets are cash at bank, if you like. Receivables are, in essence, invoices issued. They are invoices issued for services not paid at a point in time. Accrued revenues are when work has been done but not invoiced at the point of reporting of 30 June. The non-financial assets relate to land and buildings and infrastructure. They are assets but they are longer-term assets.

Senator O'BRIEN—They are liquid assets.

Mr Chandler—They could be converted to funds over time, yes.

Senator O'BRIEN—The infrastructure, plant and equipment—what does that comprise?

Mr Chandler—It comprises primarily infrastructure in relation to the territories. The department's responsibilities include oversight of the Indian Ocean territories, Jervis Bay territories and Norfolk Island. It is infrastructure, plant and equipment primarily at those locations and at some departmental locations.

Senator O'BRIEN—Pretty liquid. Where do we find a breakdown of the assets and their ascribed value?

Mr Chandler—The breakdown of land and buildings or infrastructure, plant and equipment?

Senator O'BRIEN—Well, those non-financial assets, for example. Is there a schedule somewhere?

Mr Chandler—There is not in this document. Don't hold me to this number, but there would be some 1,600 assets, for example, ranging across a number of pieces of infrastructure and locations. They are all recorded in the department's asset register and are audited as part of our annual financial statements.

Senator O'BRIEN—What does the term 'total financial assets' mean?

Mr Chandler—‘Total financial assets’ is simply the term used to reflect those that would typically and reasonably be quickly converted into cash.

Senator O’BRIEN—They appear to be fairly static over the years.

Mr Chandler—We have budgeted in this document at the same level. They move around that level. A greater degree of precision would be false. We indicate that we expect them to be maintained at about that same level year on year.

Senator O’BRIEN—It strikes me that, if a company was operating with total financial assets—as you describe them, those that can be easily liquidated—as 40 per cent of total liabilities, one might say they were insolvent.

Mr Chandler—To make such a judgment, you need to have regard to the timing of the incursion of liabilities. So it is not correct to compare the \$15.2 million to the \$38 million and make that judgment.

Senator O’BRIEN—In terms of the provisions and payables, it would certainly be true, wouldn’t it, that a significant proportion of the employee entitlements would be required to be paid out each year?

Mr Chandler—No. That is not the case. Some are paid out, but not a significant amount.

Senator O’BRIEN—What do you call significant?

Mr Chandler—You will see on the statement that in fact we expect the value of those liabilities to grow each year. So in net terms they are increasing, not decreasing.

Senator O’BRIEN—It seems to me—looking at those bottom lines, the current liabilities and current assets—that the judgment you make will depend where you sit, red or black, in the balance between current liabilities and current assets.

Mr Chandler—It really does not come to an issue of judgment. It comes to a knowledge of the operation of the department and historical trends. I think the answer is no.

Senator O’BRIEN—What is the situation where we have a static figure for total financial assets and a growing figure for total liabilities? That trend appears to be going in the wrong direction, Mr Chandler.

Mr Fisher—Is that a statement or a question?

Senator O’BRIEN—I am making a statement inviting Mr Chandler to respond. If I need to add to the end of it, ‘What do you think of that?’, then I will.

Senator Ian Macdonald—I think the answer would be that that is your opinion and you are entitled to it.

Senator O’BRIEN—Mr Fisher, you doubt whether Prentice Parbery Barilla will bill the department for your visit. When will you know?

Senator Ian Macdonald—It depends on when they usually send their bills out, I guess.

Mr Fisher—You never know about a negative. As I said, I doubt very much that I would be charged for a discussion. I have many discussions with many firms and they do not charge me for every phone call I make or every phone call they make to me.

Senator O'BRIEN—Indeed. It depends on the nature of the discussion. Are you saying that the nature of the discussion was such that you would not expect the department to be billed?

Mr Fisher—Yes, that is right.

Senator O'BRIEN—So what was the nature of the discussion?

Mr Fisher—We had a general discussion over a number of areas.

Senator O'BRIEN—Regarding the financial position of the department?

Mr Fisher—We touched on the financial position of the department. We touched on the nature of their business. We touched on a range of other matters.

Senator Ian Macdonald—Did you ask who won the football the night before?

Mr Fisher—I think I might have asked them about good restaurants as well.

Senator O'BRIEN—Did you discuss the asset and liability position of the department?

Mr Fisher—As I said, it was a general discussion. I do not recall specifically discussing the asset and liability position of the department.

Senator O'BRIEN—You do not recall?

Mr Fisher—No.

Senator O'BRIEN—Have you discussed the visit to Prentice Parbery Barilla with other officers of the department since that time?

Mr Fisher—Yes.

Senator O'BRIEN—Have you discussed it with Mr Matthews?

Mr Fisher—Yes.

Senator O'BRIEN—Did Mr Matthews have a view about the factors you had consulted with Prentice Parbery Barilla on, at least in part about the department's financial position?

Mr Fisher—I am not sure whether Mr Matthews had a view or not.

Senator O'BRIEN—He did not express any view to you? Is that what you are telling us?

Mr Fisher—He does not reveal his inner thinking to me on a regular basis.

Senator O'BRIEN—I asked whether he discussed with you his view. I am not asking you to read his mind, obviously.

Mr Fisher—I do not know whether the secretary had a view or not.

Senator O'BRIEN—Did he discuss with you a view? Are you saying that he did not discuss with you his view about your raising that matter with Prentice Parbery Barilla?

Mr Fisher—Yes, I am saying that.

Senator O'BRIEN—Are you adamant that the purpose of meeting with Prentice Parbery Barilla was not to canvass the question of seeking advice on how best to manage the department's finance, given that if it was a public company it would in fact be insolvent?

Senator Ian Macdonald—Could you repeat that question. I did not quite understand it.

Senator O'BRIEN—Are you adamant that you did not meet with that company to seek advice on how best to manage the department's finance, given that if it was a public company it would in fact be insolvent?

Mr Fisher—That is a very hypothetical proposition. The department is not a public company, so I would hardly be consulting the firm about what we might do if the department were a public company.

Senator O'BRIEN—I note you chose not to answer that question. What is the funding allocation for the Economic Research and Policy Coordination Division, Mr Yuile?

Mr Yuile—I will have to check that.

Mr Chandler—In the current fiscal year?

Senator O'BRIEN—Yes.

Mr Chandler—For economic research and portfolio policy.

Senator O'BRIEN—I thought it was the Economic Research and Policy Coordination Division. Have I got the wrong title?

Mr Chandler—Yes. I think you were referring to our Economic Research and Portfolio Policy Bureau. The approved operating budget for the current year is \$3.9 million.

Senator O'BRIEN—How many staff work in this bureau?

Mr Chandler—I cannot answer that question.

Mr Yuile—I think at the moment we have some 53 staff in that policy division. I will stand to be corrected, but I think that is the case.

Senator O'BRIEN—You can correct that on notice or during the hearing if that is necessary. Is there a separate budget and staffing allocation for the work of the Bureau of Transport and Regional Economics?

Mr Yuile—I will invite the director of the BTRE to join us. Mr Slatyer is both head of that division and executive director of the bureau.

Senator O'BRIEN—We have just heard about the budget and staffing for the Economic Research and Portfolio Policy Bureau. Is there a separate budget and staffing allocation for the work of the Bureau of Transport and Regional Economics?

Mr Slatyer—No.

Senator O'BRIEN—So it is contained within the bureau, is it?

Mr Slatyer—It is contained within my division. Staff of the bureau are staff of the division and of the department.

Senator O'BRIEN—What is the name of the division?

Mr Slatyer—The Economic Research and Portfolio Policy Division.

Senator O'BRIEN—Can we identify the cost and staffing of the Bureau of Transport and Regional Economics separately from the budget for and staffing of the division?

Mr Slatyer—We can internally. It is a matter of internal management how we allocate resources within the division. Internally, yes, we do have people that are officers working on BTRE matters and resources allocated for those matters.

Senator O'BRIEN—Could you give us some sort of idea of that internal budget and staffing consideration.

Mr Slatyer—In the current year?

Senator O'BRIEN—Yes.

Mr Slatyer—The research functions of the division—they are the functions of the Bureau of Transport and Regional Economics—account for about \$3.9 million in direct costs. In addition to that, if you were trying to relate that to numbers in the portfolio budget statement for research, there are corporate overheads, and that kind of thing that would need to be counted.

Senator O'BRIEN—Okay. So it is \$3.9 million plus corporate overheads?

Mr Slatyer—Yes.

Senator O'BRIEN—There are 53 staff within the division, I am told.

Mr Slatyer—That is about right.

Senator O'BRIEN—How many staff would make up the Bureau of Transport and Regional Economics?

Mr Slatyer—We would have, I think, about 43 people currently in the bureau.

Senator O'BRIEN—So that is the bulk of the division, obviously?

Mr Slatyer—Yes.

Senator O'BRIEN—The other 10 or 11 people—what areas do they fill?

Mr Slatyer—The division has three component parts from an internal management point of view. One is the bureau, another is the policy group and the other is a small group we call the facilitation unit, which is comprised of my business manager, a couple of executive assistants and a couple of people working on publications.

Senator O'BRIEN—So there are about four, did you say, in the facilitation unit?

Mr Slatyer—Yes, approximately.

Senator O'BRIEN—So there are six or seven in the policy group?

Mr Slatyer—That is right. Seven or eight currently.

Senator O'BRIEN—In an answer provided by the Minister for Environment and Heritage to Martin Ferguson's question No. 1644 in the House of Representatives, he referred to a study being undertaken by the Bureau of Transport and Regional Economics for Environment Australia entitled *Urban transport air pollution projections 2000-2020: impact of Australian fuel standards and changing fleet profile*. When will that research paper be completed?

Mr Slatyer—The work is in train currently. I will consult on its expected conclusion. We expect it will be completed in July or August.

Senator O'BRIEN—Given that the Minister for Environment and Heritage says the report 'will be made publicly available once finished', do you know whether there is an intention to lodge it on the website when the research is concluded?

Mr Slatyer—It would be our normal practice to publish on the website anything that is published in hard copy.

Senator Ian Macdonald—Wouldn't it be a question for the client rather than your bureau? Your bureau does for others, doesn't it?

Mr Slatyer—The minister is correct. We normally have arrangements with the client that we both publish the material—that is, it is available through the bureau website and the client's website.

Senator O'BRIEN—The Australian Greenhouse Office and the department of transport jointly commissioned a report on the impact of BTRE arrangements on passenger transport and fuel consumption. It was entitled *Impact of Australian fringe benefits tax arrangements on passenger transport use and fuel consumption*. When was this report commissioned?

Mr Slatyer—I will ask my colleague Mr Thompson, who is the assistant secretary of the policy group in my division, to assist in that question.

Mr M. Thompson—That study was commissioned not by DOTARS but by the Australian Greenhouse Office. DOTARS assisted in steering the study. I cannot recall the date of commissioning, but it was commissioned last year, I think. I want to clarify one point. It is an issue that the Australian Greenhouse Office may like to respond to directly. The study itself was actually on the impact, if any, of current FBT arrangements for leased motor vehicles in encouraging overuse of vehicles and, therefore, an increase in greenhouse emissions. It dealt only in passing with the issue of employer-provided public transport.

Senator O'BRIEN—Who requested the commissioning of the report on behalf of the department?

Mr M. Thompson—As I said, the department did not commission the report; the Australian Greenhouse Office commissioned the report.

Senator O'BRIEN—When concluded, will the report be publicly available?

Mr M. Thompson—That is something which the government is still considering.

Senator O'BRIEN—The Minister for Environment and Heritage advised Mr Ferguson, in answer to a question on notice, that the report was currently passing through a review process. What is that review process?

Mr M. Thompson—That is a question probably better directed to the environment and heritage portfolio. At present, DOTARS is not involved in any review process on the report.

Senator O'BRIEN—The BTRE has just released a report entitled *Regional public transport in Australia: economic regulation and assistance measures*. I am interested in more specific information on Commonwealth payments in relation to public transport services. The report outlined a number of ways the Commonwealth assists, including \$164 million in 2000-01 for pensioner concession cards that included public transport, but did not compile a

summary of Commonwealth assistance. Is it possible for that to be provided using the data collected for the report's preparation?

Mr Slatyer—It may be. We can provide you with an answer to that question first thing tomorrow.

Senator O'BRIEN—Okay. There are issues about getting up-to-date figures including the full range of assistance—for example, taxi fares paid for veterans, any public transport concessions for people with disabilities and the amount paid by the Commonwealth to the Great Southern Railway for their concession arrangements. Given the disparate arrangements in the regions, is it possible to get a regional breakdown?

Mr Slatyer—I guess I am struggling to quite understand your request. If you are asking me to tell you what can be made available from the sort of raw data in the study, then it is not difficult to give you an idea of the sort of information that could be provided. But questions about the effect of individual programs would be better addressed to the program areas responsible for those programs. It may be in DOTARS or in other departments.

Senator O'BRIEN—On the BTRE website there is a useful document called *BTRE research program 2002-03*. Can you provide the current version of that document with the expected completion dates for each project and the expected cost of delivering each project in the program?

Mr Slatyer—You have the current version.

Senator O'BRIEN—It is the one on the website, is it?

Mr Slatyer—That is the version that is in the public domain. We have not published the timing and costing of projects.

Senator O'BRIEN—Thank you for that. Mr Fisher, I have been handed a document about Prentice Parbery Barilla. It is off the Internet—their website, I think. It says:

The firm is a NSW Partnership and was founded in Sydney by Max Prentice, Stephen Parbery and Vince Barilla in 1983 and has since developed into one of Australia's largest independent reconstruction and insolvency firms providing a wide range of services for secured and unsecured creditors.

It also says:

Since commencement in 1983 the firm has handled all forms of insolvency administrations both large and small throughout Australia.

Can you tell us why you went to that firm in particular to discuss, amongst other things, the department's financial position?

Mr Fisher—As I said, in my work I need to stay in touch with the professional community. I have contacts with people in a range of professional services firms whose opinions and professional skills I value. From time to time, I will seek counsel from them. I happen to know that firm from previous work they have done for the department on the Ansett issue.

Senator O'BRIEN—Which was an insolvency issue. I am assuming that that is the Ansett issue when you say the Ansett issue. Because they went belly up, that is the issue you are talking about. Perhaps I am wrong.

Mr Fisher—I do not think they were insolvent.

Senator O'BRIEN—How would you describe their fate, then?

Mr Fisher—It is not for me to express personal opinions on that.

Senator O'BRIEN—You said you do not think they went insolvent. I presume that means you have another view of the reason for their demise.

Mr Fisher—Well, I guess the courts can decide whether they were insolvent or not. They are currently under administration, and it is not appropriate for me to comment.

Senator O'BRIEN—I understand you to be saying that you went to them because you had had some association with them over the Ansett issue. I presume that that is because they had some special skill that you became familiar with in dealing with them over that issue.

Mr Fisher—They have particular skills, expertise and knowledge that I find useful in the course of my work, as do many other firms.

Senator O'BRIEN—I understand the secretary provided a post-budget briefing at a Canberra hotel and discussed sweeping changes to the department. Who was invited to that briefing? Was it only departmental officers in attendance?

Mr Yuile—Yes. It was a staff meeting.

Senator O'BRIEN—Which part of the organisation organised the post-budget briefing? Was there a division that had that responsibility?

Mr Yuile—The secretary decided he wanted to have that post-budget briefing. I think your question was: who organised it? I think in fact his executive assistant booked the venue, if that is what you mean.

Senator O'BRIEN—So only departmental officers were in attendance?

Mr Yuile—I cannot give you a guarantee of that. There were some 550 or so staff or people in that room. I assume they were departmental staff, but I cannot guarantee that.

Senator Ian Macdonald—Perhaps someone from your staff got invited.

Senator O'BRIEN—It would not be by mistake if they were invited. Was anyone from the minister's office in attendance? We were not pretending to be from the minister's office, so you can rest assured of that, Minister.

Mr Yuile—Not that I recall.

Senator O'BRIEN—At that meeting, were sweeping changes to the department discussed?

Mr Yuile—At the meeting, the secretary outlined the measures that are contained in the portfolio budget statements that were announced by the government. The secretary also outlined the work that we have been doing as a board looking forward in terms of our financial position and thinking about positioning ourselves as a department for the future. He certainly indicated, in considering some of the future provisions that we believe we need to make sensibly for the future, some of the steps he was taking to address that future financial position and to set ourselves up for the future.

Senator O'BRIEN—Steps that he was taking to address the future financial position?

Mr Yuile—He went through a range of issues in terms of the provisions we need to make for the future and the way in which we intended to position ourselves—the steps we intended to take to ensure that we were in a position to fulfil the government's agenda and to provide for things like IT, accommodation, future certified agreements and so on.

Senator O'BRIEN—Did Mr Matthews have speaking notes or briefing notes? Were there minutes of that meeting?

Mr Yuile—He used overheads at that address.

Senator O'BRIEN—Can those briefing notes be made available for the committee?

Mr Yuile—They are posted on the department's intranet site, so they are pretty widely available.

Senator O'BRIEN—I understand that, when describing what is in this portfolio in the budget, the secretary noted:

While the outcome is positive the funds provided are for specific purposes and do not therefore ease our underlying tight funding situation.

What is the cause of this underlying tight funding situation?

Mr Yuile—That is what the secretary was saying when he indicated that we had done some strategic planning. We were thinking about the next IT contract and we were thinking about our next certified agreement and making provision for those things. They are the sorts of issues which he indicated we would need to provide for in the future.

Senator O'BRIEN—I take it the budget did not do much to alleviate the underlying problem.

Mr Yuile—It addressed specific purposes.

Senator O'BRIEN—Did last year's budget help or exacerbate the current underlying funding problem?

Mr Yuile—I think it is the same answer. Certainly we have provisions for the delivery of the government's outputs or the measures that the government has provided for. We have a tight situation. But we are planning to avoid a problem. I think that is the point.

Senator O'BRIEN—I would not expect you to be planning to be submerged by one. Isn't this financial crisis another symptom of the 2001 election, where programs were announced and could not be afforded?

Senator Ian Macdonald—I do not think anyone has suggested there is a financial crisis.

Senator O'BRIEN—No. It is an underlying tight funding situation. Last year we saw important programs like the Roads to Recovery program reprofiled. It was because the government had overcommitted. Isn't the department's problem with meeting the day-to-day expenses another symptom of overcommitted policies?

Mr Yuile—I am sorry, but I missed the question.

Senator O'BRIEN—Isn't the department's problem with meeting the day-to-day expenses another symptom of overcommitted policies?

Mr Yuile—No, it is not. It is a matter, as I say, of us looking forward to what is coming down the track in terms of what we can anticipate and trying to provide for that.

Senator O'BRIEN—Are the current transport and regional policy programs sustainable financially?

Mr Yuile—Yes. It is certainly not up to us to comment on policy.

Senator O'BRIEN—When did the officers of the department first become aware of an underlying problem which is described as an underlying tight funding situation?

Mr Yuile—I think it is something that emerged from the work we were doing towards the end of last year in terms of forward financial strategic planning in the department.

Senator O'BRIEN—And what corrective action has been taken then and since to alleviate the problem?

Mr Yuile—We have taken a number of steps. We have brought the decisions on finance, people management, IT and other services into the one division, the corporate division. We have frozen accommodation fit-out, except where that is demonstrably necessary because of OH&S concerns. We are addressing a range of our HR issues in terms of learning and development, performance management and recruitment and selection. We have introduced a much closer scrutiny of our IT investments. We have commissioned work on an accommodation strategy as part of delivering savings into the future. We have also commissioned some work on our financial control and decision making processes and on discretionary expenditures around consumables. So we have taken a range of those sorts of measures.

Senator O'BRIEN—When was the minister first made aware of an underlying problem with the department's budget and spending?

Mr Yuile—He is certainly apprised of our situation on an ongoing basis. I think the secretary has communicated with him on several occasions.

Senator O'BRIEN—Over what period?

Mr Yuile—I think over about the last six months.

Senator O'BRIEN—The secretary's briefing says:

If we make no changes to the way we operate, we would expect to have around \$2 million in our bank account by the end of 2003-04, but we expect to have to pay about \$9 million from various creditors from that money. That would leave us with a shortfall of around \$7 million.

Senator Ian Macdonald—Where are you getting that quote from?

Senator O'BRIEN—It is from the secretary's briefing, which is on the departmental intranet.

Senator Ian Macdonald—So you have had it all along?

Senator O'BRIEN—I did not presume to give it to the committee. I thought the department should offer to do that. That is my own position.

Senator Ian Macdonald—So for all your questions you had the answer before you asked?

Senator O'BRIEN—Not to all my questions, no. Isn't the foreshadowing of a \$7 million deficit a major admission of poor fiscal management for the department—and, in effect, insolvency?

Mr Fisher—I will take that question. You are quoting selectively, if I can say, from the secretary's presentation. The secretary prefaced his remarks by saying that we need to be careful about projecting into the future. There are always uncertainties and unexpected developments. He said we need to provide for our future. He also prefaced those comments which you are quoting by saying very clearly that, if we made no changes to the way we operated, we would have \$2 million in the bank account.

Senator O'BRIEN—That is what I said

Mr Fisher—By the end of the next financial year.

Senator O'BRIEN—I used that part of the quote.

Mr Fisher—Yes, you did. But I think you did not quote the preceding remarks in which he indicated there were uncertainties about projecting into the future and where he emphasised the fact that this was a model based on certain assumptions.

Senator O'BRIEN—I do not accept that I quoted out of context. I did not say, for example, 'but we cannot continue as we have', which is on the previous page of the document. It is incontrovertible that the secretary is pointing to an excess of liabilities over liquid assets in that statement, isn't it, Mr Yuile?

Mr Yuile—He is certainly indicating that that is the projection if we do nothing to change it.

Mr Fisher—I will add to that comment. That is an entirely theoretical proposition. Of course, the secretary has set out a plan of action to ensure that that does not happen.

CHAIR—In other words, the department is not in denial.

Senator O'BRIEN—Well, it is true that he makes a number of statements like 'if we go on as we have', the implication being that it cannot possibly be that way. For example, he says:

If we go on as we have, we will have a shortfall of around \$35 million to \$40 million by the end of 2004-05.

Senator Ian Macdonald—And the question?

Senator O'BRIEN—I guess we are having a discussion, Minister, but I can phrase it as a question for the purposes of putting that out there. I did not think it was necessary in the context of the discussion we are having. If you want to be technical about it, I will add this to the statement: isn't that the case?

Mr Fisher—What is the question?

Senator O'BRIEN—In the context of what you were saying about me not putting the full context in, I refer you to the statement in which he says:

If we go on as we have, we will have a shortfall of around \$35 million to \$40 million by the end of 2004-05.

That is the end of not the coming financial year but the financial year after that. It is an admission that the department is headed towards insolvency, isn't it?

Mr Fisher—No. That is not an admission that the department is headed towards insolvency.

Senator O'BRIEN—What should it tell us? Could you tell me what we should take from that statement?

Mr Fisher—Let me remind you of what the secretary said. He said that it would be prudent and responsible to provide for identified and unavoidable pressures in the future.

CHAIR—It is now 9 o'clock. It is time for evening coffee. We will resume in 15 minutes.

Mr Yuile—Senator O'Brien was in the middle of talking with the Economic Research and Policy Division and then came back to some questions. Do you have other questions of the BTRE or the Economic Research and Policy Division, Senator?

Senator O'BRIEN—I will let you know at the end of the break, if that is all right.

Proceedings suspended from 9.00 p.m. to 9.18 p.m.

Senator O'BRIEN—In relation to the reference to \$9 million to various creditors that I referred to in the passage I quoted, what is the nature of the \$9 million to creditors that the secretary was referring to?

Mr Chandler—The \$9 million refers to the estimated level of creditors that would be outstanding at 30 June. It is only an estimate; it is around that number.

Senator O'BRIEN—What sort of creditors?

Mr Chandler—For the most part, simply bills, amounts invoiced to be paid over typically the next month or so. It would be for a range of goods and services provided to the department. By way of clarification, I would mention that it is about that same level at the end of each year, but it is around that level throughout the year. So at any point in time that would be about the level.

Senator O'BRIEN—The point of the statement being that, if we make no changes to the way we operate, we would expect to have around \$2 million in our bank account at the time we would have that \$9 million set of accounts to settle, so therefore the shortfall. That is why I wanted to know what sort of creditors. Are they aware of the risk to their revenue?

Mr Chandler—It is an estimate. It does not represent specific creditors.

Senator O'BRIEN—I take it the minister is aware of this situation?

Mr Fisher—If I can add to Mr Chandler's answer, the secretary said, as you are aware, that we have not run out of money; we are not about to run out of money; and we do not intend to run out of money.

Senator O'BRIEN—My question was: is the minister aware of this situation as reported by the secretary?

Senator Ian Macdonald—I would find it incredible if he were not.

Senator O'BRIEN—I agree.

Senator Ian Macdonald—But the secretary is not here, neither is the minister, so I will take that question on notice and refer it to him. Mr Anderson is obviously a very competent, very senior minister and a very busy minister as well. I am sure he would be aware of these sorts of things. It would be part of the very clear plan that is obviously there to make sure the department goes on from strength to strength in a positive and well funded way. Obviously, that is what this is all about, where the department intends to go so that problems do not occur in the future. There is not a problem now, but the department is obviously planning to make sure there will not be a problem at any time in the future. That is, of course, good management practice.

Senator O'BRIEN—I find it hard to reconcile your statement that there is not a problem now when clearly the secretary appears to be saying, 'We cannot go on the way we are.'

Senator Ian Macdonald—He is making sure that the plans are in place to take the department ever forward. The department is a very big department. The department has a lot of irons in the fire, so to speak, and is very well managed. This is a good indication of their superior management that they are making sure that the future is good and taking the steps to address that now.

Senator O'BRIEN—Later in the briefing notes under the heading 'Things we have already done', one of the dot points says, 'Got ministerial, buy into our situation'. Can I say that this should not have been hard because, at the end of the day as the opposition sees it, the financial performance of this department is the responsibility of the minister. My question is: how could he not agree to buy into this problem, Mr Yuile? Did he have any other option?

Senator Ian Macdonald—I am not sure what 'got ministerial, buy into our situation' means.

Mr Yuile— I think the secretary was just reflecting the fact that, as we said earlier, the minister has been apprised of the planning we have been doing and he is supportive of the department responsibly planning forward to establish a sustainable funding base.

Senator O'BRIEN—So he has some ownership of the situation. That is what I took it to mean.

Mr Yuile—He certainly understands the plans we have got going forward.

Senator O'BRIEN—A lot of the problem is caused by overcommitting on program budgets by the minister, is it not?

Mr Yuile—No.

Senator O'BRIEN—As I said, the secretary's briefing notes go on to say:

If we go on as we have we will have a shortfall of around \$35-40 million by the end of 2004-05.

How does a decision to attribute overhead costs direct to divisions help with the problem?

Mr Fisher—I am happy to answer that. Attributing overhead costs directly to divisions gives line managers better information on the full resource implications of decisions they are making, so people will make better informed decisions with full knowledge. It is a sensible thing to do. It is consistent with good management and we will continue to work to accurately attribute overhead costs to the point of decision.

Senator O'BRIEN—And the term 'overhead costs'—what does that mean?

Mr Fisher—Overhead costs would include a range of common service activities like, for example, accommodation.

Senator O'BRIEN—Employee entitlements?

Mr Fisher—Employee entitlements are already attributed to divisions.

Senator O'BRIEN—They are not overhead costs?

Mr Fisher—They are direct costs of providing a service.

Senator O'BRIEN—How long does the department intend to take to pay back the \$13 million it has borrowed from its reserves?

Mr Yuile—That is a question that we are working through now in terms of how quickly we pay that drawing down of those reserves back, but we are planning to work this out over the next two years. That is what the secretary indicated in his address.

Senator O'BRIEN—Has the minister given the department any deadline on doing this?

Mr Fisher—Senator, the responsibility for managing the department's finances under the Financial Management and Accountability Act rests with the secretary of the department. The secretary of the department is well aware of his responsibilities under the FMA Act. It is for the secretary to decide how best to manage the department's resources.

Senator O'BRIEN—In the *Canberra Times* on 17 May, the secretary's briefing was reported by Verona Burgess in an article entitled 'Transport's rocky road' in which the secretary is reported as warning officers that the department 'must undergo a complete restructure and some job cuts, or else face deepening financial trouble'. The notes from the secretary say:

We will need to reduce staff numbers. There is no fixed target for staff reductions. We will be maximising savings elsewhere.

He has emphasised the phrase 'We will need to reduce staff numbers.' I want to understand what he meant by 'we will maximise savings elsewhere' and whether that is what is intended to occur before staff cuts.

Mr Yuile—I mentioned earlier that there are a range of things that we have set in train, particularly around accommodation, closer scrutiny of our IT investments and our general supplier expenses—those consumables that we talked about. We are taking those sorts of steps, and, as we work through into the coming financial year, the various work units of the department—divisions and groups—will be looking at all of those issues and at our staffing situation as well. As the secretary said, staff reductions will have to be part of this but we are wanting to work that through on a managed attrition basis. We have 10 per cent or thereabouts turnover in the department at the moment, and that will be part of how we manage through.

Senator O'BRIEN—So you are looking at a 10 per cent staff reduction? Is that what you are saying?

Mr Yuile—No, I said there is about a 10 per cent turnover in staff. Staff are moving all the time, so it is a matter of each area looking at how they will manage to their budget on the various elements of their budget—supplier expenses and employee expenses.

Senator O'BRIEN—Looking at the scenario that is tainted with \$7 million liabilities in excess of liquid assets at the end of next financial year, the one after next, how would that be managed if it occurred?

Mr Fisher—It will not occur.

Mr Yuile—I think that is the whole point of what the secretary has said, that this is about the work we have done and he has done as secretary. As Mr Fisher has said, as the CEO, he is responsible under the FMA Act for looking forward to anticipated pressures on our budget—unavoidable pressures—and wanting to then make provision for those and manage carefully to make sure we have a stable and sustainable funding base going forward. That is what he has done. That is what he indicated to staff he was planning to do—and to be open and transparent about the way he is going to work that through. That is the plan he has. It is precisely to make sure we do not face those circumstances that this plan has been developed and put in place.

Senator O'BRIEN—The secretary's work-out and work-up plan talks about, amongst other things, 'reducing hierarchy, encouraging individual initiative and responsibility, making sure that decisions are made by people who have the best information'. Correct me if I am wrong, but did the minister not undertake a major restructure immediately after the 2001 election?

Mr Yuile—No. The secretary—again, as part of his responsibilities in managing the department as we took on the additional staff and functions that came with the machinery of government changes—initiated a restructure in January 2001, which was something, again, that we had been thinking about for some time and planning. And, indeed, as we worked it through, staff could see that we needed to change and develop a greater level of integration across the organisation. So, yes, we undertook that restructure in 2001. The secretary has indicated that, as part of this work-up and work-out plan, as we work through those various initiatives that I have mentioned, one of the elements—and it is only one—is that he wants to continue the work of that 2001 restructure and consolidate that.

Senator O'BRIEN—So the 2001 restructure took no account of reducing hierarchy or encouraging initiative?

Mr Yuile—Yes, it did. I guess the secretary is saying that this is about continuous improvement. It is about our continuing on a road we began—improving, developing and driving those sorts of initiatives and driving decision making down through the organisation, making sure we are consolidating and getting the right sort of skills together, delivering the kind of outputs that we are for the government around regulation and policy and programs. It is about continuing those processes; it is not about suddenly beginning them.

Senator O'BRIEN—I guess people recall the briefings this committee has had about the restructure. The work-out and work-up plan also talks about 'embedding continuous business process improvement and simplification, and introducing better performance reporting management'. One might say they are very nineties management terms. Why are they just hitting the department of transport now?

Mr Yuile—You may say that they are nineties management ideas, Senator, but I guess they are an ongoing part of the literature. The point is that we are continuing to work on those

issues; we will continue to endeavour to improve on the culture we have, improve on the processes we have, improve on the systems we have and improve on the reporting we have.

Senator O'BRIEN—Is outside assistance to be brought in to introduce these measures?

Mr Yuile—The secretary indicated that he was looking at seeking some assistance with reviewing our financial control and decision making processes. We are doing that.

Senator O'BRIEN—How are you doing that?

Mr Yuile—We have asked Ernst and Young to assist us in the review.

Senator O'BRIEN—Not Prentice Parbery?

Mr Yuile—No. I think what Mr Fisher said is quite correct. You talk to a range of people about issues, as he does, in terms of this professional work. We are engaging Ernst and Young.

Senator O'BRIEN—How much will that cost?

Mr Yuile—I might ask Mr Fisher. I have not got a figure for that to hand.

Mr Fisher—I will answer a slightly different question. It is not possible to answer the question that you asked. We have asked Ernst and Young to do some work for us on a range of issues, including the point that Mr Yuile raised, and we have asked them to cap that work at between \$35,000 and \$40,000. They will cover a number of issues for us.

Senator O'BRIEN—What is the full detail of their brief—so that we do not beat around the bush?

Mr Yuile—My recollection of it is that it certainly covers governance arrangements, financial controls, decision making processes within the department and reporting arrangements. There may be others that I have missed.

Senator O'BRIEN—Sort of a department management review, is it?

Mr Fisher—No, I think that is a bit broad. We have asked for specific advice on aspects of our financial management arrangements.

Senator O'BRIEN—Does that mean you are not really sure what the new structure will look like? Are you still working that out?

Mr Yuile—No, Senator. It goes to the specific points that Mr Fisher mentioned in terms of our financial processes and the systems, lines of authority and communication, roles and responsibilities—assisting us with that work.

Senator O'BRIEN—The secretary's notes say that the new structure will put 11 divisions into five groups. When will that new structure be implemented?

Ms Briggs—We are seeking to implement that in July this year.

Senator O'BRIEN—Will the restructure of the organisation result in a decrease in the number of divisions?

Ms Briggs—We are changing the structure completely so that the concept of divisions in effect is removed; we are moving to a five-group structure.

Senator O'BRIEN—What is the difference between a group and a division?

Mr Yuile—They are larger units.

Senator O'BRIEN—Is it like an army group and a division?

Mr Yuile—We are wanting to work with those divisions which are, as I say, bringing together regulation, programs and policies. We want to be more than the sum of its parts and we want those divisions to work together on how they will deliver their outputs and the work of those current divisions.

Ms Briggs—If I can amplify that, the concept of the group really reflects the five key functions of the department; namely, policy and research, regulation, program management, safety investigations and corporate management.

Senator O'BRIEN—There is a diagram near the end of the presentation notes. It looks as though you are going from 11 divisions to 13 groups, into five groups instead of three.

Mr Yuile—Sorry, Senator?

Senator O'BRIEN—I am comparing that with the structure on page 18 of the PBS.

Mr Yuile—I guess the difference is that in this context we have called ATSB the safety and investigation group—and corporate as a group.

Senator O'BRIEN—Is this about reducing the levels of people running these divisions?

Ms Briggs—No, Senator.

Senator O'BRIEN—As I understand it, the divisions are currently headed by officers at first assistant secretary level. Is that right?

Ms Briggs—Yes.

Senator O'BRIEN—The next most senior position is the branch heads?

Ms Briggs—Yes.

Senator O'BRIEN—How does combining the 11 divisions to five groups, however they are configured, avoid creating significant additional responsibilities for officers heading the new groups when they are different from the current division?

Ms Briggs—What we are seeking to do as part of some of these combinations—and the combinations are occurring in three areas: the policy and research group, the program group and the regulation group—is bring together like functions. In doing so, we are anticipating, for example, in the interface between the policy and the research areas, that we will be able to focus on particular areas of activity for us as an organisation. We will see close working relationships between the first assistant secretaries in those groups around the management of the activities.

Senator O'BRIEN—Will you need to have an assessment made of responsibility levels—the appropriate position level for group leaders—or do you already have a classification level in mind?

Ms Briggs—The classification level we have in mind is the current one of the first assistant secretary at SES band 2 level. We are not intending to change that.

Senator O'BRIEN—Nor the next level down?

Ms Briggs—No, Senator.

Senator O'BRIEN—Would there be fewer first assistant secretaries in the new structure?

Ms Briggs—The way we have managed this interface is that we are going to move the first assistant secretaries into particular groups. We are in discussions with the assistant secretaries around those arrangements now.

Senator O'BRIEN—So there would be fewer first assistant secretaries in the new structure?

Mr Yuile—The secretary indicated in his address to staff that, just as there will be fewer staff in the organisation, he anticipated that there would be excess SES officers also in the organisation.

Senator O'BRIEN—Yes, it seems to follow. Has it been determined which division heads will be surplus to requirement?

Mr Yuile—No. Again, we are managing through this issue with our SES officers.

Senator O'BRIEN—Can you tell me which divisions you are intending to group together? On the organisational structure in the PBS, the divisions are grouped in three clusters: transport, regional development and corporate. Are you considering a change in the more senior management to a flatter structure that may see a decrease in the number of deputy secretaries?

Ms Briggs—The secretary has indicated that he does not intend to change from the two deputy secretary positions he has.

Senator Ian Macdonald—It says 'Lynelle and Peter with a sigh of relief at this stage'.

Senator O'BRIEN—At this stage.

Senator Ian Macdonald—We are just joking. I said that it says, 'Lynelle and Peter with a sigh of relief', but purely by way of light comic relief. By gee, we need that at 10 to 10.

Senator O'BRIEN—I suppose at first glance it does not appear that funny to me.

Senator Ian Macdonald—It would go without saying. My comments are only of comic relief, which both Mr Yuile and Ms Briggs appreciated, even if you did not.

Senator O'BRIEN—You said earlier, Mr Yuile, that the department will be looking at reducing staffing with the normal sort of departure process when people leave. Obviously, that does not manage people leaving in the positions that are surplus to requirements. Is it intended that a program of voluntary redundancy packages will be offered?

Mr Yuile—No, it is not. The secretary indicated quite clearly in that address, which you have in front of you, that that is not the preferred method. He wants to manage this through with managed attrition, as I said. He has not set fixed targets. We are looking to maximise the savings wherever we can. He did not rule out voluntary redundancies but he simply said they would be a last resort and certainly not the preferred method that he wanted to pursue. They are disruptive to the department, and in some cases they do not offer follow-on savings, yet you have to obviously borrow to pay out.

Senator O'BRIEN—I am presuming this is not a haphazard process. Surely there is some target of staffing numbers and configuration that is the desired outcome.

Mr Yuile—No, there is not. We have not set a target—deliberately have not set a target. I think one of the things which the secretary mentioned is that it will be modular. It will vary in different business units depending on the business that they are undertaking. We want that to be worked through at a local level and not by some arbitrary number. That is because it is about—sorry to use the nineties management language—continuously improving in trying to develop further the culture that we have, both in terms of achieving results and in terms of focusing on priorities and establishing the kind of processes and systems that we think are going to underpin us into the future. All of that is part of the secretary's thinking as we have developed this plan.

Senator O'BRIEN—I was presuming that, if the secretary was saying that by the end of 2004-05 you would be \$35 million to \$40 million in the red if you did not change, that sort of figure was a target in terms of reducing the costs of operation of the department. Have I taken the wrong cue from that?

Mr Yuile—Again, it recognised the sort of forward planning and the estimates. They are estimates, as Mr Chandler said earlier, that we are obviously wanting to not face, to avoid. So that is certainly part of our planning. But, as I say, we have not set targets. We certainly want to avoid that circumstance; we will work through how we manage that and what surplus we want to be generating in terms of the provisions that we want to make for the future.

Senator O'BRIEN—In other words, you have to reduce costs by more than \$35 million to \$40 million—

Mr Yuile—No, all I said was that that is one of the estimates that we have had to work with as we developed our plan.

Senator O'BRIEN—The *Canberra Times* article I referred to earlier does state that there will be no general officer redundancy. You have talked about managed attrition. In the last year, the rate of attrition was 10 per cent. What cost saving would you expect with a 10 per cent reduction in staffing over the next two years? Have you done that calculation?

Mr Yuile—No, we have not. As I said, we do not have that target of 10 per cent. All I mentioned was that we have that kind of turnover. That is what I was giving you as an example—the fact that you have turnover in the department, and that is part of managing the staffing down, depending on what we decide and on what different areas decide to meet their business delivery needs.

Senator O'BRIEN—What is the cost of your staffing establishment per year at the moment?

Ms Briggs—Can we clarify the question a little more, please?

Senator O'BRIEN—I wondered what your payroll costs are per year.

Mr Chandler—The estimated employee expenses—the figure at page 87 in the statement of financial performance is estimated next year as \$95.185 million.

Senator O'BRIEN—Ninety-five?

Mr Chandler—\$95.2 million.

Senator O'BRIEN—It is going to be impossible to make savings of \$35 million to \$40 million in that area, is it not, per year? Not per year, sorry.

Ms Briggs—I think we need to clarify that we are not talking about making savings in the order of \$35 million or \$40 million a year. In working through our planning for the future, we are looking at pressures that will come to bear. Each year, some of those pressures can be additive. For example, a new IT contract may cost us more, and it does not just cost us more in one year, it adds as you go through the following years. There is no quick and easy way to explain how these budgets build up. As we develop our budget for the future, there are choices that can be taken, too, about how much money we invest in various things, such as how much we provide for accommodation in the future, how much we provide for IT, and so on. The arrangements are necessarily complex and we are working through those at the moment.

Senator O'BRIEN—Are you saying that you do not have a target for financial savings?

Ms Briggs—At this stage we do not know.

Senator O'BRIEN—I would presume that the CPSU are knocking on someone's door about this.

Mr Yuile—I will invite Mr Fisher to comment as well. We have been completely open with our staff in terms of discussions with them about the issues that we have been talking about—our forward plans and how we intend to work our way through those. We have had consultations with the CPSU, both informal and formal. Last week we held a special meeting of our departmental consultative committee and worked our way through the secretary's presentation and the kinds of things we have been talking about tonight. We had a briefing today with staff about financials as well. We are talking regularly and often, and will continue to do so. The secretary has made that undertaking. I do not know whether Mr Fisher wants to comment.

Mr Fisher—Only to say that we have provided a number of special briefings for CPSU representatives and representatives of staff to alert them to the thinking in the department about the strategies that we might need to apply for the future. We have ensured that information from the department's executive board meetings are posted on the intranet for all staff every week. We have as recently as today provided an in-depth briefing for CPSU and staff members on the department's financial outlook. I think the CPSU has acknowledged that we have gone out of our way to be open and transparent. For our part, I think we would acknowledge that the CPSU and staff, the people involved in the discussions, have been constructive, engaged and interested. We have had exchanges and suggestions on both sides.

I would also say that press reports on the department's consultative process have indicated that DOTARS has been most upfront about its strategies and the steps it has taken to involve staff in work-up. In fact, I can quote from a recent newspaper article which says we have:

... set the bar quite high for anyone else managing its financial outlook.

Senator O'BRIEN—I am pleased to hear that. Does this have implications for issues like performance pay arrangements, or will they continue uninterrupted by this process?

Mr Yuile—We do not have performance pay arrangements.

Mr Fisher—If I can just add something to ensure there is no misunderstanding, the department generally does not provide performance pay under the certified agreement, but some small number of staff on individual work place agreements have retention bonuses or performance bonuses based on identified project completion. Mr Yuile is correct in his general answer, but it is important to note that a small number of staff do have performance pay.

Senator O'BRIEN—So does this situation have implications for performance payments?

Mr Fisher—I am sorry, I am not sure I understand the question.

Senator O'BRIEN—I was wondering whether, in the circumstances, there is going to be any attempt to move away from performance payments or to avoid making performance payments?

Mr Fisher—As I said, the department generally does not have performance pay, so it is not a question of moving away from it. For the individual staff who have performance pay as part of their workplace agreement, we fulfil our obligations under the individual workplace agreement. There would be no broad brush attempt to move away. We would honour our obligations to the staff members who had received performance pay consistent with their workplace agreements.

Senator O'BRIEN—How many staff would be on performance payments?

Mr Fisher—To be honest, I am not sure of the precise number. If we are talking non-SES, a small number of staff are on AWAs—probably less than 50—of which only a proportion would have performance pay as part of their agreement. We are probably talking in the 10s or 20s out of a department of about 1,000 people for non-SES staff.

Mr Yuile—Mr Fisher has been correct. I was responding to your question thinking of a broad-banded performance pay arrangement which formerly applied in some departments. We do not have that.

Senator O'BRIEN—Is it true that the review of classifications agreed in the certified agreement has been cancelled?

Mr Fisher—Not strictly true, no.

Senator O'BRIEN—What has happened?

Mr Fisher—The department will look at classifications of some staff as part of a work-out, but I think there was an impression at the time the certified agreement was discussed that there would be some kind of large, sweeping, whole-of-department, consultant-driven exercise. We have made it very clear that that is not an exercise the department would want to spend a lot of money on. We have also indicated that we are not sure that a 'one size fits all' classification review for the department as a whole really fits with the kind of work-out strategy that the secretary articulated in his address to staff.

Senator O'BRIEN—But presumably what you are saying is that the review of classifications agreed under the certified agreement will go ahead. It is just that, if I interpret you correctly, you are saying the expected outcome by some is not the view of the department now.

Mr Fisher—The department's intention is to do much more focused and targeted work on classifications in particular areas, to the extent that that is helpful for different managers in groups as they identify strategies in their business plans.

Senator O'BRIEN—I have taken from your earlier answers that the review of the structures that will occur when the divisions are put into groups does not necessarily effectively alter the classification structure you have, and that it is a matter for negotiation.

Mr Fisher—The secretary has indicated that existing organisational units would move into the new groups; the groups would then separately identify strategies for the year ahead. For some groups, a review of classification might be one element of their transition strategy, but that would depend on the judgment of the managers and the executive at the time.

Senator O'BRIEN—Is there a document which sets out the total organisational structure as it stands now, which has the managers, the classification levels of incumbent managers and the number of staff at each level that we can see?

Mr Yuile—Not moving to the new groups. Just to clarify, I think what Mr Fisher is saying is correct. What we are wanting to address, obviously, is the work and the outputs that those various groups and work units would be undertaking and then making sure we have the right classification to do the work. It is going to be driven by that, not by classification structure alone. That is the way we would do that. The secretary has indicated the divisions and branches that will be moving to the new group. We can certainly give you an outline of that. But, beyond that, the actual classification and the way in which the groups will undertake their tasks—the work that they have—will be an issue for those managers to work through with their staff.

Ms Briggs—If I could follow up what Mr Yuile said, we are happy to table how the groups are comprised.

Senator O'BRIEN—In the *Canberra Times* article, Mr Matthews is reported as saying that the budget:

... had provided extra operating funds of \$43.5 million and capital funds of \$13.9 million to 2006-7, plus \$109 million for administered programs.

I just wonder how that reconciles with the statement on page 19 of the PBS which states:

... Department's administered and departmental appropriations in 2003-04 have decreased by \$100.4m from the estimated actual for 2002.

If you compare the appropriation allocation chart for 2002-03 with the one for 2003-04, it shows the pressure that must be on the department, because chart 1.2 on page 20 shows the total appropriations split 91 per cent for administrative appropriation and 8 per cent for departmental appropriation.

Mr Chandler—Perhaps I could respond to that. The figure on page 19 is a composite of a number of changes to the budget figures for departmental and administered items. That includes the impacts of a range of things: it includes the budget measures which are disclosed starting on page 21; it includes the movement of funds between years; and it includes parameter price adjustments, et cetera.

The figures referred to in the address in terms of the impact on the budget are drawn from the departmental figures included in table 1.2 at page 22 and ensuing. Those are the budget

measures that were referred to at the time. They are increases. If one looks at page 22, you would see that for the year 2003-04 there are administered and departmental elements. Those are the increases that were referred to in the secretary's address.

To get the sense of the overall movements in terms of departmental funding, the reconciliation appears at page 81 of the document in the statement of financial performance. If you go to the second paragraph, you will see that the total revenue in 2003-04 is estimated to be \$229.5 million, a decrease of \$20.5 million. The components of that are then listed in the dot points that follow. These were the impact of the budget measures in the earlier table; there are changes between years because of things that were provided in 2001-02 but are not provided in 2002-03.

Senator O'BRIEN—I guess what you might take from page 81 is that it is all nicely offset and you finish the way you started—almost. Yet that is not what the secretary's presentation told the staff.

Mr Chandler—The secretary's presentation specifically referred to the new measures, to inform staff of the impact of those measures. The fact that there are other adjustments, things that were funded in the previous year but not then in 2003-04, and the fact that they to some degree balance out, is purely coincidental. You will notice that the first dot point on page 81 is a discontinuation of the capital use charge of \$24.6 million, which the department has never in a sense benefited from in terms of being able to fund employees or supplier expenses.

Senator O'BRIEN—I started to refer to the allocation chart for 2002-03 and then compare it with the one for 2003-04. As I said, in total appropriation in 2002-03 at page 20 of the PBS there is 91 per cent for administrative appropriation and nine per cent for departmental appropriation. But the 2003-04 PBS chart on page 19 in chart 1.2 shows a revised split of 93 per cent for administrative appropriation and seven per cent for departmental appropriation. Is that the nub of the problem—more money to administer fewer resources?

Mr Chandler—No, Senator. The decisions on administered are separate from those for departmental. Some decisions have a departmental and administered component as reflected in the budget measures statements.

Senator O'BRIEN—But that is what those things mean—what you are administering and how much you have to administer it with as a proportion of the budget—unless I have it completely wrong.

Mr Chandler—There is not a direct linear relationship between those amounts necessarily.

Senator O'BRIEN—What is the departmental appropriation on page 20 of the 2002-03 PBS—I do not have it here—of nine per cent. What was the actual number?

Mr Chandler—Sorry, could you repeat the question?

Senator O'BRIEN—What was the actual number in the 2002-03 PBS—not the percentage but the actual number—in chart 1.2 for the departmental appropriation?

Ms Briggs—We are just leafing through the 2002-03 PBS.

Mr Chandler—Can I just be clear on which figure you are indicating?

Senator O'BRIEN—The departmental appropriation, which was nine per cent in the 2002-03 PBS on page 20. It has an actual number next to it, but I do not have it in front of me. I am just asking what the amount of money is—how many million dollars.

Mr Chandler—I am just grappling for the page. The nine per cent reading from which page?

Senator O'BRIEN—I am reading from the pie chart, chart 1.2, which is on page 19 of the PBS in 2003-04. I am asking you—

Mr Chandler—It is seven per cent.

Senator O'BRIEN—where it is seven per cent. In the PBS 2002-03, as I understand it, the same chart is there, the same breakdown is there. I do not have it in front of me but I have the numbers.

Mr Chandler—I think it would be best if I took that question on notice, because some of the reporting arrangements have changed. For example, last year we were funded for the capital use charge but this year we are not. I need to be sure in comparing those figures that we are actually comparing exactly like with like, so I would prefer to take that question on notice.

Senator O'BRIEN—Okay. Is chart 1.2 in the 2002-03 PBS a chart which shows the total 2002-03 appropriation allocated between departmental and administered expenses or moneys?

Mr Chandler—Could I have that question again?

Senator O'BRIEN—Is there a chart in the 2002-03 PBS entitled 'chart 1.2'?

Mr Chandler—Yes, there is.

Senator O'BRIEN—Does it describe the total 2002-03 appropriation allocated between departmental and administered moneys?

Mr Chandler—There is a pictorial representation of that, a pie chart—

Senator O'BRIEN—It is not a pie chart?

Mr Chandler—It just shows a pictorial representation of the accompanying—

Senator O'BRIEN—Does it give you numbers?

Mr Chandler—Yes.

Senator O'BRIEN—How much is allocated in money terms to the administered appropriation?

Mr Chandler—The administered appropriation figure in that document is \$3,325,000,000, \$3.3 billion.

Senator O'BRIEN—How much is the departmental appropriation?

Mr Chandler—The departmental appropriation is 329, but, as I said, I would like to take the question on notice to ensure we are comparing like with like. If I can just clarify, there is the issue of whether the inclusion of items is the same. The capital use charge was included in the previous year but is not included this year. The thing which we need to be clear on concerns the fact that, in relation to that number of 329 and the 254 in the current document,

both numbers include capital works and not purely the operating budget for the department. Capital works by their nature can vary significantly from year to year, so I would prefer to give you a detailed response on notice to that, Senator.

Senator O'BRIEN—We will see how we go on that. Another problem that seems to be somewhat out of control is IT in the department. Which IT outsourcing cluster is the department included in?

Mr Fisher—Group five.

Senator O'BRIEN—Which provider is supplying your services?

Mr Yuile—Telstra—TES.

Senator O'BRIEN—When is the TES contract due to expire?

Mr Yuile—30 June 2004.

Senator O'BRIEN—Are there arrangements in place to arrange a new provider?

Mr Yuile—I will invite Ms Briggs, who chairs an IT committee, and also Mr Banham, who is our new chief information officer, to speak to that issue.

Ms Briggs—Senator, we are working on those arrangements now.

Senator O'BRIEN—Does that mean negotiations are under way?

Mr Yuile—No, Senator.

Ms Briggs—We are preparing for the round.

Senator O'BRIEN—Presumably that is to be finalised before the end of your current contract?

Ms Briggs—Yes.

Senator O'BRIEN—Does the department have fewer or more resources available to apply to IT services?

Mr Fisher—Can you clarify the question please? Compared to what?

Senator O'BRIEN—I guess I should put it this way. There seems to be an acknowledgment in the secretary's briefing notes that the department has underinvested in information technology. How do you intend fixing this at a time when you are strapped for cash?

Mr Fisher—I can answer that question. DOTARS historically has spent relatively small amounts of money on IT, and that is what the secretary was referring to. One of the factors that the department needs to provide for in the future is adequate IT. One of the purposes of the department's work-up strategy is to make provision for future IT demands, both the costs of providing for base load IT services and also the need to maintain, upgrade and replace existing IT applications.

Senator O'BRIEN—If there is a shortage of money, how do you fix the problem?

Ms Briggs—In our planning for the future we are seeking to identify funds for these purposes for the future. That is part of how we manage out of our arrangements.

Senator O'BRIEN—That means to me—correct me if I am wrong—that you identify savings to allocate to fixing the IT problem.

Ms Briggs—In a sense, that is what we have to do. We have to find some funds to cover our costs as we move into the future, yes.

Senator O'BRIEN—Those funds will have to come from program budgets somewhere?

Ms Briggs—It could come from across the department from program moneys. Let me clarify that—

Senator O'BRIEN—I did not say program money. Have any particular program budgets been identified?

Ms Briggs—Not yet, Senator.

Senator O'BRIEN—Given that there appears to be an admission of failure in IT management, who takes responsibility for past decisions about IT investment?

Ms Briggs—I think the executive group as a whole has looked at the issue and, as a result of that, we have introduced a new strategic IT committee which is addressing our IT arrangements now and planning for the future. We have introduced new governance arrangements as we move forward.

Mr Fisher—I think it is important to put on the record the comment that the department has not identified a failure of IT management. We need to be careful about the professional reputations of the people who manage this function.

Senator O'BRIEN—I think I understand what you are saying, Mr Fisher. There appears to be a problem now because of previous underinvestment in IT, and you have to fix it now at a time when you are strapped for cash. Whilst being sensitive to professional reputations, my question is: has there been an identified change in decisions, or lack of them, that has caused the problem?

Mr Fisher—I think it is worth saying that decisions to invest in different areas of departmental activity will change over time, depending on business needs, depending on the funding situation and depending on the priorities. I do not think that I would describe underinvestment as a conscious decision for a period while the department spends money elsewhere as a failure. The department is simply going into a period in the future where we have identified a need to reallocate available funding.

We believe that it is in the best interests of the department to spend more than we have in the past on our base IT systems. That means that we need to make some conscious and deliberate decisions about reallocating available funds. Once again, that is not a failure. It is simply strategic management. It is about getting ahead of the future funding pressures, anticipating them and making sensible adjustments so that we can provide for them.

Senator O'BRIEN—Okay. We will see. Who will do the rescoping for the new contracts?

Ms Briggs—Our new chief information officer will have primary carriage of that, but the arrangement will be that the strategic IT committee will oversee the situation.

Senator O'BRIEN—Is that some subgroup of the management team?

Ms Briggs—We have an executive board and we have a number of committees that work to that; one of those is the strategic IT committee. But there will be a separate group, of course, that will go through the tendering process. That will not be that committee. That is not the way these things work.

Senator O'BRIEN—Are there any current IT services provided that are likely to be dumped from the tender specification or others that you add in to make up for deficiencies in the past—or have they not been identified yet?

Ms Briggs—Can you clarify that question, please?

Senator O'BRIEN—If there has been an underinvestment in IT and you are stepping forward to more modern technology—hardware, software and the like—are any current IT services which are currently being paid for likely to be dumped, or have you made decisions about deficiencies in the present system that will specifically have to be addressed?

Ms Briggs—We are still working through the scope of the new outsourcing agreement.

Senator O'BRIEN—Has an analysis been conducted to evaluate the effectiveness of the current contract and the value to the department?

Ms Briggs—No formal evaluation that I am aware of, but certainly the board of the department has had regular discussions over the years about the way the contract was progressing.

Senator O'BRIEN—Has the provider met all the terms of the contract?

Mr Fisher—Mr Banham, the chief information officer, will answer the question in more detail than I can, but suffice it to say—David will correct me if I am wrong on numbers—that the current provider regularly meets 23 of the 24 service level agreements in the contract.

Mr Banham—That is correct. They are achieving 23 out of the 24 service levels in the contract, and in some months they actually do 24. There is one particular one they have not been able to achieve.

Senator O'BRIEN—Have any penalty clauses been invoked as a consequence of those objectives not being met?

Mr Banham—Yes.

Senator O'BRIEN—What sort of performance area is the failure in?

Mr Banham—The main area is system availability more connected with our email servers and our LAN servers. That is the main area.

Senator O'BRIEN—It is down time, is it?

Mr Banham—Yes.

Senator O'BRIEN—I guess that is probably the most frustrating failure you could experience, is it not, because it must significantly affect the efficiency of systems and the department's outputs?

Mr Banham—I would say that would be true.

Senator O'BRIEN—Apart from being very frustrating for the staff. Do I presume correctly that the penalty clauses include financial penalties?

Mr Banham—That is correct. There is a service credit pool set aside, which is a percentage of each monthly invoice, and there is a formula derived from the service levels that are failed.

Senator O'BRIEN—So the bill suffers a deduction, does it, each month?

Mr Banham—We would reduce the money—how they are invoiced.

Senator O'BRIEN—I understand that the department has received a proposal from staff to provide more IT functions from within the department. What sort of proposal has been received?

Mr Fisher—It is probably a bit too sweeping a statement to say it is a proposal from staff. In one of our meetings with the CPSU and staff representatives last week, we were given a short document of about four or five pages with some thoughts and suggestions about how the department might think about scoping its IT. That is a constructive contribution, a good suggestion, and there is a lot of merit in the suggestions. We said that and thanked the people for it.

I do not think it is fair to say it is a document that necessarily reflects the view of all staff. It is a document that was handed over by some staff members. We have indicated that we would like to look at that in some more detail, think it through and provide some feedback. We have offered the same representatives of staff a detailed session with our chief information officer to work through the suggestions made in that paper and also to share our own thoughts about how future IT needs could be met. There is a large degree of commonality on many of the suggestions in the paper and on much of our thinking, but it is still pretty fluid. We have not fully consulted around the department yet and we have not formed final views. Any suggestions are welcome and we are more than happy to talk to people about them.

Senator O'BRIEN—You mentioned an IT committee. Was it the IT executive committee?

Ms Briggs—It is called the strategic IT committee.

Senator O'BRIEN—What staff levels are represented on that committee?

Ms Briggs—I chair that committee as the deputy secretary. We have two first assistant secretaries, the chief information officer, the chief financial officer, three assistant secretaries and the chap in our organisation who is in charge of safety investigations in the ATSB. He is a very senior officer but he is not within the SES—or indeed the EL1, EL2 or ASO band. It is a different nature of employment selected on the basis of his expertise in the field.

Senator O'BRIEN—I understand that, at the consultative meeting with staff and union representatives, management discussed priority settings and it was said that the 20 priority items on the minister's list would provide the basis for priority setting over the next year for DOTARS as a whole. Can the committee be provided with that list?

Mr Fisher—Yes, although I am not sure that those were the precise words used in the departmental consultative committee meeting. I think that it is fair to say that those 20 priorities were identified by the secretary for the department reflecting the government's

outcomes. In fact, they were posted on the departmental intranet several months ago—perhaps in February—and they were drawn to the attention of staff at that time. Naturally, we would expect that business plans and strategies for the future should be guided by those important deliverables. We would have no problem providing you with an additional copy.

Senator O'BRIEN—Are they the priorities substantially contained in the PBS on pages 35, 36 and 60?

Mr Chandler—Yes, they are.

Senator O'BRIEN—Are there some that are not in the PBS?

Mr Chandler—I think there are two missing which relate directly to corporate issues. I would need to do a check but I think there are two missing related to corporate issues.

Senator O'BRIEN—In the Verona Burgess article of 4 April, it was reported that the department's executive board had agreed to reassess the strategy for regionalisation of regional program delivery. Are there plans for regionalising regional program delivery and moving them out of Canberra?

Mr Yuile—No. I think what that refers to is that we have inherited a network of regional staff and we also have other staff in the department who are in the regions. I think the secretary's point was that some 10 per cent or so of our staff are outside the national office. It was simply a matter of saying that, as part of this review and forward planning, we would be looking at all aspects of our operations. But in relation to those regional staff, particularly some of our staff that were transferred across from the former DEWR, in some cases we have only a few members of staff in some of those regional offices, and they are pretty much at critical mass. I think the secretary's point was that, obviously, in looking forward and making the plans that we have been talking about, all elements of our operation need to be looked at. In fact, under the current arrangements, of course, those regional staff are involved in our regional program activity, especially the regional assistance program and other elements of our programs.

Senator O'BRIEN—I must say I am none the wiser. Perhaps that is because of the time of night, but regionalising regional program delivery? Perhaps I understand it looking at it more closely now. I presume you would have a significant consultation process if it involved staff relocation?

Mr Yuile—Sorry?

Senator O'BRIEN—I presume that you would have a significant consultation process if it was intended to require staff relocation?

Mr Yuile—Yes, but that is not what is planned. As we have said already, through the various activities we are undertaking, the whole process has been undertaken on a consultative basis.

Senator O'BRIEN—Has any money been transferred from the sustainable regions program into the department's administrative vote?

Mr Chandler—\$3.3 million has been transferred in 2003-04.

Senator O'BRIEN—Who authorised this transfer?

Mr Chandler—It was approved by the government.

Senator O'BRIEN—The minister or the cabinet? What does that mean?

Mr Fisher—I do not think it is appropriate for us to talk about internal workings of government.

Senator O'BRIEN—Sorry? I have asked a number of questions today about decisions to reprioritise spending, and that is what this is, is it not?

Senator Ian Macdonald—You might consider—

Senator O'BRIEN—I did not mention them. I thought you were here when they were mentioned, Minister.

Senator Ian Macdonald—Perhaps I was not paying enough attention.

Senator O'BRIEN—I would not have thought it is controversial to find out, if you have reprioritised money, how it has been reprioritised.

Senator Ian Macdonald—The government does it, I guess.

Senator O'BRIEN—Usually the minister is involved so I thought it was quite a reasonable question to ask.

Senator Ian Macdonald—Well, the minister is part of the government. It is a government decision.

Senator O'BRIEN—It is a government decision and obviously goes through the minister first. It does not bypass the minister.

Senator Ian Macdonald—I would not think so.

Senator O'BRIEN—No, I would not either.

Senator Ian Macdonald—The minister would be fairly unhappy if it did.

Senator O'BRIEN—I am just keen to know the process. If there has been a decision taken to allocate money to a program, such as the sustainable regions program, and it is decided to transfer \$3.3 million into the administration of the department, I think we should understand at what level that decision is taken.

Mr Fisher—I might be able to help. Most of the discussion tonight has been about reprioritising and allocating money within the department's departmental expenses. It is perfectly legitimate for the secretary of the department to make decisions about how money appropriated to the department for departmental expenses is allocated across the department. But the secretary of the department does not have the power to move money from administered items to departmental expenses or vice versa. So the question has not arisen in the discussion so far this evening. It only arises when you ask the question about moving money from administered to departmental expenses. That movement needs the authorisation of the government, and the government provided that authority.

Senator O'BRIEN—And I simply asked whether it was simply a decision for the minister or whether it was a cabinet decision.

Senator Ian Macdonald—Anyhow, you have had the answer, it is a decision of the government.

Senator O'BRIEN—Can you show me the sustainable regions program allocation in the PBS?

Mr Chandler—Page 64 of the PBS under outcome 2 provides the budget estimate and forward estimates for each of the programs. Under that outcome, sustainable regions is about the sixth line down.

Senator O'BRIEN—Thank you. So has the \$3.3 million already come out of the 2003-04 budget?

Mr Chandler—Yes, out of 2003-04—sorry, I have misheard—

Senator O'BRIEN—I thought I said 2003-04.

Mr Chandler—Out of 2003-04 only.

Senator O'BRIEN—Does it follow then that there was an amount in the 2002-03 PBS for the out-years for 2003-04 which was \$3.3 million higher?

Mr Chandler—There would have been.

Senator O'BRIEN—Can you check that and let me know?

Mr Chandler—Yes.

Senator O'BRIEN—Can you show me where in the PBS that change has been noted?

Mr Chandler—Can I just ask you to repeat that? I was getting advice on the previous question.

Senator O'BRIEN—I want you to show me where there is an annotation in the PBS which would draw one's attention to the removal of the 2003-04 out-year allocation for sustainable regions.

Mr Chandler—It appears at page 83, which explains the variations. At page 83 under 'administered', the third dot point says 'transfer of funding for the administration of regional programs, \$3.3 million'. The corresponding entry reflecting the transfer to departmentals is at page 81 under the fourth bullet point. Your previous question, concerning the figures for sustainable regions in the 2002-03 PBS, were at page 55 of that book. The figure for sustainable regions in the 2002-03 PBS showed a budget estimate for 2003-04 of 28,592. So there have been some other changes in the number.

Senator O'BRIEN—Perhaps someone can explain for me tomorrow morning how those changes come into it.

Mr Chandler—We will provide you with a clear answer on notice.

Senator O'BRIEN—So this is not a loan. This is not an amount of money that is a loan to be paid back. This is a top-up allocation.

Mr Chandler—One-off allocation.

Senator O'BRIEN—Okay. Does this funding imply that the sustainable regions program was inadequately resourced to start with?

Mr Yuile—No, Senator.

Senator O'BRIEN—Of regional programs, I should say, perhaps not sustainable regions.

Mr Yuile—We can talk more with the regional programs people, but I think it reflects the fact that programs which were due to conclude this year have been carried over to the 2003-04 year. It also reflects the fact that the government has reprofiled some of the money from the 2002-03 year for sustainable regions out to 2004-05 and 2005-06. It is just a recognition in a one-off next year, as we transition in those changed circumstances, that there was a need for some departmental expenses.

Senator O'BRIEN—I presume that the decision to transfer the \$3.3 million was made reasonably recently? Can you tell me when it was made?

Ms Briggs—It was made in the lead-up to the budget.

Mr Yuile—It was in the budget context.

Senator O'BRIEN—Has the \$3.3 million been transferred to a particular regional assistance program or to all of them? Has it been transferred towards the cost of administering a particular regional program or all of them?

Mr Yuile—It has gone into the departmental area dealing with regional programs and the administration of our regional programs.

Senator O'BRIEN—Does that mean that there will be additional staff in that area for the next financial year?

Mr Yuile—No, Senator.

Senator O'BRIEN—What will the \$3.3 million be spent on?

Mr Yuile—Some of it will be spent on addressing IT requirements in our regional programs. And, as I said, we were managing already on the basis that some of the programs came to an end, but there has been a carryover of RTCs and dairy RAP programs into next year, so it will assist us in the transitioning of staffing arrangements next year.

Senator O'BRIEN—What is the staffing establishment for the administration of the regional programs for which the department is responsible?

Mr Yuile—I think at present there are some 170 staff in that division.

Senator O'BRIEN—Are they able to be broken down—

Mr Yuile—I think that includes our regional office staff too. If you are happy with this, we can pick that up when we come to the regional programs part of the estimates hearing, and I will have here the officers who will have that staffing breakdown.

Senator O'BRIEN—Okay. We might handle it a bit better. It might be a different time of the day.

Mr Yuile—We might all. To conclude, obviously that number includes that network of regional staff that I spoke about, as well as people in our national office.

Senator O'BRIEN—Do I understand you to be saying that the bulk of the \$3.3 million will be used to support the IT program within the department?

Ms Briggs—No. It is roughly a third to IT and two-thirds to salaries, from memory, but that gives the rough order of magnitude.

Senator O'BRIEN—I think it is close enough to 11 p.m. I am going to start on another area.

CHAIR—I think we will declare the committee closed. Thank you very much, ladies and gentlemen.

Mr Yuile—Senator, can I just clarify something. Tomorrow morning, will you be starting on the next program or will you continue on with this one?

Senator O'BRIEN—No, we are still on this one. It is just another area that I want to go on to.

Mr Yuile—The AMSA staff, I think, will be tomorrow morning some time.

Senator O'BRIEN—We will get to them eventually.

Senator Ian Macdonald—Just keep smiling.

CHAIR—Thank you very much.

Committee adjourned at 10.58 p.m.