



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT  
LEGISLATION COMMITTEE

ESTIMATES

**(Additional Estimates)**

TUESDAY, 14 FEBRUARY 2006

CANBERRA

BY AUTHORITY OF THE SENATE



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**SENATE**  
**RURAL AND REGIONAL AFFAIRS AND TRANSPORT LEGISLATION**  
**COMMITTEE**

**Tuesday, 14 February 2006**

**Members:** Senator Heffernan (*Chair*), Senator McEwen (*Deputy Chair*), Senators Ferris, Milne, Nash and Sterle

**Senators in attendance:** Senators Adams, Brandis, Chris Evans, Faulkner, Ferguson, Ferris, Heffernan, Hutchins, Hogg, Joyce, McEwen, Milne, Nash, O'Brien, Robert Ray, Siewert, Sterle, Stephens and Webber

**Committee met at 9.01 am**

**AGRICULTURE, FISHERIES AND FORESTRY PORTFOLIO**

**In Attendance**

Senator Abetz, Minister for Forestry and Conservation

**Department of Agriculture, Fisheries and Forestry**

**Executive**

Ms Joanna Hewitt, Secretary

Mr Don Banfield, Deputy Secretary

Mr Peter Yuile, Deputy Secretary

Mr Daryl Quinlivan, Deputy Secretary

Dr Gardner Murray, Chief Veterinary Officer and Special Adviser

**Management Services Division**

Mr Bill Pahl, Chief Operating Officer, Management Services

Mr Allan Gaukroger, Chief Financial Officer, Management Services

Mr Peter Moore, Budgets Manager, Management Services

**Corporate Policy Division**

Mr Allen Grant, Executive Manager, Corporate Policy

Mr Craig Penney, General Manager, Corporate Policy and Governance

Ms Nicola Hinder, General Manager, Parliamentary and Media

Mr Charles Willcocks, General Manager, National Biosecurity Strategy Taskforce

**Food and Agriculture (including Wheat Export Authority)**

Mr David Mortimer, Executive Manager, Food and Agriculture Division

Mr Richard Souness, General Manager, Food Policy and Safety

Mrs Sally Standen, General Manager, Meat, Wool and Dairy

Ms Tanja Cvijanovic, Acting General Manager, Crops, Wine and Horticulture

Mr Tim Besley, Chairman, Wheat Export Authority

Mr Glen Taylor, Chief Executive Officer, Wheat Export Authority

**Biosecurity Australia**

Mr John Cahill, Chief Executive

Dr Bill Roberts, Principal Scientist, Plant Biosecurity  
Dr Mike Nunn, Principal Scientist, Animal Biosecurity  
Mr Stephen Prothero, General Manager, Biosecurity Development & Communications  
Ms Louise van Meurs, General Manager, Plant Biosecurity  
Dr Robyn Martin, General Manager, Animal Biosecurity

**International Division**

Mr Paul Morris, Executive Manager  
Mr Craig Burns, Executive Manager, Free Trade Agreements  
Mr Bruce Bowen, Acting Chief International Agricultural Adviser  
Dr Sarah Kahn, Technical Market Access Specialist  
Dr Melanie O'Flynn, General Manager, International Technical Branch  
Ms Nicola Gordon-Smith, General Manager, International Trade Branch

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

Mr Steve McCutcheon, Executive Manager, Product Integrity, Animal and Plant Health Division  
Mr Bob Biddle, Deputy Chief Veterinary Officer, Office of the Chief Veterinary Officer  
Ms Lois Ransom, Chief Plant Protection Officer, Office of the Chief Plant Protection Officer  
Mr Dean Merrilees, General Manager, Animal and Plant Health Policy  
Dr Joe Smith, Chief Executive Officer, Australian Pesticides and Veterinary Medicines Authority

**Australian Quarantine and Inspection Service**

Mr Greg Read, Executive Manager, Exports & Animal Programmes  
Mr Tim Carlton, National Manager, Food Exports Branch  
Mr Garry Cullen, Acting General Manager, Technical Standards Branch  
Dr Narelle Clegg, National Manager, Animal Programs  
Mr Robert Murphy, Acting Executive Manager, Quarantine and Plant Program  
Mr Peter Liehne, National Manager, Plant Program  
Dr Andy Carroll, National Manager, Border  
Mr Colin Hunter, Acting National Manager, Cargo Management and Shipping  
Ms Cathy Cox, General Manager, Business Strategy Branch  
Helen Banks, Manager, Business Finance Team  
Mr Richard Shutt, Corporate Accountant, Business Strategy  
Ms Julie Goodchap, Manager, Imported Foods

**Australian Bureau of Agriculture and Resource Economics**

Ms Karen Schneider, Deputy Executive Director  
Dr Stephen Beare, Chief Economist

**Bureau of Rural Sciences**

Dr Cliff Samson, Executive Director  
Dr Colin Grant, Deputy Executive Director  
Dr Kim Ritman, General Manager, Climate, Land and Water Branch  
Dr Stephen Bygrave, General Manager, Fisheries, Forestry and Social Sciences Branch

**Rural Policy and Innovation**

Mr Ian Thompson, Executive Manager, Rural Policy and Innovation Division

Mr Simon Murnane, General Manager, Science and Economic Policy  
Vicki Manson, Acting General Manager  
Mr Matt Koval, General Manager, Drought Task Force

**Fisheries and Forestry**

Mr Glenn Hurry, Executive Manager, Fisheries and Forestry Division  
Mr John Talbot, Acting General Manager, Fisheries Package  
Dr John Kalish, Acting General Manager, International Fisheries and Aquaculture  
Mr Garry Grant, General Manager, Forest Industries Development  
Ms Shelley Spriggs, Manager, Fisheries and Environment  
Mr Richard McLoughlin, Managing Director, Australian Fisheries Management Authority  
Dr Nick Rayns, General Manager, Fisheries, Australian Fisheries Management Authority  
Mr Paul Murphy, General Manager, Operations, Australian Fisheries Management Authority  
Mr Geoff Richardson, General Manager, Sustainability and Business Management, Australian Fisheries Management Authority  
Mr Russell James, General Manager, Fisheries and Marine Environment  
Mr Charles Body, Forest Industry Structural Adjustment Package

**Natural Resource Management**

Mr Tom Aldred, Executive Manager, Natural Resource Management Division  
Mr Ross Dalton, General Manager, Assessment, Innovation and Climate Change  
Mr Simon Smalley, General Manager, NRM Water and Murray Darling Basin  
Mr Simon Veitch, Acting General Manager, Landcare and Invasive Species  
Ms Heather Tomlinson, General Manager, NRM Strategies  
Mr Gerry Smith, General Manager, Australian Government NRM Team  
Mr David Calvert, Acting General Manager, Australian Government NRM Team  
Mr John Cameron, Director, Community Support

**CHAIR (Senator Heffernan)**—I declare open this Rural and Regional Affairs and Transport Legislation Committee. On Wednesday, 8 February 2006, the Senate referred to the committee the particulars for proposed additional expenditure with respect to the year ending 30 June 2006 for the portfolio areas of Transport and Regional Services, and Agriculture, Fisheries and Forestry. Today the estimates hearing will commence its examination of additional estimates for the Department of Agriculture, Fisheries and Forestry. The committee is required to report to the Senate by Tuesday, 28 March 2006. As agreed, I propose to call on the estimates according to the format adopted in the printed program.

I welcome Senator, the Hon. Eric Abetz, Minister for Fisheries, Forestry and Conservation, representing the Minister for Agriculture, Fisheries and Forestry. Senator Abetz is accompanied by Joanna Hewitt, Secretary to the Department of Agriculture, Fisheries and Forestry and other officers of the department and related agencies. Officers are reminded that the Senate has consistently decided by way of continuing resolution:

... there are no areas in connection with the expenditure of public funds where any person has a discretion to withhold details or explanations from the Parliament or its committees unless the Parliament has expressly provided otherwise.

The Senate has also determined that a claim to withhold information on the basis of commercial-in-confidence will not be considered unless it is made by a minister and

accompanied by a statement setting out the basis for the claim, including a statement of any commercial harm that may result from its disclosure. Officers are also reminded that an officer of a department of the Commonwealth or a state shall not be asked to give opinions on matters of policy—no surprise there—and shall be given reasonable opportunity to refer questions asked of the officer to superior officers or the minister. Witnesses are reminded that evidence given to the committee is protected by parliamentary privilege. I also remind witnesses that the giving of false or misleading evidence to the committee may constitute contempt of the Senate.

Finally, the committee would like to express its concern about the late submission of answers to questions placed on notice from the previous round of estimates. These were due on 16 December 2005 and, as at Friday lunchtime, none of the 135 answers required had been received by the committee. The majority were received between 2.45 pm and 4.10 pm on Friday with the remainder sent on Monday afternoon, leaving little time for senators to consider them in detail. This is not acceptable to the committee and we will be monitoring the situation closely during the round.

In particular, the committee is concerned that a pattern is developing where the department does not provide answers at the estimates hearing. Instead, questions are taken on notice but not answered for several months. The committee expects answers taken on notice during this estimates hearing to be received by the committee no later than Thursday, 6 April. I invite Ms Hewitt to make an opening statement.

**Ms Hewitt**—No, I am happy to proceed with the committee's priorities.

**Senator Abetz**—I would like to make an opening statement. It will not surprise anybody, as it has been made at other estimates hearings. The government has directed that officials appearing before Senate legislation committees should not answer questions directed to them on matters before the commission of inquiry being conducted by the Hon. Terence Cole into certain Australian companies in relation to the oil for food program. While examination of officials by the committees might be appropriate in the future, the government believes that it would be in the public interest for Mr Cole to be able to proceed with his inquiry and present his findings without parallel public questioning that would not assist consideration of complex issues.

**Senator O'BRIEN**—On what basis would you purport to direct officers from a statutory authority appointed under an act of parliament?

**Senator Abetz**—I think we directed that statement towards 'officials'. Those independent statutory authorities are under the CAC Act and are not subject to ministerial direction.

**Senator ROBERT RAY**—I have one or two questions on that statement. I do not want to repeat yesterday's questions, but I note that Senator Abetz said, 'as part of the cabinet decision' and he used the phrase 'parallel public questionings'. Does the government have an objection to hearing these matters in camera, where there is no public record? Is that the case?

**Senator Abetz**—I am not sure that that was necessarily in the mind of the cabinet when that decision was made. I was not privy to it. But it stands to reason that in general terms the

Senate estimates committees are in a public forum. We would have to consider that—cross that bridge if we come to it.

**CHAIR**—Can we test all this at the appropriate time, which is when the people in question turn up? I would prefer to just move on, otherwise we will be here all day. We can deal with all of that when the time comes. I would like to move to program 1.

**Senator ROBERT RAY**—I insist, Chair. A statement has been made and I have questions for the minister on the statement. I am not actually about later matters to do with the Wheat Export Authority.

**CHAIR**—That will all get tested.

**Senator ROBERT RAY**—Yes, that will all get tested later. There has been one question on that, and the minister has given a very competent answer to it. But I have further questions on this, if you do not mind.

**CHAIR**—I will come to you after I go to Senator O'Brien.

**Senator ROBERT RAY**—Certainly.

**Senator O'BRIEN**—I am happy for Senator Ray to ask questions at this stage.

**Senator ROBERT RAY**—Does the minister know why that section of the statement that he has read out referred to 'parallel public questionings'? Surely, if there were a blanket ban on officials providing information that may or may not be relevant to the Cole inquiry the statement would have just said that. But it goes on to refer to parallel public questionings. Now if this committee or any other committee were deemed to go in camera, which they have the right to do under the standing orders—a right I never care to exercise, because I do not believe in it, other than on security or commercial-in-confidence grounds—does the ban apply in those circumstances?

**Senator Abetz**—Chair, we are clearly dealing with a hypothetical here. Senator Ray has admitted that he does not believe in going into camera, so we are playing games of semantics here. He is now asking, 'What if?', but the 'if' is something that he would not personally countenance anyway, so I am not sure it is a very fruitful avenue to go down. What I will say is that if the committee decides to go down that track I would seek some time out to consider the government's position. But, as Senator Ray has indicated, it is not a track that he prefers. So I dare say we will not be going down it.

**Senator ROBERT RAY**—I am one vote out of 76 in the Senate, so do not presume what the rest of the Senate, this committee or other senators may want to do. I have tried to put it straight up—that it is not a road I would personally go down. Of course, banning public servants from answering questions is another road I would not go down.

**Senator Abetz**—It is not a banning; it is a deferral of the issues. The government has said in the statement that questioning or examination of officials might be appropriate in the future, so there is not a blanket ban it is just that, whilst the Cole inquiry is going on, it would be best not to proceed down that track. It is not a ban; it is a deferral.

**Senator ROBERT RAY**—Minister, I know you are just following orders, but, seeing there is no definition of what appears before the Cole inquiry, how are we to be guided as to what questions you will answer? We can ask whatever questions we like. That is already conceded.

**Senator Abetz**—You can indeed and I will provide that guidance as the minister at the table.

**Senator ROBERT RAY**—So you can only do it on a question by question basis? There is no philosophical framework for what is in and what is out.

**Senator Abetz**—I think you have a fair idea from the statement as to the sorts of questions. I accept that, with any statement of this nature, there might be certain grey areas and, in those circumstances, there will be a question by question consideration.

**Senator ROBERT RAY**—Can I ask through you, and you can ban the question or not, but I would like to ask the secretary of the department how this decision was transmitted to her and when?

**Ms Hewitt**—I understand it was a decision of the government. I believe the Prime Minister has indicated it was a decision of cabinet—

**Senator ROBERT RAY**—I did not ask when the decision was made or who made it. I asked who transmitted the decision to you—

**CHAIR**—With great respect, the secretary is entitled to answer the question.

**Ms Hewitt**—I was made aware of the decision through a minute of the cabinet.

**Senator ROBERT RAY**—When did you receive that minute?

**Ms Hewitt**—I cannot give you an exact date. About a week ago.

**Senator ROBERT RAY**—This is a lawful direction of cabinet to you, which you must comply with. How do you then transmit that lawful direction to the rest of the employees of the department that you are secretary to?

**Ms Hewitt**—In the normal way. A decision of government is made known to officers who have reason to be affected by it. That is normal in the course of—

**Senator ROBERT RAY**—How do you make it known to them?

**Ms Hewitt**—Discussions, meetings in the department in preparation for appearances of this kind.

**Senator FAULKNER**—Did you provide any written advice?

**Ms Hewitt**—No, Senator.

**Senator FAULKNER**—So it is osmosis is it? It is pretty informal. There is no formal communication to staff members.

**Ms Hewitt**—There is perfectly normal discussion and those who need to see a decision of the government that affects them either see a written document or are advised of its existence.

**Senator FAULKNER**—But you, of course, properly provide a list of witnesses which is on the table for committee members now. It lists the departmental executive and a range of witnesses who will be appearing in the various departmental programs. Is it not the case that

you would need to communicate to those witnesses, the decision of government that we are addressing?

**Ms Hewitt**—Yes, to those departmental officials who have responsibilities in the affected area and who need to know of a relevant government decision.

**Senator FAULKNER**—What did this mean for the briefing that your officers were preparing for estimates? Did it change the nature of estimates briefing either at a departmental level or at the briefing that is provided to the minister or the minister representing at the table, which is standard operating procedure for estimates?

**Ms Hewitt**—I think we took the normal course. Obviously, we were conscious of this particular issue and that it was likely to be the subject of questioning but that is normal in the preparation for any—

**Senator FAULKNER**—So you briefed on these matters?

**Ms Hewitt**—No, Senator, I did not say that. I said we prepared ourselves as officials to answer questions.

**Senator ROBERT RAY**—I think what Senator Faulkner is saying is that once you received the cabinet minute saying the officials are directed not to answer questions, did you continue preparing the briefs or did you go on to other subjects? That is what he is asking.

**Ms Hewitt**—I think officers should always be prepared to answer questions depending on the way an inquiry procedure unfolds. Subsequent to that, we were made aware of the statement that was issued yesterday by Senator Minchin and has been repeated this morning by Minister Abetz.

**Senator FAULKNER**—That is interesting, Ms Hewitt. That means that, in terms of briefing, you are prepared at this meeting of the estimates committee today to answer questions, but you are prevented from doing so because of the government decision that has been outlined to the department.

**CHAIR**—Could I just intervene here. This could go on for three or four days.

**Senator FAULKNER**—It could go on for three or four days.

**CHAIR**—Thank you, Senator Faulkner. Could I assist the committee here? The Clerk of the Senate—

**Senator FAULKNER**—I have a point of order, which is that it is normally the habit of the chair of this committee to interrupt—

**CHAIR**—It is.

**Senator FAULKNER**—Listen to the point of order.

**CHAIR**—That is the point: it is.

**Senator ROBERT RAY**—You are not in a club here. It is a Senate committee.

**CHAIR**—We realise that.

**Senator FAULKNER**—Can I take a point of order?

**CHAIR**—There is no point of order.

**Senator FAULKNER**—You have not listened to the point of order.

**CHAIR**—There is no point of order. If a minister wishes to claim—

**Senator FAULKNER**—The point of order is that it is normally the habit of the chair of this committee to interrupt senators who have the floor and are asking questions. Is that the way you chair this committee?

**CHAIR**—Could I assist you before you proceed with your very serious questions—

**Senator FAULKNER**—Rule on the point of order.

**CHAIR**—There is no point of order. Could I assist you with your questions with some advice from the Clerk of the Senate? He says, ‘If a minister wishes to raise a claim of public interest immunity and decline to answer questions on the basis that the matters are before a commission of inquiry, that is the responsibility of the minister, not a matter for the chair to rule on that. If the minister persists with such a claim, the committee can only report the matter to the Senate.’ That is the advice from the Clerk.

**Senator FAULKNER**—It has nothing to do with what I am asking.

**Senator ROBERT RAY**—Let him get on with his questions.

**CHAIR**—Could I welcome you, Minister, to your first Senate Rural and Regional Affairs and Transport Legislation Committee—

**Senator ROBERT RAY**—Not true.

**CHAIR**—in my time as chair—and to the culture of this committee. Overnight, there was a news-breaking report that some gorillas escaped from Taronga Park Zoo. I thought it might have been a recruiting program by the WEA, but it might have been these fellows recruiting to the committee! Away you go.

**Senator ROBERT RAY**—Very droll, Chairman. This committee is not going to be a rural and regional club, like you would like it to be. We are entitled to ask questions, and we will.

**CHAIR**—Are you reflecting on the members of this committee?

**Senator ROBERT RAY**—No, I was reflecting on you.

**CHAIR**—I would have thought that was a reflection on the committee. If I could take you, Senator Ray—just to fully inform you of the culture of this committee, which is something you will not have looked at because you have never taken any interest before—to Monday, 10 March 2003 and the Senate Rural Regional Affairs Transport Legislation Committee hearing on the Wheat Marketing Amendment Bill 2002 held in Perth. I would advise you to go away and read the transcript of that so that you will see the culture of this committee.

**Senator ROBERT RAY**—Thank you. Now can we get on and ask our questions without you interrupting us?

**CHAIR**—You can. You can go for your life

**Senator ROBERT RAY**—Thank you. You sit there and chair.

**CHAIR**—But at any appropriate time, we will intervene.

**Senator FAULKNER**—Have you finished your nonsensical intervention?

**CHAIR**—Away you go.

**Senator Abetz**—I do not know how you want to run this committee, but if people are going to be addressed in the way that the chair has just been addressed, can I say that, as minister, I will not countenance that sort of behaviour being directed to officials.

**Senator ROBERT RAY**—You must be humiliated that the chair has to intervene to protect you. I think you are strong enough to do it yourself. Why don't we just get on with questions and answers, without interference?

**Senator Abetz**—Just behave yourself and, if Senator Faulkner can as well, that would be very helpful.

**Senator FAULKNER**—Senator Faulkner was in the middle of asking a question, which I think was a perfectly reasonable one, when he was interrupted. Let me get back to the question and rephrase it, but I want to commence by saying that I want to make it clear for the record that I am asking a few process questions here. I want to indicate that that in no way suggests that I accept the content or substance of the statement you have made. Nevertheless, I am asking some process questions. I was asking Ms Hewitt about the issue of briefing, which is a pretty standard sort of estimates question, when I was interrupted by the chair. Let us recap. Ms Hewitt, I think you have indicated to the committee that, even though you were made aware of the directive as a result of a cabinet minute—that is fair enough; that is the directive that Senator Abetz has read to the committee—it did not change your approach in terms of the briefing that you provided departmentally or the briefing that goes to the minister or the minister representing at the table at the estimates committee. Is that correct?

**Ms Hewitt**—I think, broadly speaking, yes.

**Senator FAULKNER**—So we can say then that the department is fully briefed to answer questions in relation to matters before the Cole inquiry but that the department is also well aware of the directive that Minister Abetz has read into the record at this committee. Is that a fair summation of the situation?

**Ms Hewitt**—We try to be prepared to cover responses to any questions that might arise from the committee that are appropriate and relevant, so we have prepared in the normal way.

**CHAIR**—May I interrupt to stop this going down into being a circus. It is the custom, as I understand it—and it is certainly this committee's custom—that if the media would like to be in the room with cameras then they should seek prior permission, which they usually get as a courtesy. Have you media people—and you do not have to say yes or no—ticked this off with anyone? My advice is that you should formally apply, so I think you should remove yourselves and go and get permission.

**Senator ROBERT RAY**—Why don't you go out and do it?

**CHAIR**—They can come back, Robert, otherwise you would end up with a circus. They can come back and ask the committee.

**Senator Abetz**—In the normal course of events, Chair, the departmental officials would brief themselves and be prepared to answer as many questions as possible. It is their role and duty to do so. We as a government can then provide a direction to defer the answering of

certain questions until such time as the Cole inquiry has been completed. That is quite proper and sensible. That is clearly what has happened.

**Senator ROBERT RAY**—I would like to ask a question that I asked yesterday—and I do stress that it was ruled in yesterday; take my word for it otherwise—as to the search for documents relating to and provided to the Cole inquiry. Has your department, Ms Hewitt, at the request of DFAT, searched the files for all references that may be useful for the Cole inquiry?

**Ms Hewitt**—The department has conducted a search of its documents. We have not provided any documents directly to the Cole commission but we have in response to a request provided some documents to the Department of Foreign Affairs and Trade.

**Senator ROBERT RAY**—That is basically what I meant, Secretary.

**Senator Abetz**—That is what we were sorting out: the process to the chain.

**Senator ROBERT RAY**—I meant whether you had provided them to DFAT—was that a search both of all written documents and of all electronic documents?

**Ms Hewitt**—Yes—I believe it was for written documents.

**Senator FAULKNER**—Did any analysis occur at the departmental level, and I assume there was, to see what was appropriate to forward to DFAT and what was not? The subpoena from the Cole royal commission was issued on DFAT, and DFAT, as I understand it, has liaised with some agencies to conform with the subpoena. That seems pretty straightforward.

**Ms Hewitt**—Senator, I would prefer not to provide any further comment about the nature of documents submitted or further process there.

**Senator FAULKNER**—No. I am not going to ask about the nature of the documents. I am asking a process question—and I have asked this question of others and it has been answered by two other agencies—about the assessment of documents and whether the department involved itself in any assessment. In responding to a subpoena, you see, Ms Hewitt, you have to make sure that you make absolutely best efforts—and I am sure you would—to conform with the requests that are made. I assume that it is not a responsibility that is left with a very junior officer in the department, is it? A senior officer would be given the responsibility of doing this work.

**Senator Abetz**—I have just confirmed with the secretary that the narrowness of the subpoena was not that which was responded to but the Prime Minister's request that anything that may in any way be of assistance to the commission should be provided. As I understand it the department did not restrict itself to the narrow terms of the subpoena but abided by the Prime Minister's request that anything relevant should be provided, and was provided, to DFAT.

**Senator FAULKNER**—Given the status of the Wheat Export Authority, which I understand has some statutory independence—I think that is fair to say, isn't it, Ms Hewitt?

**Ms Hewitt**—It is an authority constituted under the CAC Act.

**Senator FAULKNER**—Yes. Given that circumstance, are you able to say whether the same procedures applied to the Wheat Export Authority? Were the same procedures

undertaken, the same documents search? If you are able to say whether that was done, effectively under the auspices of the Prime Minister's request to the department, are you able to explain how this instruction applied to the WEA, given its statutory standing? You may not be able to because of its statutory standing.

**Ms Hewitt**—That is exactly right, Senator. I am not able to answer, because it would not be a matter for the department.

**CHAIR**—Given that back in 1989-91 there was a dodgy default payment, which this committee looked at, were there any requests for information in the lead-up to Desert Storm and the jiggery-pokery that went on over there during that time?

**Ms Hewitt**—Do you mean of the department?

**CHAIR**—Yes.

**Ms Hewitt**—No, I believe not.

**Senator ROBERT RAY**—Put more simply, was it your responsibility to respond to the DFAT subpoena on behalf of the Wheat Export Authority or would that have gone to them directly?

**Senator Abetz**—I can clear this up; I have just sought advice. The Cole commission approached the WEA directly and the WEA confirmed that they have responded directly, so it was not through the department.

**CHAIR**—But you would be able to respond to a request from the Cole commission to look at the prior life of the WEA in 1989 and 1991. Obviously, something very strange went on there then, as with the iron filings, where there allegedly were iron filings in the product. Something very strange went on in 1989 and 1991, and if there was a request from the Cole commission could you provide what information you have on that?

**Senator ROBERT RAY**—And do you understand the subtlety of the question?

**Ms Hewitt**—I think we would need to look very carefully at the nature of the request and determine whether it was a matter for the department or one that should be referred to the WEA directly.

**Senator Abetz**—It depends on whether it would fit into the terms of the Cole inquiry, albeit that it would be very interesting.

**CHAIR**—In all seriousness—and this committee has been very serious about this stuff; I refer you to 2003—it seems to me that the default payment, though there was no rush to pick up the shortfall from EFIC, may well have been about some other deal. I would like that examined in due course. Under the terms of the inquiry you may well be able to respond to that.

**Senator ROBERT RAY**—On a point of order, Chair: seeing you are saying this may be relevant to Cole, you cannot in fact raise it, because the officers cannot answer your question. You ought to know that!

**CHAIR**—I am saying that if there was a request for questions—

**Senator ROBERT RAY**—That implies that I can say—

**CHAIR**—There is a life before WEA and it is relevant.

**Senator ROBERT RAY**—Therefore I can start every question with the word ‘if’ and you have to rule it in. What are the poor public servants going to do? Defy a direction of cabinet? You cannot have it both ways. Why don’t we move on?

**CHAIR**—Ring the bell for round 2!

**Senator ROBERT RAY**—No. You take back over.

**CHAIR**—Welcome to our committee, Senators Faulkner and Ray! Senator O’Brien?

**Senator O’BRIEN**—I have some questions of the executive. Table 1.3 on page 12 of the PAES includes ‘appropriation reprofiling’, which seems to move expenditure of some \$22 million out of this financial year and into the following two years. What is this \$22 million and why is it being reprofiled?

**Mr Gaukroger**—The \$22 million involves three items relating to the Tasmanian forests program: one for country sawmills, which is \$1.5 million; one for the hardwood industry of \$19 million; and \$1.5 million for the softwood industry. The majority of that \$22 million has been profiled into 2007-08 and a smaller amount into 2006-07, which is detailed on page 12 of the document. As to the reason for the movement, I would have to refer you to representatives of the particular program, who could give you a reason.

**Senator O’BRIEN**—The minister might know.

**Senator Abetz**—I think that is a good answer. I do not want to add to it.

**Senator O’BRIEN**—He is referring it to your portfolio program. I thought you might be able to answer it now, but you are saying we have to wait for the officials?

**Senator Abetz**—I think we can deal with those under the various portfolio outcomes.

**Senator O’BRIEN**—Which portfolio are we talking about, Mr Gaukroger?

**Mr Gaukroger**—That would be Fisheries and Forestry.

**Senator O’BRIEN**—I thought so. Table 13 on page 12 includes an item, ‘appropriation rephasing’, of \$79.1 million and smaller amounts in the out years. What is that about?

**Mr Gaukroger**—That is a number of rephasings. There are 12 in there in total. \$77 million came in from bill 1 in 2005-06 and \$2.1 million for bill 2 or bills 3 and 4. There was AAA, the International Agricultural Cooperation, of \$278,000; the Centre of Excellence for Biosecurity Risk Analysis and Research of \$160,000; the Keniry Technical Cooperation of \$876,000; FISAP of \$1.031 million; the National Action Plan for Salinity and Water Quality of \$94,000; the NFIS food safety and quality initiative of \$172,000; the sugar industry reform program financial viability assessment and business plans of \$467,000; the same program’s oversight group and regional groups, \$872,000; and the biggest one, the sustainability grant of \$73.05 million, which was deferred from 2004-05 into 2005-06. There were also two in Appropriation Bill (No. 4): Tasmanian water infrastructure, at \$2.1 million and, going into 2006-07, there is a payment to Meat and Livestock Australia of \$174,000. The sugar industry reform package regional and community projects were \$15 million in 2007-08.

**Senator O'BRIEN**—Thank you for that. What is the difference between reprofiling and rephasing?

**Mr Gaukroger**—Rephasing is when money is taken from the financial year just finished. Reprofiling is moving money from the current financial year into future financial years. So one is a past event and one is in a current period.

**Senator O'BRIEN**—So the latter is where you move it into the out years in the same program?

**Mr Gaukroger**—You can rephase moneys from the financial year just ended, as in 2004-05, into future years. So it can be the budget year or any of the forward years. Reprofiling is within the budget in forward estimates, not from the past financial period.

**Senator O'BRIEN**—Table 3.1, at page 30 of the PBS, shows a significant increase in revenue from government this year and then a fairly sharp and ongoing decline in the out years. The same pattern is repeated further down the table for both employees and supplier expenses, and it is repeated for both appropriations and employees in table 3.3 at page 32. Are you projecting that the department will get smaller and have fewer employees in the years to come?

**Mr Gaukroger**—That relates to a number of lapsing programs in those forward estimates. When the time comes for each of those forward estimates, when they become budget years, those programs will be re-examined. There will be a review done and a decision will be made as to whether to continue those programs or whether there are different programs in different formats. But, on the appropriation amounts that are shown in those years, all we can show in there now is what has been legally appropriated for those years.

**Ms Hewitt**—If I could add to that, the very significant sums are associated with the natural resource management programs—the NHT and the NAP programs and some of the quarantine funding—lapses and will need to be reviewed and reconsidered in the budget after next.

**Senator O'BRIEN**—Are you telling me the department will not have fewer employees in the years to come?

**Mr Pahl**—If you look at the out-year estimates at any point in time, you will always find that there is a tailing-off to reflect the terminating programs, as Mr Gaukroger has already said. What happens more often than not is that some of those programs are re-endorsed and refunded by government. In other cases, we have new programs that come on stream that replace other programs.

**Senator O'BRIEN**—You do not know. What you are saying is that I should not read anything into that.

**Mr Pahl**—No. It is normal.

**Senator O'BRIEN**—Table 3.2, on page 31, shows a significant decline in the department's financial assets and in receivables in particular, from 2005-06 to 2006-07. Can you explain that?

**Mr Gaukroger**—The main reason for that is the capital expenditure for the new accommodation—the fixtures and fittings and fit-outs in those years. In terms of financial

viability, though, if you look down the bottom there at the current assets and current liabilities, there is still an excess, one over the other. So the department is still in a sound financial position, despite the significant capital expenditure projected for those particular years.

**Senator O'BRIEN**—On page 37, table 3.7, there is a significant increase this year in the item 'personal benefits', an expense administered on behalf of government. I assume this relates to exceptional circumstances payments?

**Mr Gaukroger**—That is correct.

**Senator O'BRIEN**—Given the demand for exceptional circumstances assistance by its very nature is hard to predict, how do you arrive at the figures in each of the out years?

**Mr Gaukroger**—That is probably a matter for the particular program to answer.

**Senator O'BRIEN**—They have not so far. I thought you might be able to help me.

**Ms Hewitt**—If it is acceptable to you, we could certainly take that up in the relevant program area.

**Senator O'BRIEN**—I guess if they are the best to answer then I am happy to do that. I do make the point that it seems that it is just best guess.

**Ms Hewitt**—We try to do better than that but it is difficult to be accurate, that is true.

**Senator O'BRIEN**—Table 3.9, on page 39 of the PBS, covers cash flows. Can you explain the considerable variation in the amounts for grant payments and personal benefits?

**Mr Gaukroger**—The grant payments and personal benefits is the function of tables on pages 20 and 21. There is an increase of \$168 million, that is under bill 3. Under bill 4 there is a \$344 million increase. There is also the special appropriations of \$223 million, which is on page 18. It is a combination of those three areas of administered items which all impact on the grants and personal benefits side of the cash flows.

**Senator O'BRIEN**—I want to ask some questions about the Quarantine and Exports Advisory Council. Noting that Ms Hewitt is a member of the council, is it appropriate to ask those questions now or leave them until AQIS or Biosecurity?

**Ms Hewitt**—Under the program, if you would agree.

**Senator O'BRIEN**—Which one is it?

**Ms Hewitt**—It would be AQIS.

**Senator O'BRIEN**—I want to ask some questions about a claim from a company named Marnic Worldwide Proprietary Ltd. I assume you are familiar with that company and that a claim has been lodged.

**Ms Hewitt**—Yes.

**Senator O'BRIEN**—Can you confirm that the claim has been lodged with the Department of Finance and Administrative Services?

**Ms Hewitt**—I would need some assistance from one of my officers to help with that level of detail.

**Senator Abetz**—If there are specific questions, can I suggest, with respect, that we go through them under each particular program heading where the relevant officials will be at the table.

**Senator O'BRIEN**—This is a matter affecting the finances of the department. It is a claim for compensation.

**Ms Hewitt**—I understand that Mr Grant can answer the question.

**Mr Grant**—That is correct; the claim has been lodged with the Department of Finance and Administration, which has forwarded it on to DAFF for assessment.

**Senator O'BRIEN**—Do you know why it was lodged with that department? My assumption was—and this may be wrong—that it was done on the basis of advice from government to the claimant.

**Mr Grant**—My understanding is that the CDDA rules and framework is set up under the department of finance, so all claims are sent through to the department of finance and are then sent through to the department for assessment.

**Senator O'BRIEN**—With respect to the processing of the claim in this department, who is actually assessing the claim?

**Mr Grant**—There is an officer of the department who has been assigned by the minister to assess the claim. He is currently undertaking the assessment but the assessment is not yet final.

**Senator O'BRIEN**—So an officer of the department has the claim. Are they investigating? How are they assessing the claim?

**Mr Grant**—They are investigating, yes. They are investigating the incident; they are assessing the claims made by the company against—

**Mr Pahl**—As an officer who has previously been appointed by the minister to assess a claim or, more importantly, to investigate and decide whether there is any defective administration, you need to step your way through these processes. You decide whether or not defective administration exists and, if you conclude that it does, you then have to decide whether that has resulted in any detriment to the claimant. If you believe that detriment is there, you then need to assess the level of detriment that has occurred in financial terms. Depending on the claim, that can be a very complex bit of work to undertake. You then make your report and, if you assess that there are grounds for a payment, you do so. But all of that needs to be in the context of your decision being a publicly defensible decision. So it is an administrative scheme, but it is quite complex when you undertake one of those investigations.

**Senator O'BRIEN**—Are the details of the assessment—the details of who is assessing the claim, what departmental area it is being assessed in and the time of the process—being communicated to the claimant?

**Mr Pahl**—I do not know about the particular claim you are speaking about but, with other claims I have been involved in, we have tried to keep claimants informed about the progress of the claim. Mr Grant might know more about the Marnic one.

**Mr Grant**—I understand that the original time frame for the assessment of the claim was that it was to be completed by 31 January 2006. Unfortunately, the claim is quite complex, and the minister has approved an extension of the assessment until 28 February 2006.

**Senator O'BRIEN**—Has that been communicated to the claimant?

**Mr Grant**—I will have to take that on notice. I am not aware of what has been told to the claimant.

**Senator O'BRIEN**—Is it able to be affirmed that the assessment process will be independent of the agencies associated with the claim?

**Mr Grant**—Yes. The officer investigating the claim is independent of the area of the department for which the claims have been assessed.

**Senator O'BRIEN**—This was an issue with the Hewitt matters, you might recall. Is communication between the two parties being undertaken by their lawyers?

**Mr Grant**—I am not aware of that. I will have to take it on notice.

**Senator O'BRIEN**—Is the question on FSANZ in the next section?

**Ms Hewitt**—It would depend a bit on the nature of the question and whether it is a food policy matter or related to some of the work that AQIS conducts on behalf of FSANZ at the border, in which case it would be an AQIS matter.

**Senator O'BRIEN**—It is about Minister McGauran's press release about approving new country-of-origin labelling laws. Mr McGauran said that FSANZ had been asked to do further work on extending these labelling laws to packaged product.

**Ms Hewitt**—I would suggest that comes under the Food and Agriculture program.

[9.50 a.m.]

### **Food and Agriculture**

**Senator SIEWERT**—I have questions for the WEA. My first question follows on from the question I asked at the last estimates about any knowledge that WEA had about the Jordanian trucking company. I was told that they had none. Subsequently, a letter was received—just last week—saying that in fact the answer was 'factually incomplete'. Firstly, I would like to know how no became yes and how that became 'factually incomplete' when it was in fact entirely opposite to the answer that I was given. When you admitted in the letter that you had in fact been investigating it in 2004, how could it possibly have slipped your mind when you came in here on 1 November and said that you were not aware, when you had obviously been investigating it?

**Mr Besley**—It is a matter of regret that I gave the answer I gave. The question you could ask is whether I am forgetful or I was improperly briefed. I do not want to speculate on either of those things, but the fact is that at the time I had in my mind advice that there was nothing untoward—I think those were the words I used—about those contracts. When it became clear to me, as we were providing information to the Cole commission, that I ought to revisit some of the documentation, I did so.

To cut a long story short, I then finished up writing a letter to the chairman and discussing it with the minister because, in fact, the information that I did not have in my mind—you could ask why I did not and the answer would be that I just did not have it in my mind—was contained in a report we sent to the minister in about October 2004, which did refer to the Jordanian trucking company. As I said, I regret that, and when I did my forensic examination of documents in the transcript I was a bit aghast at what the situation was and I did my best to correct it in writing that letter to the chair of your committee.

**Senator SIEWERT**—Did you just say that in 2004, in the report that you wrote to the minister, you did refer to the Jordanian trucking company?

**Mr Besley**—Yes, we did in that report.

**Senator SIEWERT**—So did you report—

**Senator ROBERT RAY**—We had better find out which minister.

**Senator SIEWERT**—Yes.

**CHAIR**—I will come to you, Senator Ray.

**Senator ROBERT RAY**—I apologise.

**Senator SIEWERT**—I am presuming it was the minister for agriculture, because that is the minister you report to.

**Mr Besley**—We are required to report each year on the results of our monitoring of the AWB's management of the pool. It was in that annual report of review.

**Senator SIEWERT**—Did you also report on the rumours of kickbacks that you had been investigating?

**Mr Besley**—We became aware of the allegations of kickbacks in the press. So the Wheat Export Authority decided it would make sense to go down and try and get to the bottom of that. As I think I said at the last estimates, that led to an examination of 17 contracts. There was an explanation given to our people. First of all, though, the AWB denied any wrongdoing. They said that, if it seemed that the price of wheat was above the benchmark, one had to recognise that the price that was being mentioned included the cost of getting the grain up country, which was expensive. But they denied any wrongdoing. So our report to the minister recounted this.

Further, in our examination of the affairs of the AWB at that time we looked at their corporate governance charter. Included in their charter is a requirement that any agency payments are required to be approved and then reported. We asked about those agency payments, and my colleagues in the Wheat Export Authority were shown that documentation. There was no record whatsoever of any agency payments to Iraq. So our report to the minister in effect gave AWB a clean bill of health.

**Senator SIEWERT**—Did you go beyond asking AWB whether they had been doing naughty things? Did you go beyond asking the body that you were investigating whether they were in fact paying kickbacks?

**Mr Besley**—We asked them that and they denied any wrongdoing.

**Senator SIEWERT**—You did not seek any further information outside the agency that was reporting?

**Mr Besley**—No, we had—I think I mentioned this last time—built up, I believe, a good working relationship of trust and we trusted them. We did do an investigation to a point where we were able to ask questions and then received assurances.

**Senator SIEWERT**—You asked the agency that you were investigating whether they were doing the right thing. They said yes and you did not go beyond that?

**Mr Besley**—They did not say yes. They said—

**Senator SIEWERT**—They said yes, they were doing the right thing, and you did not go beyond that.

**Mr Besley**—Yes, and remember—I think I said this to you or somebody else last time—that the prices that affect the operational management of the pool are the FOB prices. When there are CIF contracts—and there are some of those, not a lot—they are corrected back to FOB by AWB before the information is passed on to us. We check that. When we get hold of a contract that is in CIF or C and F terms, we look at the freights at the time of that shipment and we are able to work back from that and check that the FOB that they have given us is the right FOB. Our checks show that it is. We concentrate on FOB.

**Senator SIEWERT**—I understand that. You said that you were aware of rumours in 2000 from the 2003-04 media. Can you highlight where you saw that in the media and how you knew about that?

**Mr Besley**—I cannot, but I suspected you might ask that and I was thinking that we ought to dig it out. I think it was the *Age* but I cannot remember; I do not know. It came up at a board meeting. The board said, ‘Get down there and have a look at it.’ We could certainly let you have—and we would have to take this on notice—which newspaper it was and the date.

**Senator SIEWERT**—Was that included in the reporting that you did to the minister?

**Mr Besley**—Yes, it was. We referred to the media reports. We said we became aware of it through media reports, without citing the media which led us to undertake this investigation. So the report to the minister did contain that.

**Senator SIEWERT**—You will get back to us with information on where specifically you became aware of those?

**Mr Besley**—Yes. You would like to know which newspaper triggered our interest. We will find that out.

**Senator SIEWERT**—Yes. I want to be clear that you did include references to your knowledge of the trucking company to the minister.

**Mr Besley**—Our report does refer to the fact that they used a Jordanian trucking company. It does not name it but it refers to it.

**Senator SIEWERT**—I understood all the details you just gave us about FOB requirements, but when you had heard reports about the Jordanian trucking company, despite what you just told me about FOB, were you not concerned that there was knowledge of them

using a Jordanian trucking company? You did not look into that, despite the fact that you had heard about it and no agency had ticked off on it?

**Mr Besley**—As I said, we checked on their register of agency payments and there were none registered for Iraq. We were satisfied that what they told us was correct. We had no reason to disbelieve it. We have no power, in fact, to go investigating what they do once the wheat leaves this country, and they ship it around in the places of its destination. That is a commercial issue for them.

**Senator SIEWERT**—So they obviously had not provided you with the appropriate information that you required for your investigation?

**Mr Besley**—I would like to take that in easy stages. They provided us with the information we needed to do our job, which is how they managed the pool. In response to our inquiry, ‘What’s all this about kickbacks?’ the answer was ‘We’ve done nothing wrong and, to the extent that the prices may seem to be inflated, you need to know that the cost of up-country shipment is quite high.’ The register, as I said, showed no agency payments for Iraq so we went away satisfied.

**Senator SIEWERT**—When you were talking about the corporate code of ethics and code of conduct policy, did you interpret that purely to mean in relation to how the agency meets its requirements in terms of getting agency sign-off. Is that correct?

**Mr Besley**—No. There is a broad corporate code of conduct, which we are aware of, but there is a specific section of their code of conduct about agency payments. In the letter I wrote to your chairman, I talked about that, using the term ‘corporate code of ethics’ as a general heading. The policy under that does include the issue of facilitation or agency payments. We asked to see a record of those because, under their own rules of racing, any facilitation payments are to be approved and then reported. So we asked to see the report of payments made and there was nothing there for Iraq.

**Senator SIEWERT**—So there was nothing there for Iraq?

**Mr Besley**—No.

**Senator SIEWERT**—So despite the fact that you had heard rumours, you were then satisfied?

**Mr Besley**—Yes, because I think the head of steam that is now surrounding this had not quite built to the point where it is.

**Senator SIEWERT**—Weren’t you concerned though that you had heard rumours separately, as I understand it, about that Jordanian trucking company and that you had heard rumours of kickbacks? Wouldn’t that have prompted you?

**Mr Besley**—There is nothing sinister in this. We did our job. We went down there, we looked them in the eye, they came back, looked us in the eye and said: ‘Look, we’ve done no wrong. Here is our code of conduct. Here is our agency facilitation thing.’ We looked at that. What more do you do? We trusted them, and you have to ask the question: were we unwise to do so? I do not know the answer to that. I would reserve my judgment on that until I see what Cole comes out with.

**Senator SIEWERT**—So you had done all that and then came to the estimates inquiry on 1 November and told me that—either it had slipped your mind or you had been improperly briefed and you told me that, no, you had not heard anything to do with a Jordanian trucking company?

**Mr Besley**—Yes. It is a matter of great regret to me that I was not able, for reasons that we do not need to go into now, to give you an answer that I have now corrected in my letter to your chairman. It has never been my intention to mislead—ever—and I am embarrassed by it and I am sorry about it. I am baring my chest. I have nothing more to add.

**Senator SIEWERT**—And did you report this to the minister?

**Mr Besley**—To the minister?

**Senator SIEWERT**—Yes, but you did not report any of this in your growers report to the shareholders and the farming community?

**Mr Besley**—No, we did not. There is always an issue. There are things in that report to the minister, which is a confidential report, and there are two levels of confidentiality I should mention. There is an arrangement we have with AWB that we will not disclose commercial-in-confidence information—and we stick to that. The other level of confidentiality is if we use our compulsory powers to acquire information, which we have only done once. That information is confidential of a kind that it is a criminal offence to break that confidentiality. So you need to know that there are two levels of confidentiality.

**Senator SIEWERT**—I refer to the compulsory powers that you said you have used once. Are those the ones that you used to investigate this?

**Mr Besley**—No.

**Senator SIEWERT**—There are two questions. Why didn't you? Secondly, therefore, if you have not used your compulsory powers why is that information considered confidential?

**Mr Besley**—The answer to your first question is that we did not feel we needed to. We had gone down there, they had opened their books and had shown us what they showed us. They had looked us in the eye and said they had done no wrong—so we did not need to use our compulsory powers. The information is confidential because we have got this arrangement between ourselves and AWB that we treat what they give us as commercial-in-confidence. It is that level of confidentiality that I am speaking of. So there is always an issue about what you put in the growers report compared with what you put in the minister's report, and there is always a difference for that reason.

**Senator SIEWERT**—So anything the AWB tells you you treat as confidential? Is that so?

**Mr Besley**—Not anything, but most things that we get. For example, if we get FOB prices precisely and so on, we do not publish those. We may publish trends. We may publish collective kinds of movements. But those sorts of things are confidential. We try to give the growers a report on how AWB has managed the pool in their interests.

**Senator SIEWERT**—So why didn't you think that this was relevant for the growers to know?

**Mr Besley**—It is a judgment issue. That was regarded by AWB as part of their commercial negotiations and they preferred not to have it go in the growers report. There was no big deal about it, so we did not put it in.

**Senator SIEWERT**—Did the minister come back to you and ask you any questions? Sorry, I will take one step back. You put this in the 2004 performance review—the confidential report that you gave to the minister—on what date?

**Mr Besley**—It went to the minister in October 2004, as I remember.

**Senator SIEWERT**—Did the minister get back to you and ask you any questions about what was in that report concerning this matter?

**Mr Besley**—No.

**Senator SIEWERT**—So it went to the minister and you do not know what happened to it beyond that?

**Mr Besley**—I presume he noted it and had he had issues he wanted clarified he would have no doubt sought clarification. But he did not on this occasion.

**Senator O'BRIEN**—Does the minister ever ask for clarification?

**Mr Besley**—We cannot recall any instance.

**Senator O'BRIEN**—Has there never been a request for clarification, Mr Taylor?

**Mr Besley**—I would like to check that. I have only been sitting in this seat for a little while, though at the moment it seems like a long time. I do not recall it. Now you may say, 'Well, you didn't recall the other thing either'—and do I plead Alzheimer's or what? The report we write is based on a performance monitoring framework which was designed by consultation between us, the Grains Council and AWB and then signed off by the minister. So we report against that framework and I guess the minister is entitled to think that if we report accurately against that framework, which I believe we do, then there is very little need to ask for clarification on any points. You would have to ask him that.

**Senator SIEWERT**—You said you have used your compulsion powers once. In what matter was that?

**Mr Besley**—There was a discussion about what is the base cost of operating the pool. We were unable to get information of a historic kind or subsequently to the establishment of a datum based on historic data. We sought and were given information which enabled us to check that the basic cost of operating the pool was indeed as claimed by AWB.

**Senator SIEWERT**—I would like to go back to the issue of when you were checking the contracts and whether there had been facilitation payments. Did you carry out a full audit of their books? Was that done or did you just check those 17 contracts?

**Mr Besley**—No, we did not carry out a full audit. They gave us a folder with the information on the 17 contracts, but we did not go back beyond that. That is not what we do.

**Senator SIEWERT**—Why not?

**Mr Besley**—As I said before, I have been in business for a number of years and I believe in operating on a basis of trust. Unless and until I find that that trust is misplaced, I take

people at their face value. They did give us a look; they did explain their actions; they did show us their record of agency payments. So I think we were entitled to come away thinking that everything was cleanskin.

**Senator SIEWERT**—But if your role involves a responsibility for monitoring the performance of the AWB, surely you have to go beyond trusting what an organisation gets back and tells you.

**Mr Besley**—Let me clarify our role. Our role is to monitor—monitor, not regulate—the performance of the AWB as the manager of the pool in the interests of growers. It is not our role to get into their commercial operations or the way they run their business or, indeed, how they operate as a board. That is a matter for them, their directors, ASIC, ASX and all of that. That is not where our role lies at all.

**Senator SIEWERT**—In your letter to the chair—we talked about it just then—you made the comment that you reviewed their compliance with their corporate code of ethics and code of conduct policy.

**Mr Besley**—They showed us that because we were down there on a specific inquiry which had been triggered by our reading of media reports. They said, ‘We’ve done no wrong, let’s demonstrate that we haven’t and here are the things you can look at’—the essence of the contracts and their facilitation payments record.

**Senator SIEWERT**—In answer to a question that Senator Milne asked at the last estimates you made a comment about an out-of-performance bonus payment. What is an out-of-performance bonus payment?

**Mr Besley**—The remuneration arrangement has two elements to it. One is a fixed base cost. And then if there is a performance above a set benchmark, AWB can earn extra payments for beating that benchmark. It is similar to corporations where sometimes bonuses to executives are linked to the performance. As I understand it, these days they are usually linked to the performance of the company in relation to the performance of its peers. That is called an OPI. It is an out-performance incentive.

**Senator MILNE**—Can I follow up on that, since that was my question. You are suggesting that, at that time, you oversaw an out-performance bonus for the Wheat Board?

**Mr Besley**—At which time?

**Senator SIEWERT**—2002-03.

**Mr Besley**—There is quite often an out-performance payment incentive made, and it is only made when the benchmark set is bettered.

**Senator MILNE**—What sort of benchmark is set to warrant the Wheat Board getting this out-performance bonus at that time? What performance criteria do you judge against?

**Mr Besley**—We do not do that. That is a commercial arrangement between AWBI and AWBL. We are aware of it, and we report on it so that it is transparent to the growers; but it is not something that we are involved in the negotiation of.

**Senator MILNE**—Those two companies are virtually the same, as I understand it. But, either way, you are overseeing that. You were reporting on that bonus. Did it ever occur to you

to question that bonus? It is extraordinary now to see that the AWB was getting an out-performance bonus at the time when it would appear that it was undermining all appropriate governance arrangements and going against everything that had been agreed with the UN?

**Mr Besley**—I think they are in a sense separable. The OPI is based on, as I said, benchmarks. If the benchmarks are bettered, then AWBL, which provides the services to AWBI, is entitled to an out-performance bonus.

**Senator MILNE**—So you never questioned what they did to achieve this performance level such as would lead to their bonus?

**Mr Besley**—All we are aware of are the facts that they have beaten the benchmark and, therefore, are entitled to an OPI.

**Senator O'BRIEN**—Can I get a clarification on what date you communicated with Minister Truss regarding your 2004 report, as required under the statute?

**Mr Besley**—We sent the report to him, as I recall it, in October 2004.

**Senator O'BRIEN**—Do you know the date?

**Mr Besley**—No. We could get that for you.

**Senator O'BRIEN**—Okay. Was there some preliminary communication? Did you put it in an envelope and send it or hand-deliver it? Did it go through the department? How did it get there?

**Mr Besley**—I do not believe that it went through the department. It was hand-delivered.

**Senator O'BRIEN**—So it was hand-delivered to the minister's office?

**Mr Besley**—Yes.

**Senator O'BRIEN**—Presumably you did not see it after it landed on the secretary's desk?

**Mr Besley**—No.

**Senator O'BRIEN**—Yesterday, Mr Vaile made a statement that the Wheat Export Authority was provided with a copy of the report prepared by the United States Defense Contract Audit Agency on its investigation of contracts awarded under the oil for food program. In response to a question as to whether or not the government had seen this report, Mr Vaile said that it was addressed by the Wheat Export Authority. Who provided that document to the Wheat Export Authority and when was the report provided to the Wheat Export Authority?

**Mr Besley**—I do not recall it, and that has been confirmed by colleague Glen Taylor. We know of the report but we have never had a copy of it.

**Senator O'BRIEN**—You have never been given a copy by anyone?

**Mr Besley**—I do not believe so.

**Senator O'BRIEN**—You have never heard of the report?

**Mr Besley**—Yes, we know of it.

**Senator O'BRIEN**—When did you know of it?

**Mr Besley**—I think only, again, in the press. Obviously we do a lot—as you would expect us to—checking on the tide of comment when things appear in the press.

**Senator O'BRIEN**—According to a media statement from the minister, the Wheat Export Authority commenced an investigation into allegations of kickbacks paid by the AWB in February 2004. Is that correct?

**Mr Besley**—Yes, that is when we were alerted to it. We got some information and looked at it and needed more information. In fact, at one point in that series of ongoing investigations we met with the board of AWB and said: 'We need more information. We want to get to the bottom of this stuff that's in the media.' It was agreed at that joint board meeting that our people should go down and look at the documentation, which they did.

**Senator O'BRIEN**—Which board meeting?

**Mr Besley**—This was a joint meeting between us and the AWB. We do that periodically.

**Senator O'BRIEN**—It was a joint meeting of your board and the AWB board?

**Mr Besley**—AWBI.

**Senator O'BRIEN**—So the board of AWBI and the board of the Wheat Export Authority sat together and discussed your investigation?

**Mr Besley**—Amongst other things. We have regular joint board meetings, which makes sense, to resolve issues that need to be resolved which in no way impedes us in doing our statutory duty under the act. But we used that board meeting to say, 'Look, guys, we need to know a bit more about this,' and it was agreed: 'Yes, you can come and have a look at our documentation.' That is what happened.

**Senator O'BRIEN**—You had statutory powers to look at the documentation.

**Mr Besley**—We could have demanded it.

**Senator O'BRIEN**—Absolute statutory powers.

**Mr Besley**—Yes. They are fairly specific, but I think we could have used them then.

**Senator O'BRIEN**—Going back to when you made the decision to commence the investigation into the alleged kickbacks, I understand that the Wheat Export Authority advised the minister's office and the department that you were commencing this investigation. Is that right?

**Mr Besley**—I guess that is right.

**Senator O'BRIEN**—Who from the Wheat Export Authority had that responsibility? Was it you or was it Mr Taylor?

**Mr Besley**—It was not me. Glen is just telling me that he does not recall that either. I think it would be better to look at that forensically—

**Senator O'BRIEN**—Haven't you looked at it forensically, with the Cole inquiry going on? Hasn't the Wheat Export Authority staff been forensically looking at what you did, when you did it and why you did it?

**Mr Besley**—We have, but you are asking a specific question which I cannot answer at the moment. Therefore, I would like to take it on notice. I do not think I should speculate.

**Senator O'BRIEN**—I do not want you to speculate. I am just asking you, in the context of your inability to answer, whether you have looked at these things?

**Mr Besley**—Yes, we do.

**Senator O'BRIEN**—It wasn't you or Mr Taylor who advised the minister's office or the department?

**Mr Besley**—It wasn't me.

**Senator O'BRIEN**—You might both know that of your own knowledge.

**Mr Taylor**—I do not recall any such advice, but we will take that on notice.

**Senator O'BRIEN**—Can you let us know who did the contacting and who in the minister's office was contacted?

**Senator Abetz**—If there was contact, who made the contact. They are not at this stage accepting that contact was actually made, so let us just get that clear for the record.

**Senator O'BRIEN**—Going to Minister McGauran's media statement in February 2004, he said:

In February 2004 the WEA—

that is, the Wheat Export Authority—

Board, aware of media reports of allegations of kickbacks regarding Australia's wheat trade with Iraq resolved to look into the matter. There was liaison with AWB Limited, information was sought and provided ...

**Senator Abetz**—That does not establish the assertion that you were seeking to make, albeit that may be proven to be correct. But it has been taken on notice, and we will deal with it on the basis of 'if' and we will follow it up from there.

**Senator O'BRIEN**—Going back to the joint board meeting with the AWB International board and the Wheat Export Authority board, which was apparently a common occurrence—

**Mr Besley**—When you say 'common', we do it two or three times a year.

**Senator O'BRIEN**—So it has been going on since the establishment of the Wheat Export Authority.

**Mr Besley**—No, it is relatively new. You may recall that the panel which looked at the wheat industry said we ought to be developing a more mature relationship between the two bodies, we ought to be strategic, top-down and so on. We believe that the idea of getting together two or three times a year at most is a sensible way of helping to resolve things that need to be resolved. It has become more regular recently. We probably do it three times a year now.

**Senator O'BRIEN**—Was it happening before 2004?

**Mr Besley**—Yes, it was.

**Senator O'BRIEN**—But it was not happening in 2001-02?

**Mr Besley**—I cannot say; I was not around at that stage.

**Senator O'BRIEN**—Perhaps you could let us know on notice, thank you. Just going back to the United States Defense Contract Audit Agency, you say that you have never seen the report which I referred to earlier. Mr Vaile said on 13 February that that report was addressed by the Wheat Export Authority when they did the review of those contracts that were conducted by AWB. Are you saying you have never seen this report?

**Mr Besley**—I am saying I have never seen it. Mr Taylor tells me he has not seen it. I think we should take it on notice. As I said, we were aware of it because it was mentioned in the media.

**Senator FAULKNER**—When Mr Vaile made this claim in the House of Representatives, is it standard practice for someone at the Wheat Export Authority when your organisation is being mentioned in parliament to take note of that and check whether statements being made by a minister are accurate? What is the process in WEA in relation to that? This has been mentioned by a minister in parliament. There are a couple of occasions where it appears your name has been taken in vain. Is there any checking of this?

**Mr Besley**—I do not believe there is anything sinister at all. I think we should have a look at that on notice.

**Senator FAULKNER**—I am not asking whether it is sinister. I am asking you whether the Wheat Export Authority has a process of checking when its name is mentioned in parliament. It appears to me, on the evidence I have heard so far this morning, that on two occasions Mr Vaile may well have misled the parliament. Things will need to be clarified, but it sounds to me like there is a serious case here of a mislead. But my question is a process one: when the Wheat Export Authority is mentioned in parliament what happens? What do you do? Do you check it up? Do you make sure that any statements made about the authority are accurate? Is that standard operating procedure?

**CHAIR**—Or do you just do what I do and say, 'Oh, shit!'

**Mr Besley**—It is a small organisation but I understand that the secretariat does its best to keep abreast of those kinds of things and check up on them. Obviously it did not check up on that one.

**Senator FAULKNER**—It did not check up on that one. What about Mr Vaile yesterday in the House of Representatives—did anyone check up on that?

**Mr Besley**—No.

**Senator FAULKNER**—No checking.

**Senator O'BRIEN**—Mr Besley, after the joint meeting of the two boards, yours and AWB International's, you sought information from AWB International and that was provided—they gave you a file of documents. Was that the subject of a formal written request or something that was discussed at that board meeting?

**Mr Besley**—We had been seeking information before the joint board meeting and we did not believe we had the information we needed to satisfy ourselves whether or not the press

reports had any substance. So at the board meeting we said: 'Look, there is an issue here. We need to come down—

**Senator O'BRIEN**—Can we go back to the original request for information: what sort of request was it? Was it a written request, an email or a telephone call?

**Mr Besley**—I cannot answer who asked what. The point was, to get to the bottom of it, it was raised at this board meeting—

**Senator O'BRIEN**—Hang on—we will get to the bottom of it; I just want to do this with some certainty. In your checking of all these documents, in all of the scrutiny that is going on in this matter, you cannot tell me in what form you requested information from AWB International or AWB Ltd?

**Mr Besley**—I cannot, but I could get that information for you—unless Mr Taylor can.

**Mr Taylor**—I believe that the request for that material was included in what we call an information requirement schedule, which is prepared annually by the Wheat Export Authority. I would like to confirm that, if I might take that on notice.

**Senator O'BRIEN**—Okay. So does that mean that you did not actually make a special request for the information about this matter; it was just part of your normal request for information?

**Mr Besley**—At the board meeting it was a specific request.

**Senator O'BRIEN**—But before that? I am trying to segment the process so that we can understand it.

**Mr Besley**—You will have to look at the answer that Mr Taylor has just said he would get on notice.

**Senator O'BRIEN**—When you made the request did you request particular documents?

**Mr Taylor**—I believe so, but I will also take that on notice.

**Senator O'BRIEN**—Can we have a copy of that request?

**Mr Taylor**—If we have no reason to not provide it, I believe we should be able to do so, yes.

**Senator O'BRIEN**—Thank you. Did AWB actually provide you with complete files on those 17 contracts or just a series of documents as requested?

**Mr Besley**—The person who examined the documents has retired, but we have his file note. As I understand it, he was given a folder in which the essential elements of the contracts were presented. Based on what he saw, we wrote what we did write in our PMR report to the minister which was delivered to him in October 2004.

**Senator Abetz**—Senator O'Brien, you asked whether the file was complete.

**Senator O'BRIEN**—No, complete files on the contracts.

**Senator Abetz**—I do not know that, but one would assume that that is the sort of the detail that the Cole inquiry is going to be determining—whether or not the AWB provided a

complete file to the WEA or whether certain documents were missing from those files. They are the sort of matters that I think, with respect, are best left for the inquiry.

**Senator FAULKNER**—With respect, Minister, I have just heard evidence from Mr Besley in answer to Senator O'Brien's question indicating that 'essential elements' of the contracts were provided in a folder. Quite clearly, the committee would like to know what that means. What are the essential elements? So let's not talk about a complete record. What do you understand 'essential elements' to mean?

**Senator Abetz**—I am sorry, that was the question and that is what I was commenting on. I was not commenting on Mr Besley's answer; I was commenting on Senator O'Brien's question. I accept your intervention to try to get the pressure off Senator O'Brien, but that is a completely different issue.

**Senator FAULKNER**—I am sorry, it is not. It is in response to Senator O'Brien's question to Mr Besley—

**Senator Abetz**—Was it a complete file or not? The Cole inquiry will undoubtedly determine that at the end of the day.

**Senator FAULKNER**—My question to Mr Besley—

**Senator Abetz**—Whether it included essential elements is a different question.

**Senator FAULKNER**—The evidence given to this committee is that the file contained essential elements.

**Senator Abetz**—You can provide essential elements without providing a complete file. That is logically obvious.

**Senator FAULKNER**—Let us ask Mr Besley, shall we, what 'essential elements' means.

**Mr Besley**—I assume—when I used that phrase it was not a legal term of art that I was trying to use. I believe that there was enough information in there for our inquiring officer to be satisfied that he knew enough about the contracts to conclude something about them.

**Senator FAULKNER**—I always worry, Mr Besley, when I hear the words 'I assume'. Please assume nothing. Please just answer my question.

**Mr Besley**—I cannot answer your question.

**Senator FAULKNER**—I am sorry, I do not want assumptions. I am not being unfair. You would appreciate this is a committee of the parliament—

**Mr Besley**—I do.

**Senator FAULKNER**—and the committee requires not assumptions or presumptions but evidence. You used the term 'essential elements'. I am asking you what you meant by that terminology—'essential elements of the contracts'.

**Senator Abetz**—And he is telling you on what basis—

**CHAIR**—With great respect, as Eddie McGuire would say, 'We'll come back after the break.'

**Proceedings suspended from 10.30 am to 10.46 am**

**Ms Hewitt**—When Senator Ray asked earlier whether we had issued in the department any instructions to officers about how to handle their appearance before the committee today, I said no, that we had some oral discussion in preparation as a normal roundtable sharing of views about issues likely to arise and on which officers need to be prepared. I had not recalled that there was a brief written instruction in some of our papers for colleagues indicating that, as the Cole commission inquiry is continuing, it would not be appropriate for officers of the department to provide public comment. I wanted to be absolutely correct about that. I had forgotten that there was a brief line of guidance to staff in some written material.

**Senator ROBERT RAY**—Let us call a spade a spade: you got it wrong. You have corrected the record, which I very much appreciate. But every time one piece of information is given wrongly it may debar another couple of questions. If I may, Chair, I will just ask when that was issued, because that would have been my next question.

**Ms Hewitt**—I think it was probably two days ago or something like that.

**Senator ROBERT RAY**—Two days ago was Sunday, so I want you to think about that.

**Ms Hewitt**—Monday, yes. I am going to take advice from my colleague on when the written instruction would have been issued to colleagues. It was finalised towards the end of last week.

**Senator ROBERT RAY**—Towards the end of last week it went out?

**Ms Hewitt**—Yes. And could I add a further word in relation to your question about the department's preparation of materials for forwarding to the relevant authorities—in our case, through DFAT to the Cole commission. We have continued to look for information that may be relevant as the inquiry has proceeded, so our collection of information is not fully complete and we are at the moment also looking at our email record. I am not suggesting that there will be more evidence, but I wanted to let you know that that process, while it is being undertaken, is in a sense continuing.

**Senator FAULKNER**—That process originally kicked off as a result of—

**Ms Hewitt**—Of a request.

**Senator FAULKNER**—a request from the Prime Minister in this instance, was it?

**Ms Hewitt**—I think it was a written request to me from my counterpart at DFAT, as I recall. That is my recollection. If that is not correct, could I come back to you in writing on that?

**Senator FAULKNER**—You understand that to be at least in part as a result of a need for DFAT to respond to a subpoena that was issued from the Cole royal commission?

**Ms Hewitt**—I understand so. But as the process has continued, just as a matter of good public policy practice, we have continued to make sure we are aware of anything that may be relevant to the process as it continues.

**Senator O'BRIEN**—Mr Besley, was the file with the essential elements of the contracts received before or after the joint meeting of the Wheat Export Authority?

**Mr Besley**—It was provided in the offices of AWBI after that meeting.

**Senator O'BRIEN**—It was provided in the offices?

**Mr Besley**—Yes.

**Senator O'BRIEN**—Who was it provided to?

**Mr Besley**—To an officer of the Wheat Export Authority.

**Senator O'BRIEN**—Was it a file that they could take away?

**Mr Besley**—No. It was looked at there and noted and then left.

**Senator O'BRIEN**—So the officer left without any documentary evidence to support the findings of the Wheat Export Authority?

**Mr Besley**—Only his own notes. He promptly wrote a note for file, which was the basis of what we put in our report to the minister.

**Senator O'BRIEN**—Do you know when that was?

**Mr Besley**—It was in August 2004.

**Senator O'BRIEN**—So from the commencement of the investigation in February, it took until August for AWB to supply this material?

**Mr Besley**—We got some material, but we did not believe we had enough. We kept chasing it and got what we decided was enough.

**Senator O'BRIEN**—When did you first get information? Was it just a trickle or did you get a bundle of information upon making the first request?

**Mr Besley**—I think I would have to take that on notice rather than speculate, just as I think I need to take on notice what I said in a sort of throwaway line about the 'essential elements'. We look at contracts as required in order to check on the information they provide us with on an FOB basis so we can do our job. But this was a larger look than that. Rather than speculate, it would be much better if I was to take on notice what was in the file.

**Senator ROBERT RAY**—But your colleague, Mr Taylor—

**ACTING CHAIR**—Just a moment, Senator Ray, I do not think Mr Besley had finished his answer.

**Senator ROBERT RAY**—I am sorry.

**Mr Besley**—We could take on notice a request to provide specifically the information that was in that file that we saw. I cannot tell you what it was; I was not there. But a responsible officer went down, looked at it and wrote a note to file which was the basis of our inclusion of the statement about it in the report to the minister.

**ACTING CHAIR**—Senator Ray, do you want to make a comment?

**Senator ROBERT RAY**—I would like to assist Senator O'Brien with one question. If you do not know, Mr Besley, does Mr Taylor know? Whilst you are the head of the organisation you cannot be expected to know everything. I am asking a full-timer now what he knows about it.

**Mr Besley**—About the—

**Senator ROBERT RAY**—The question that Senator O'Brien asked.

**Mr Taylor**—The chairman's response is consistent with my knowledge of it. There was a file that was provided to the Wheat Export Authority on the premises of AWB International. That file contained 17 contracts. There was subsequently a file note that was made by the senior officer within the Wheat Export Authority. That file note records what was viewed in those documents. From a WEA point of view, the essential component of the content of that file note is that we were there to check that the information had been provided to the Wheat Export Authority previously—in particular, FOB data—was consistent with what was in that file provided to WEA.

**Senator ROBERT RAY**—Thank you, that is helpful.

**Senator FAULKNER**—Could a copy of that file note be made available to the committee, please?

**Mr Besley**—The Cole inquiry has that document, but there is no reason why we could not provide it.

**Senator FAULKNER**—Eventually, as you know, the Cole inquiry lodges its documentation on its web site.

**Mr Besley**—I am reminded that it is an ingredient of a confidential report to the minister. We would need to be sure that he was happy for us to provide that document. But the Cole inquiry does have it.

**ACTING CHAIR**—Perhaps you could take that question on notice and come back a little later during your evidence and clarify it. Senator O'Brien, are you continuing?

**Senator O'BRIEN**—I am. In August, you got this file which had the 17 contracts in it—that is what you said, Mr Taylor?

**Mr Taylor**—Yes, it is my understanding that there were 17 contracts in a file that was provided from WEA.

**Senator O'BRIEN**—So that was what was in this file of the essential elements of the contracts—it was actually the contracts?

**Mr Taylor**—I do not know whether they were complete contracts. All we know is that there was a request from the Wheat Export Authority to view Iraq contracts and that there were 17 contracts. As to their completeness or otherwise I cannot respond to that, because I was not the party who did that assessment.

**Senator O'BRIEN**—Prior to that time you had been given some documents, which were AWB International's explanation of the contracts but not the primary documents?

**Mr Taylor**—Data had been provided to the Wheat Export Authority about wheat sales to Iraq.

**Senator O'BRIEN**—But not the primary documents?

**Mr Taylor**—Not the primary documents.

**Senator O'BRIEN**—In August an officer from the Wheat Export Authority attended the premises of AWB International—

**Mr Taylor**—Correct.

**Senator O'BRIEN**—or AWB Ltd—

**Mr Taylor**—It is AWB International which the WEA deals with.

**Senator O'BRIEN**—That officer was given a file which contained either the 17 contracts in their entirety or parts of them.

**Mr Taylor**—Correct.

**Senator O'BRIEN**—But you are not sure which?

**Mr Taylor**—I do not know the actual content of those contracts—whether they were complete or not.

**Mr Besley**—We should take that on notice and provide answers to you, because neither Mr Taylor nor I were there. So, rather than try and speculate, I think it would be better if we did that.

**Senator O'BRIEN**—Thank you. This is in August. What was the next interface with AWB International? After the attendance of that officer and their bringing the material back to your premises, was there a further interchange between the Wheat Export Authority and AWB International about this matter?

**Mr Besley**—No. As I said, we came away being satisfied with what we had been told, and there was nothing untoward at our meeting here last November.

**Senator O'BRIEN**—So that was all that the Wheat Export Authority saw before it reported to the minister?

**Mr Besley**—Yes. And we reported that in our PMR report to the minister, which I said went to him in October 2004.

**Senator O'BRIEN**—Was it just a report or was there a covering letter with it?

**Mr Besley**—I think there was a covering letter saying, 'Here's our PMR report.' It did not say, 'And we invite your attention particularly to X, Y or Z.'

**ACTING CHAIR**—Some of these questions go to an amazing amount of detail.

**Senator O'BRIEN**—They do.

**ACTING CHAIR**—I think the officers at the table may need to take some of them on notice to get the recall that you are requiring.

**Senator O'BRIEN**—They are doing that where they need to. But thank you for your assistance, Madam Acting Chair. I am concerned with your answers in this regard: on 9 February, the minister, Peter McGauran, in a press release said:

The facts are quite clear. In February 2004 the WEA Board, aware of media reports of allegations of kickbacks regarding Australia's wheat trade with Iraq resolved to look into the matter. There was liaison with AWB Limited, information was sought and provided and further details clarified.

That is on all fours with what you have said so far. He then went on to say:

Staff from the WEA subsequently attended the AWB offices and examined various records, contracts, certification of export details and authorization letters from the UN and verified that the details were consistent with information and data previously obtained by the WEA.

When the minister made his media statement, he apparently thought you saw, or your officers saw, a whole lot more information. How does the minister come to that view? Has the Wheat Export Authority given material to Minister McGauran in relation to this exercise?

**Mr Besley**—He would have seen the report. The report to the minister talked about the UN contracts and the certification. As I understand the system—

**Senator O'BRIEN**—You have read the report to the minister recently, have you?

**Mr Besley**—I have seen the extract that is the issue that is before us at the moment.

**Senator O'BRIEN**—Have you read the report recently?

**Mr Besley**—Not the whole report, no.

**Senator O'BRIEN**—You have read the part that relates to the Iraq contract?

**Mr Besley**—Yes.

**Senator O'BRIEN**—He is saying that your officer did not just get some data or just see contracts or extracts of contracts. He is saying that they attended the premises, that they examined various records, contracts, the certification of export details and the authorisation letters from the UN and that they verified that the details were consistent with the information and data previously provided.

**Mr Besley**—That is all in the report to the minister. That is nothing new.

**Senator O'BRIEN**—It is new in terms of the evidence you gave us earlier this morning, you see, because you talked only about this file containing contracts or extracts of contracts.

**Mr Besley**—With respect, I did not say that was all they got. I said the whole thing is disclosed in the report to the minister.

**Senator O'BRIEN**—You did say that is all they got.

**Mr Besley**—No, I did not say that at all.

**Senator Abetz**—Can I suggest this evidence be left off on the basis of, at best, a misunderstanding between Senator O'Brien and Mr Besley instead of descending into who said what, when and how, when the record will disclose it. If Senator O'Brien misunderstood or Mr Beazley misunderstood, so be it. I think the fact that it is out there in the media release from 8 or 9 February speaks for itself.

**Senator O'BRIEN**—It does speak for itself, thank you for that. Mr Besley, if the minister was of the view that your officer looked at various records, contracts, certification of export details and authorisation letters from the UN, were you not aware of this?

**Mr Besley**—Yes, I was, but I did not think it was relevant to the issue you were asking me about. You were asking me about the contracts.

**Senator O'BRIEN**—We were asking—I was not the only one—what was in this document which you described as essential elements of contracts.

**Mr Besley**—There appears to have been a misunderstanding. I thought you were talking about the contracts, and we were talking about essential elements. Senator Faulkner asked me what I meant by that and I have suggested that we put this on notice so that we can be clear that there is no debate about what essential elements mean. But in fact the document that went to the minister did have the information in it upon which Minister McGauran based his press release three or four days ago. That is not new information. It was in that PMR—performance monitoring report—that went to the minister in October 2004.

**Senator O'BRIEN**—So are you saying that, if indeed you said that all that was in the file was contracts, your answer was incomplete?

**Mr Besley**—If I said that, I did not intend to say that that was exclusively all he saw. If I have given you that impression, I apologise, because part of the deal was to understand the contract. There were two or three reasons. As I said before, let us get the thing on the *Notice Paper* and we can be quite specific about what was in there and what was the basis of what we said to the minister in the PMR.

**Senator O'BRIEN**—How long will you take to get the matter on the *Notice Paper* given that your letter to the chairman, which I will not deal with, took three months to arrive after your evidence on 1 November?

**Mr Besley**—That is me being remiss. Questions on notice go through a process over which I do not personally have control. I cannot answer that question.

**Senator O'BRIEN**—In your letter to the committee, you stated that you became aware in mid-2004 that AWB had engaged a Jordanian trucking company as part of these contracts. How did the Wheat Export Authority establish that to be the case?

**Mr Besley**—I have said before that we saw press reports that appear to have been based on that report from the UN or Defence—

**ACTING CHAIR**—I think you mean the Volcker report.

**Mr Besley**—No, the Defence report. That has been our only engagement with that report. We then said, 'We ought to look into this.' So that is what we did.

**Senator O'BRIEN**—I am still asking the question: how did you become aware that the AWB had engaged a Jordanian trucking company?

**Mr Besley**—From the AWB when our man went down there to look at the material—not just contracts. We had earlier had information about a Jordanian trucking company in May.

**Senator ROBERT RAY**—Where from?

**Mr Besley**—From AWB.

**Senator O'BRIEN**—So, in May 2004, in the material that the Wheat Export Authority had received, which you earlier described as data, was there information about a Jordanian trucking company?

**Mr Besley**—There was. I cannot tell you what form it was in. If you would like to find out what it is, I suggest we take that on notice as well. I do not want to guess about anything but I have just been reminded by Glen that there was an earlier reference to the Jordanian trucking company.

**Senator FAULKNER**—Would you mind, Senator O’Brien, if I interrupt you to check: in your letter relating to the issue of evidence at the additional estimates hearings on 1 November 2005, Mr Besley, you said:

The WEA was made aware in mid 2004 from material in its possession that AWB(I) was supplying wheat into Iraq under an arrangement that included over land transport by a Jordanian trucking company.

My question is: are we now talking about the same instances? It is the same instance?

**Mr Besley**—It may have been mid—

**Senator ROBERT RAY**—May or August—one of the two dates.

**Mr Besley**—Let us not be too precise about what the middle is.

**Senator FAULKNER**—You have written a letter dated 7 February 2006 indicating that the WEA ‘was made aware in mid 2004 from material in its possession that AWB’ et cetera. Given this is a very recent letter, are you able to say what the material in the possession of WEA was?

**Mr Besley**—Not here and now, but I can get it for you. That is the information that we were talking about with Senator O’Brien.

**Senator FAULKNER**—Yes, but I assume that in writing such a letter, indicating that you needed to correct the record for evidence given at a previous estimates hearing, you would have nailed this down pretty solidly a week or so ago, when you wrote the letter. I am surprised, given how contemporaneous these issues are, that you would not be able to give us more detail about the material in possession of WEA.

**Mr Besley**—There was, as I recall, a short brief from AWB(I) about their dealings with Iraq.

**Senator FAULKNER**—You recall a short brief?

**Mr Besley**—There was, as I recall, yes.

**Senator Abetz**—He has indicated that he wants to take it on notice and is trawling through his memory. The point you make is an appropriate one, but he has asked that it be taken on notice.

**Senator FAULKNER**—He did not actually ask that it be taken on notice.

**Senator Abetz**—He did.

**Senator FAULKNER**—I have just heard Mr Besley say that he recalls a short brief. But the point I am making—

**Senator Abetz**—He thinks he recalls.

**Mr Besley**—There was, as I recall, yes.

**ACTING CHAIR**—Senator Faulkner, he actually did say he would like to take the question on notice—

**Mr Besley**—I did.

**ACTING CHAIR**—so perhaps we can move on from that.

**Senator ROBERT RAY**—We had better get it very clear what the question is, Temporary Acting Chair.

**ACTING CHAIR**—I think I understand the question.

**Senator ROBERT RAY**—Note I do not say ‘deputy chair’ but ‘temporary acting chair’, because we have the deputy chair here.

**ACTING CHAIR**—Yes, thank you, Senator Ray.

**Senator ROBERT RAY**—Essentially, the WEA hears about this in both May and August. That is true?

**Mr Besley**—Yes, correct.

**Senator ROBERT RAY**—But there is also reference to documents within your possession which I imagine must exclude May and must relate to either August or October.

**Mr Besley**—October 2003?

**Senator ROBERT RAY**—2004.

**Mr Besley**—That was our report to the minister—the performance monitoring—

**Senator ROBERT RAY**—No, here in your letter, not the letter to the minister, you talk about material within your possession.

**Mr Besley**—Yes.

**Senator ROBERT RAY**—What is that? That is what I am trying to get to. If you need to take that on notice then we will get to that point.

**Senator Abetz**—Yes, that is what he was—

**Senator ROBERT RAY**—No, we have not got there.

**Senator Abetz**—That was the point.

**Senator FAULKNER**—No, my point is completely different. I will get to that in a moment. Are you going to answer Senator Ray’s question?

**Senator Abetz**—We do not know the point you are about to make, and I accept that—

**Senator FAULKNER**—It is not a point. These are questions.

**Senator Abetz**—but the point is about to be made some time down the track. We accept that. The specific question was how or in what way this information was made available, and that is what Mr Besley wanted to take on notice.

**Senator ROBERT RAY**—No, the question is double barrelled. What material did you have in your possession in 2004? That is a pretty tough question to go back and try to remember, but the fact that you make reference to it on 6 February 2006 means there must have been some research or some spark of knowledge.

**Senator FAULKNER**—Exactly.

**Senator ROBERT RAY**—It cannot have been forgotten from then until today. There is a reference in a letter of 10 days ago. We just want to know what that reference is.

**Senator Abetz**—When certain people have potentially gone through—I do not know—a lot of documents during this process, the fact that they do not have immediate recall as to the exact nature of a particular document that reference is made to is not that surprising.

**Senator ROBERT RAY**—If you had signed off a letter 10 days ago that made reference to this, I would imagine that you would not have forgotten it in the meantime. That is what we are asking. There may be a different explanation. Let us hear it from the witness.

**Senator Abetz**—He has taken it on notice.

**Senator ROBERT RAY**—I find it unbelievable that you could write something 10 days ago and forget it by now. Taking questions on notice is not a device through which to avoid questions.

**CHAIR**—Thank you, Senator Ray. He is entitled to take questions on notice.

**Senator ROBERT RAY**—No, he is not. I challenge that. He is entitled to take questions on notice for two reasons. The first is that he does not know the information and has to go and get it. The second is that he wants more time to consider the appropriateness of providing it. You are not entitled to do it because you do not want to provide it at the time.

**CHAIR**—He is also entitled to do it because he wants to make a complete answer.

**Senator O'BRIEN**—He can add to his answer on notice.

**Senator FAULKNER**—Can I follow up my question now, Chair?

**CHAIR**—You can do whatever you like.

**Senator FAULKNER**—I do not want to do whatever I like; I just want to follow up my question, which relates to the letter that Mr Besley sent. We have established that the material of mid-2004—the material in the possession of the Wheat Export Authority—is the material that was also referred to as being from May 2004. We have established that we are talking about one and the same matter. That is correct, isn't it?

**Mr Besley**—That is correct.

**Senator FAULKNER**—My question is: having written to the committee about this, literally a week ago today, did you check the accuracy of this statement and check the material before you wrote in these terms to this committee? You have made the statement that WEA was made aware of a certain fact in mid-2004 by material in its possession. Did you check that before you wrote this in a letter to this committee correcting evidence you gave before this committee?

**Mr Besley**—Do you mean did I check what it was or whether we had it or both?

**Senator FAULKNER**—Both. I am concerned about the accuracy of the statement given. I am just following the evidence here and listening to what you are saying. But given that you have said something quite clear about the WEA's role in mid-2004, in a letter to this committee—and I think I am a participating member of the committee; I hope I am, or actually I hope I am not, because I get far too much material as it is—I want to know whether you checked the material before you made the statement to the committee. You would not just write a sentence like this in a letter correcting the record, would you?

**Mr Besley**—No.

**Senator FAULKNER**—So you did check that that was accurate—that the WEA was made aware in mid-2004 from material in its possession. You did check the accuracy.

**Mr Besley**—I was satisfied that that was correct before I signed the letter, yes.

**Senator FAULKNER**—So when did you satisfy yourself—a week ago, just before you wrote the letter, or a little earlier? When?

**Mr Besley**—As I said to you before, I am concerned that I appear to have misled this committee and I apologise for that. I was not aware at the time that I had, and I explained that. Was it because I was not briefed or what? I do not know the answer to that, frankly. But, having gone through the records, as I say in this letter I thought it was appropriate to write a letter saying, ‘Look, that was not the whole story; here it is.’ In 2004, a number of things happened. We did get an early brief from the AWB about them trading with a Jordanian trucking company. We then sent this man down following a series of circumstances which I have already described. So we had two bits of information—one in May and the other one in August—which led to us writing what we wrote in the report to the minister.

**Senator FAULKNER**—You said you had gone through the records to satisfy yourself. When did you go through the records in order for you to write the letter?

**Mr Besley**—There was a lot of discussion about this whole issue at the time I thought I ought to write such a letter. I talked to Glen and his troops and I talked to the department, then wrote the letter.

**Senator FAULKNER**—I am asking you when you went through the records; that is all.

**Mr Besley**—It would have been just in the week before I wrote the letter.

**Senator FAULKNER**—So, if that was the circumstance, given that you have just gone through the records in the last fortnight, why aren’t you able to say to us what the material in the possession of the Wheat Export Authority was that enabled you to make this statement?

**Mr Besley**—I told you it was a brief from AWB(I). You apparently did not hear me, Senator.

**Senator FAULKNER**—I did hear.

**Mr Besley**—Well, that is what I said it was.

**Senator O’BRIEN**—If I could deal with that matter that you just raised: you said you talked to ‘Glen’—Mr Taylor—‘and the troops’. Do you mean by that other employees of the Wheat Export Authority or board members?

**Mr Besley**—Not board members. The board members are aware of the letter I have sent, but I did not speak to them about it.

**Senator FAULKNER**—And members of the department, you said.

**Mr Besley**—Yes.

**CHAIR**—Could I just raise a matter here?

**Senator O’BRIEN**—You just gave me the call—

**Mr Besley**—I did speak to a board member who is actually a member of the department.

**Senator FAULKNER**—Fair enough, but did you speak separately to members of the department?

**Mr Besley**—No, I did not.

**Senator Abetz**—Chair, it is very confusing when Labor senators are trying to steal the limelight from each other. Can I suggest that Senator O'Brien be given the call and be allowed to ask his questions? Otherwise it becomes very difficult: we have half a question from Senator O'Brien and then Senator Faulkner trying to gazump him. I think it would be a lot easier for the witnesses.

**Senator O'BRIEN**—Mr Besley, you talked about Mr Taylor and some of the troops. You were referring when you said 'the troops' to employees of the Wheat Export Authority and not members of the board?

**Mr Besley**—Only one member of the board.

**Senator O'BRIEN**—One member. Which board member did you discuss the matter with?

**Mr Besley**—I spoke to the departmental member of the board, the government representative on the board.

**Senator O'BRIEN**—Can we have the name?

**Mr Besley**—Yes. He is sitting right there.

**Senator O'BRIEN**—Mr Mortimer?

**Mr Mortimer**—Yes.

**Senator O'BRIEN**—You said you had talked to the department.

**Mr Besley**—I meant that. I did not speak to anybody else.

**Senator O'BRIEN**—You spoke to Mr Mortimer—

**Mr Besley**—In his dual role: really in his role as a member of the board, but also noting that he is a senior officer in the department.

**Senator O'BRIEN**—Was the conversation sort of a roundtable with Mr Taylor, Mr Mortimer and another member of the WEA staff when this letter was prepared for signing?

**Mr Besley**—No, it was not. As I recall the sequence of events, there were discussions between Mr Taylor and Mr Mortimer around about the third of this month. Mr Mortimer and I spoke over the weekend. That would be 5 or 6 February or whatever it was. We told the minister's office on Monday, a week ago yesterday, and I signed the letter a week ago today. That was the recent history of the events leading to that letter.

**Senator O'BRIEN**—Before you were contemplating writing the letter, Mr Taylor and Mr Mortimer discussed the matter.

**Mr Besley**—Not for the purpose of saying, 'Hey, Besley, you'd better write a letter'; there were issues around that needed to be addressed, and we were all trying to make sure that—

**Senator O'BRIEN**—Perhaps I should not ask you, because you were not in the conversation; you were aware of it. Mr Taylor, what was that conversation on 3 February?

**Mr Taylor**—There was a request to get copies of information together that had been provided to the Cole inquiry for PM&C, and it was in the course of gathering that information that I had the discussion with Mr Mortimer. The department was acting as the coordinator for providing that material to PM&C.

**Senator O'BRIEN**—So Mr Mortimer had asked you, as executive officer of the Wheat Export Authority, to provide copies of the documents that had been provided to the Cole inquiry or to get documents ready to go that Cole inquiry?

**Mr Taylor**—No. Documents had already been provided to the Cole inquiry.

**Senator O'BRIEN**—And you were being asked to collate those to provide them to PM&C?

**Mr Taylor**—Through the department.

**Senator O'BRIEN**—Through Mr Mortimer on behalf of the department?

**Mr Taylor**—Yes.

**Senator O'BRIEN**—And in the course of that conversation how did Mr Besley's evidence arise?

**Mr Taylor**—The matter was raised in the context of having reviewed the material that had been prepared for the Cole inquiry again.

**Senator O'BRIEN**—Who raised it—you or Mr Mortimer?

**Mr Taylor**—I raised it.

**Senator O'BRIEN**—So you had reviewed the evidence and the material that went to the Cole inquiry and discovered that the evidence that Mr Besley had given was not on all fours with the material provided to the Cole inquiry?

**Mr Taylor**—No. All the material has been provided to the Cole inquiry that the Wheat Export Authority has relating to all wheat sales to Iraq. It was that same batch of material which I was discussing with Mr Mortimer when I identified that there may be an inconsistency or an incompleteness in the response that had been provided earlier.

**Senator O'BRIEN**—So when did you discover that? Was it 3 February or earlier?

**Mr Taylor**—It was around that date. Sorry, I do not have the exact date in my mind.

**Senator O'BRIEN**—So you raised the matter with Mr Mortimer. Had you raised it with Mr Besley before that?

**Mr Taylor**—I sought advice from Mr Mortimer to see if he also considered that that evidence may have been incomplete and whether it needed to be addressed.

**Senator O'BRIEN**—And did you draft the letter for Mr Besley?

**Mr Taylor**—Yes.

**Senator O'BRIEN**—Did you draw to Mr Besley's attention particular material when you presented the letter to him?

**Mr Taylor**—Yes.

**Senator O'BRIEN**—Which material did you draw to his attention?

**Mr Taylor**—The material that Mr Besley has already put on the table that he was referring to.

**Senator O'BRIEN**—Could you describe it so that we are clear?

**Mr Taylor**—It was a short document received from AWB in May 2004—about a third of a page document—that outlined their approach to doing business in Iraq, and it made reference to them using a Jordanian trucking company.

**Senator O'BRIEN**—Did they name the company?

**Mr Taylor**—No.

**Senator O'BRIEN**—So it was just a Jordanian company?

**Mr Taylor**—In that brief; that is correct.

**Senator O'BRIEN**—And it was for the purpose of shipment of wheat in Iraq?

**Mr Taylor**—Yes.

**Senator O'BRIEN**—Were you not aware of this material prior to that date?

**Mr Taylor**—No. The Wheat Export Authority had compiled all the material that we had for the Cole inquiry and it was a subsequent review of a whole batch of material—and there was quite a bit of it—where I identified this matter.

**Senator O'BRIEN**—When the material was collated for the report to Minister Truss in 2004, did you play any role in the preparation of the report or the assembling of the material that went into the report?

**Mr Taylor**—Yes. The secretariat, on behalf of the members, draws all of the material together and prepare their draft report for the board to consider.

**Senator O'BRIEN**—In your position do you have a significant and primary responsibility for the coordination of that effort?

**Mr Taylor**—For the coordination of that; that is correct. The primary responsibility for the drafting of the report rested with the senior officer in the Wheat Export Authority who was responsible for our performance-monitoring function.

**Senator O'BRIEN**—But this is a very serious matter you were investigating. It was about allegations, as I understand it, of breach of the oil for food sanctions and supplying to Iraq. Did you apply any scrutiny to the material which underpinned the report to the minister?

**Mr Taylor**—I was aware of the material as it was being prepared and of the outcomes of the assessment or review of that material that WEA conducted in the offices of AWB at that time.

**Senator O'BRIEN**—So, when the report went to Minister Truss in October 2004, you had made yourself aware of the material on which the report was based?

**Mr Taylor**—At that point in time, correct.

**Senator O'BRIEN**—So you were aware that, irrespective of the date in 2004, the Wheat Export Authority knew of the involvement of a Jordanian company in the shipment of wheat within Iraq?

**Mr Taylor**—At that time, correct.

**Senator O'BRIEN**—When the matter was to be brought before the Cole inquiry, did you refresh your memory?

**Mr Taylor**—When the WEA received the notice from the Cole inquiry?

**Senator O'BRIEN**—No, I am asking about before that, when these matters were referred. AWB is the organisation which the Wheat Export Authority is charged with overseeing. What I want to know is: when these matters became public and the Volcker inquiry came out, leading to the establishment of the Cole inquiry, what steps did you—and, for that matter, members of the board of the Wheat Export Authority—take to ascertain what had taken place and what the Wheat Export Authority and its officers had overseen in their scrutiny of AWB? Any?

**Mr Taylor**—The process the WEA had gone through was to draw all material that the Wheat Export Authority had on Iraq wheat sales together and compile that for provision to the Cole inquiry.

**Senator O'BRIEN**—When the Volcker inquiry came out, what action did that prompt within the Wheat Export Authority—any? Was any action taken when the Volcker inquiry report came down?

**Mr Besley**—I think the issue there is the same as the issue about the defence thing. When stuff got in the press, which the Volcker thing obviously did—

**Senator O'BRIEN**—It did.

**Mr Besley**—that is what led us to pursue this issue so we were able to report on it to the minister.

**Senator O'BRIEN**—When was that?

**Mr Besley**—As I said, it started in mid-2004 and culminated in our getting that information when our senior officer went down to the AWB(I)—not AWB—offices in August of that year. We were able then in our report to the minister—and Glen has described how it is processed—to report to the minister what we did report. That document is now available to the Cole inquiry, and somebody has asked for a copy of that section of it. We have said we will take that on notice to see whether we are able to do so.

**Senator ROBERT RAY**—I think it was the—

**Mr Besley**—The file note, yes.

**Senator FAULKNER**—When you sent the confidential report to the minister, did it include a covering letter as well?

**Mr Besley**—Just 'Here it is, Minister.'

**Senator FAULKNER**—So there was no covering letter from you, as chair, or anyone else?

**Mr Besley**—Bound into the report?

**Senator FAULKNER**—I understand the file. We have talked about a file note previously which I asked to be provided to the committee. You have taken that on notice. Let us leave that aside. It is not clear to me—I am not sure it is even clear to you—whether that forms part of the report, but the file note may or may not.

**Mr Besley**—No, it does not form part of it.

**Senator FAULKNER**—It does not. Thank you for that. Separately, then, is there a covering letter to the minister from your organisation, to which the confidential report in effect is appended? Is there a covering letter of any description?

**Mr Besley**—It is not bound into the report like reports of the parliament are.

**Senator FAULKNER**—Yes. I understand that. Thank you for that. Is there a covering letter to the minister that does not form part of the report?

**Mr Besley**—Just a transmittal letter. I have said this before—‘Here’s the report, Minister.’

**Senator FAULKNER**—But it is effectively only a courtesy letter, if you like.

**Mr Besley**—It is. It does not say ‘and I invite your attention in particular to X, Y and Z’. I think I said that earlier.

**Senator O’BRIEN**—The Volcker report postdates your report to the minister, doesn’t it?

**Mr Taylor**—Yes, it does.

**Mr Besley**—Yes, it does.

**Senator O’BRIEN**—What I was asking you was: what action did the release of the Volcker report prompt within the Wheat Export Authority? Was there any action that you took?

**Mr Besley**—Not specifically because of that, but we have, as Glen said, since provided to the Cole inquiry all of the information that—

**Senator O’BRIEN**—I know that. You have given that evidence. But I am really focusing on what, if anything, you did when the press reports came out that the Volcker inquiry had found out some pretty damaging things about the organisation that you were charged with scrutinising.

**Mr Besley**—As I recall, that report came out in late October, and it was only a matter of days after that that the Attorney-General announced the Cole inquiry. So, having done what we did before, we did nothing specific as a result of the publication of the Volcker report.

**Senator O’BRIEN**—As chairman, did you have a conversation with Mr Taylor and members of the board about the Volcker inquiry before the Attorney-General made his announcement?

**Mr Besley**—Before it came out?

**Senator O’BRIEN**—Before the Attorney General made his announcement about the Cole commission.

**Mr Besley**—We may have discussed it at a board meeting; I cannot recall.

**Senator O'BRIEN**—When was the board meeting in October 2005, Mr Taylor?

**Mr Besley**—I would have to look that up.

**Senator O'BRIEN**—Mr Taylor may know—I was asking Mr Taylor.

**Mr Taylor**—There was a meeting in October 2005. I apologise, the exact date escapes me at the moment.

**Senator O'BRIEN**—They are not a regular—

**Mr Taylor**—Board meetings are held regularly, but there are not set dates.

**Senator O'BRIEN**—After the Cole inquiry was announced, did the board meet to discuss the action that the Wheat Export Authority would take?

**Mr Besley**—No, because, by the time we next met, the Cole inquiry had asked the Wheat Export Authority to provide certain information and that was reported at our next board meeting. The CEO said, 'We've had this request and we've provided it all,' and so the board was informed.

**Senator O'BRIEN**—Was Mr Mortimer at all of these board meetings?

**Mr Besley**—He was at most of them. He was away once that I remember, but I think he was at that one.

**Senator O'BRIEN**—Mr Taylor, can you help us?

**Mr Taylor**—I believe the full board attended those later meetings where those issues were raised.

**Senator O'BRIEN**—So the board discussed the request from Mr Cole—was it a request or a subpoena?

**Mr Taylor**—There was a notice provided to the Wheat Export Authority for information.

**Senator O'BRIEN**—A notice to produce documents?

**Mr Taylor**—Correct.

**Senator O'BRIEN**—That material was collected and collated, which you presumably oversaw, Mr Taylor?

**Mr Taylor**—That is correct.

**Senator O'BRIEN**—So you were able to check the list to make sure that all the documents relevant to that request were provided?

**Mr Taylor**—To the best of my ability I checked that we drew every reference that the WEA had, in any record, to AWB(I) wheat sales to Iraq to date, which was to the date of the request.

**Senator FAULKNER**—And you defined 'record' broadly, I assume, Mr Taylor?

**Mr Taylor**—It was a very broad request or notice that was received via the Cole inquiry. It covered a vast range of material that the Wheat Export Authority had on hand.

**Senator FAULKNER**—Including hard copy and electronic records?

**Mr Taylor**—Hard copies, electronic copies, copies of data files that had been provided to the Wheat Export Authority, briefing material from the AWB.

**Senator O'BRIEN**—Did that include data showing the history of the inland transport component of the contracts that you investigated?

**Mr Taylor**—Yes, it would have. The inland transport component was not something that the WEA had any detail of. It was referred to in a number of briefs—the two briefs that the Chairman of the Wheat Export Authority has previously mentioned, of May and August. But the WEA was aware that there was some arrangement for inland trucking in Iraq.

**Senator O'BRIEN**—The US Defense report referred to its estimate of the inland transport component of contracts from port to final destination as being around \$20 per metric ton, but that was not the average inland transport cost across the 17 AWB contracts considered in your inquiry, was it?

**Mr Taylor**—I did not know that the inland transport component was referred to in any of those contracts that the Wheat Export Authority saw.

**Senator O'BRIEN**—No. It was not in the contracts; it was in other material that you saw.

**Mr Taylor**—I do not have any record that shows that the Wheat Export Authority had any specific details on the costs of inland transport components in Iraq.

**Senator O'BRIEN**—You were aware from a document in May 2004 that there was a contract with a Jordanian trucking company for the purpose of transporting the wheat within Iraq.

**Mr Taylor**—Correct.

**Senator O'BRIEN**—But you are telling me that in your investigation in 2004, you were not aware of the cost of that contract.

**Mr Besley**—Perhaps I could come in. As I said before, our person went to the AWB(I) offices and asked the question straight up, 'Are you paying bribes?' They denied any wrongdoing, as I have already said. They said the reason why the cost of the wheat delivered—which is something we are not concerned within in our role under our act, incidentally—is so high is that it costs money to transport wheat in Iraq. But they did not say how much more.

**Senator O'BRIEN**—You were aware in February 2004, according to Minister McGauran, that there were allegations of kickbacks regarding Australia's wheat trade with Iraq, and you resolved to look into the matter. In May 2004 you became aware that a Jordanian trucking company was involved in transport. I want to know what you actually did to inquire into the arrangements around that contract given that there were concerns about kickbacks and here was something quite unusual that was occurring.

**Mr Besley**—Can I just clarify that we are not a policing organisation. I do not hold with kickbacks or anything like that personally and I do not think any of us do, but our role is to monitor the performance of AWB(I) as it manages the grain pool. Once wheat leaves this country, charges of freight, insurance and so on are costs to the buyer. They do not impact on the pool, so we had no reason to go there.

**Senator ROBERT RAY**—But you did. You read press reports and then you went down there.

**Mr Besley**—We did because we thought we ought to know about it.

**Senator ROBERT RAY**—Even though it was not your business?

**Mr Besley**—The primary purpose was to check the data that we do need to do our job, which is: what are the FOB costs and how does that impact on the pool? From the contracts, which were also contracts which aroused the suspicion of graft and corruption, we were able to check the FOB costs, and they were consistent with the information they had previously given us.

**Senator FAULKNER**—It is not clear to me who made the decision to send your officer—

**Mr Besley**—The board did. The board said, ‘We should look into this; we should know about it.’

**Senator FAULKNER**—That was a formal decision of the board to send the officer?

**Mr Besley**—Yes, it was. The reason why we wanted to do that was to make sure that there was nothing we could see that impacted on the pool. One thing you could say is: if they were paying bribes, was that a disadvantage to the growers, with the pool paying them? As it has turned out, even if they were paying bribes—and that is for Cole to decide—that money came out of an escrow account and had no effect whatever on the pool costs.

**Senator FAULKNER**—I appreciate the material that the officer was provided with from AWB was a folder and so forth, but how formal was your officer’s report back to the board?

**Mr Besley**—He wrote a note to file, which you have already asked about, which was the basis upon which we then wrote our report to the minister.

**Senator FAULKNER**—I am aware of the note to file. Did the file note go to the board as well?

**Mr Besley**—I cannot remember whether it did at the time. Probably, but I could not answer that. I would like to check that. If you are interested in the order of events, I think we should check.

**Senator FAULKNER**—Included in the file note were details of things such as the 17 contracts and the like.

**Mr Besley**—Yes. That is right, including—and I regret that you did not think I was covering it—the sign-off by the UN on those contracts.

**Senator FAULKNER**—Did your official have any face-to-face discussions with AWB?

**Mr Besley**—I believe so but, again, I cannot tell you: I was not there. Glen was not there, but he has told you—

**Senator FAULKNER**—But is this sort of material included in the file note?

**Mr Besley**—It probably is, but it is best if we check it. I do not believe we should dump the file and then let people walk out. I would like to be sure.

**Senator ROBERT RAY**—Maybe Mr Taylor could recall this; maybe Mr Besley can. I understand that the WEA officer who went to visit has subsequently retired. Is that right?

**Mr Besley**—He has retired, yes.

**Senator ROBERT RAY**—Do you know who he met at the Wheat Board?

**Mr Taylor**—That is recorded on the file note.

**Senator ROBERT RAY**—Yes, I am asking: who did he meet there?

**Mr Taylor**—It was two officers from AWB who were officially involved in the meeting. If my memory is correct, if you are looking for names, the names are Mr Stephen Sheridan and Mr Dougal Heath.

**Senator O'BRIEN**—To go back to this issue of whether you actually looked at the cost of transport, you are telling us, Mr Besley, that you did not actually look at the cost of transport. Do I understand you correctly?

**Mr Besley**—You do.

**Senator O'BRIEN**—Mr Taylor, you have looked at the documentation. Are you able to tell us that there is no material about the cost of transport in the Wheat Export Authority material provided to the Cole inquiry?

**Mr Taylor**—I do not believe there is any material in WEA's possession that identifies costs of inland transport in Iraq under the arrangement AWBI had with this Jordanian based trucking company. All of that material—everything the Wheat Export Authority has—is with the Cole inquiry.

**Mr Besley**—There is a reference, and I made this reference before, to transportation costs only in the context of an explanation by AWBI to our man of why the price of wheat seemed to be above the benchmark—that is, because it cost lots of money to ship the wheat upcountry. That is included in his note to file, but there is no specific measure of that cost.

**Senator FAULKNER**—In relation to the collection of material, I may have misunderstood this but I understand material has gone directly to the Cole royal commission. That is correct, isn't it, Mr Taylor?

**Mr Taylor**—That is correct.

**Senator FAULKNER**—You have indicated that to the committee, and I believe Ms Hewitt gave that evidence a little earlier. Simply, has the material been provided elsewhere? In other words, has this material or summaries of it been provided anywhere else in government?

**Mr Taylor**—Yes.

**Senator FAULKNER**—DFAT, for example, has acted as a coordinating agency in government for some material. Anyway, you let us know.

**Mr Taylor**—Most recently there was a request, which I referred to earlier, I believe, from PM&C where the material that was provided to Mr Cole for his inquiry was also provided to PM&C through the Department of Agriculture, Fisheries and Forestry. That is an exact replication of the material that WEA has provided to Cole for his inquiry.

**Senator FAULKNER**—But, from WEA’s direct responsibility, you have supplied material directly to Cole and you probably have supplied material to PM&C but via your home department—via your portfolio, effectively.

**Mr Taylor**—It is my understanding of how the process would work.

**Senator FAULKNER**—You would know about the direct provision of material to Cole—

**Mr Taylor**—To Cole, yes. That is my understanding of how the process—

**Senator FAULKNER**—and, as far as you are concerned, you have provided material to the portfolio on which your agency rests.

**Mr Taylor**—Yes.

**Senator FAULKNER**—And that is all?

**Mr Taylor**—There was an earlier request in September 2005 for some information, a broader government request which DFAT coordinated, and we also provided material to DFAT as part of that process. That information has some overlap with material that was provided to Cole.

**Senator FAULKNER**—So effectively there were three, because the September 2005 request obviously predates the establishment of the Cole commission, doesn’t it?

**Mr Taylor**—Correct.

**Senator FAULKNER**—That was a request from DFAT.

**Mr Taylor**—Correct.

**Senator FAULKNER**—Did you adhere to that?

**Mr Taylor**—Yes.

**Senator FAULKNER**—Is that done by a decision of the board, Mr Besley, or is that just an administrative decision for WEA?

**Mr Besley**—It is an administrative decision. It is a normal process and it is reported to the board so that the board is aware of it.

**Senator FAULKNER**—So on three occasions and to three different faces there was a provision of documents relevant to the matters before the Cole royal commission, though one preceded the establishment of the commission?

**Mr Taylor**—Relevant to what material the WEA had in its possession.

**Senator FAULKNER**—Yes.

**Senator O’BRIEN**—Mr Taylor, the Volcker report was handed down on 27 October last year. Are you saying that you did not see the report, that you saw only the media reports of it?

**Mr Taylor**—No. We have seen the Volcker report.

**Senator O’BRIEN**—Did you see it shortly after its release, or some time after?

**Mr Taylor**—I believe it was shortly after the release. I requested staff in the secretariat to download it if it was available on their website so that we were able to review it.

**Senator O'BRIEN**—When did you review the material in the possession of the Wheat Export Authority in the context of the Volcker report?

**Mr Taylor**—May I take that on notice.

**Mr Besley**—Perhaps I should say something. At the estimates hearings in November I did say that I had read the Volcker report. The purpose of my saying that was to explain to the committee that as far as our role was concerned, which is to monitor the management of the single desk for the benefit of growers, it was clear from that report that any money being used for whatever purposes were coming out of the UN oil for food account and not being charged back—

**Senator O'BRIEN**—And you cleared them.

**Mr Besley**—What do you mean by 'I cleared them'?

**Senator O'BRIEN**—The Wheat Export Authority had cleared AWB in its investigations—

**Mr Besley**—Of corruption?

**Senator O'BRIEN**—Yes.

**Mr Besley**—On the evidence we were given we had no reason not to say that.

**Senator O'BRIEN**—What seems to be remarkable, Mr Besley, is that you had evidence that there was a contract for the trucking of wheat within Iraq, allegedly, but you did not seem to investigate it or how much money was involved in it. According to Volcker, \$2.3 billion in payments was made and there were 'special contractual arrangements requiring AWB to assume the cost of inland transportation'—a matter which you purported to have investigated.

**Mr Besley**—Let me again state what our role in life is: our role in life is to monitor the management of the pool for the benefit of the growers. What happens offshore when people pay apparently exorbitant moneys to get wheat shipped from a port in Iraq to wherever it is going in Iraq has nothing to do with the pool. That is why we went down there to—

**Senator O'BRIEN**—I see, so if there is an illegal—

**Mr Besley**—May I finish this please, Senator? We went down there to check on whether these allegations of corruption which we had read about in the newspaper, following that Defence report, which we have not seen, were in any way affecting the costs being charged back to the pool. We were satisfied that they were not. But we were not there to clear AWBI of anything that Cole would be dealing with. That is a matter for him.

**Senator O'BRIEN**—So you were not looking into alleged kickbacks?

**Mr Besley**—We were. That is where we started, because we wanted to see whether there was anything that showed that the pool was being affected in some way. Apart from that, what turned out, lo and behold, was that they said there were no kickbacks.

**Senator O'BRIEN**—They would say that, wouldn't they!

**Mr Besley**—I suppose they would. As I said earlier, I have been in business for many years and I work on the basis of trust until I find that that is wrong. We had developed, I believed, a trusting relationship and, on the basis of the information provided—

**CHAIR**—I want to impose a little equity on this committee. There will be plenty of time for everyone to get plenty of questions.

**Senator SIEWERT**—I want to go back to the timing issue. You said you checked the Volcker report. Was that prior to when you appeared before estimates on 1 November and said to me, ‘No, I know nothing about transport’?

**Mr Besley**—If you look at the *Hansard* you will see that I told the committee that I had read the Volcker report.

**Senator SIEWERT**—But that did not trigger in you any memory of the fact that in the previous year you had been investigating whether AWB had any contact with a Jordanian trucking company?

**Mr Besley**—No, it did not. I said to you I do not know why that was. I regret it. I do not come to mislead; I could not recall it and did not recall it. That is where it is.

**Senator SIEWERT**—Mr Taylor, in September 2005 you said you had collected some reports to give to DFAT, I understand.

**Mr Taylor**—That is correct.

**Senator SIEWERT**—Were you not reminded in September that in the previous year you had been looking at contact with a Jordanian trucking company? Did you recall at the time Mr Besley answered my question that you were aware of the fact that there had been contact with a Jordanian trucking company?

**Mr Taylor**—No, I absolutely did not recall that. I think your specific question was in the context of a Jordanian trucking company. At that time I did not have any recollection of that. It was not until I had gone back and was reviewing documents to provide to Mr Cole that it became clear that there was previous information WEA had on hand.

**Senator SIEWERT**—That was despite the fact that you had collected documents in September 2005—and I will come back to those documents. That did not come up in the documents that you sent in September 2005 to DFAT? That was not in the documentation?

**Mr Taylor**—I could not answer that question at the moment. A lot of information was included in that request from DFAT, so I could not answer whether that came up in that context.

**Senator SIEWERT**—When you provide us with the information about what was in the documents that we discussed earlier, can you also please provide us with a list of documents that was included in that brief in September 2005?

**Mr Taylor**—Yes.

**Senator SIEWERT**—So neither of you recalled on 1 November anything to do with this review that you had done in 2004?

**Mr Taylor**—That report was done over a year ago and I did not have a recollection that allowed me to correct the chairman to answer your question and respond more completely that he did at the time.

**Senator SIEWERT**—Can you take me through the sequence of events or the timing when you were collecting the documents for the Cole inquiry, because the letter that we have is from 7 February, which is in fact three months after I asked that question. Why did it take so long to get back to us? When were the documents that you collected sent to the Cole inquiry?

**Mr Taylor**—On 20 December.

**Senator SIEWERT**—Why did it then take from 20 December to 7 February to recollect that your answer was factually incomplete?

**Mr Besley**—It was not his answer, it was my answer. As the material that went to Cole became clearer and my memory was jogged, it was something that, in retrospect, I should have got onto earlier and written about earlier. But I was not seeking to deceive. In fact, as I see what we did at that time—even though we were probably misled—it was a good-news story. There was nothing in what we found that was of any consequence to a government minister or the government. That is one issue. I was not trying to hold off coming back and clarifying things. I ought to have focused on it earlier and done it earlier. There is nothing more to it than that. And it is not Mr Taylor; it is me.

**Senator SIEWERT**—I think you said that you started writing the letter on 3 February.

**Mr Besley**—No, I did not say that at all. I said that, as I remember the sequence of events, there were discussions between Mr Taylor and Mr Mortimer. Mr Mortimer and I spoke over the weekend—I think on Sunday the 5th. We told the minister about this on the Monday morning, and I signed off the letter on the 7th.

**Senator SIEWERT**—I want to understand why you talked to Mr Mortimer.

**Mr Besley**—He is a board member and he was rather easier to contact than my grower colleagues who were out harvesting wheat or something at the time.

**Senator SIEWERT**—So it was because he was a board member rather than a member of the department?

**Mr Besley**—He had a very interesting dual role but, yes, that is true.

**Senator SIEWERT**—The minister was then informed on the Monday?

**Mr Besley**—Yes.

**Senator SIEWERT**—As a matter of courtesy?

**Mr Besley**—I think as a matter of some importance, that I had apparently misled a Senate committee.

**Senator ROBERT RAY**—What I am uncertain about here is that the discovery of all the Cole documents is 20 December and presumably it was in that process, about then, you realised that the evidence you had given to the estimates committee was no longer extant. Is that right?

**Mr Besley**—It would have been shortly after that I was digesting things. You need to remember when it was. There were a lot of things on. People had gone away. I had a family reunion up in Queensland—which is no excuse, I know. I ought to have got on to it earlier than I did. That is what I have said several times today.

**Senator ROBERT RAY**—Not all witnesses understand this: did you understand that you had an obligation to correct the record at the first available opportunity?

**Mr Besley**—Yes. I was probably remiss in not having focused on it harder and earlier. I have already said that a number of times.

**Senator ROBERT RAY**—I have your letter here—and have read it—which focuses on one particular issue. Can I ask if you have reviewed all your evidence of 1 November last year? And are you satisfied that no further mistakes or factual incompleteness exist?

**Mr Besley**—There were two questions, which I referred to in my letter. They were the ones that I sought to correct. Hopefully, I have.

**Senator ROBERT RAY**—I understand that. Now I am asking: have you reviewed the rest of your evidence and are you satisfied that it is complete and accurate?

**Mr Besley**—Yes, I have and I am.

**Senator ROBERT RAY**—Did you prepare this letter or did you sign it off? That is not an implication, by the way.

**Mr Besley**—No, it was a letter which Mr Taylor originally drafted. I did some finetuning of it and signed it.

**Senator ROBERT RAY**—I want to ask, because this letter only made me angry in one aspect, who coined the phrase ‘factually incomplete?’

**Mr Besley**—I do not know whether I can claim authorship of that or not.

**Senator ROBERT RAY**—The evidence you gave was wrong. That is why we have rubbers on the end of pencils, Mr Besley—people make mistakes. But what exacerbates a mistake is when a phrase like ‘factually incomplete’ is used rather than: ‘I got it wrong.’ It implies that maybe around the margins there is a minor error here when it is basically, I think you would concede, a 180-degree swing.

**Mr Besley**—In retrospect, I think it was an unfortunate term.

**Senator ROBERT RAY**—I thank you for that. I think it is helpful that you have said that. Just going back to that evidence though, as I said, people make mistakes. Mr Taylor, did you realise Mr Besley was making a mistake at the time? You have given him a lot of advice here.

**Mr Taylor**—No. I already answered that question when I responded to Senator Siewert’s question.

**Senator ROBERT RAY**—I am wondering why not? You are being paid to do a job and be on top of it. Surely that sort of knowledge should have been within your reach if you were doing your job properly.

**Mr Taylor**—That information was within my reach in preparing for that particular Senate estimates. We did not review all the detail of the previous reports provided to the minister, so that recollection was not in my mind.

**Senator ROBERT RAY**—It is not as though you are covering a worldwide gamut of issues. I do not understand why you exist, but that is only my prejudice. But you are not covering a massive area. I cannot understand why corporate knowledge would not have

covered this off by the chief executive officer of this organisation. I can understand it with the chairman, who has probably got a lot of other onerous duties and does those very well, but you should have known.

**Mr Taylor**—It is no excuse, but we had just lost two key staff from the performance monitoring area of the Wheat Export Authority, including our senior manager who, as we have already indicated, has retired. Unfortunately, when he and a colleague departed we lost a lot of corporate knowledge. In hindsight, had that individual been there this may not have happened. But I should have known.

**Senator FAULKNER**—When did he retire, Mr Taylor?

**Mr Taylor**—Sometime in September.

**Senator FAULKNER**—Last year?

**Mr Taylor**—Last year, 2005.

**Senator ROBERT RAY**—What I am trying to understand is that, yes, the chairman, Mr Besley, without actually attributing it, said it could have been through poor briefing—that is understandable in one sense if senior officers have left—or through memory lapse, which I accept. But then when it happens to two people I start to get doubtful. I am doubtful when the record is not corrected immediately or within a week or within a month; when it takes 3¼ months to correct the record. It does not assist this committee.

Mr Besley, you said you took the Australian Wheat Board on trust. Do you feel betrayed by that trust now, from your knowledge of what has happened since?

**Mr Besley**—I have already said to another question that I have been thinking about that and I will probably withhold final judgment until I see what comes out of Cole.

**Senator ROBERT RAY**—I see.

**Senator SIEWERT**—The minister commissioned a specific report—it is reported in the growers report of 2004 that ‘on 24 December 2003 the Minister for Agriculture, Fisheries and Forestry initiated the 2004 wheat marketing review’—which was looking at the AWB’s performance and examining the performance of the WEA. Is that a confidential report? I cannot find it on the website.

**Mr Besley**—There was a public report that the growers got and there was another report with some confidential information in it, simply, as I understand it—and I have not seen it—because those who made submissions to the panel asked that their submissions be kept confidential.

**Senator SIEWERT**—So it was a confidential report to the minister. Is that correct?

**Mr Besley**—Yes.

**Senator SIEWERT**—That you have not seen?

**Mr Besley**—There are parts of it that I have not seen because of that point I just made—that the people who made those submissions to the Alice Williams panel did so only on the basis that their comments would be kept confidential. So to the extent I have seen anything that the growers have not seen, I have seen part of that confidential report, without those bits.

**Ms Hewitt**—If you would like a little more information there, I think Mr Mortimer could assist. It is not a Cole related matter if you are asking just for factual background information in relation to the Williams review of 2004.

**Senator SIEWERT**—It says in the growers report:

The 2004 Panel also had open access to all of the WEA's material.

What did it cover in its review?

**Mr Mortimer**—The terms of reference of the 2004 review were to report upon how well AWBI, as the company which holds the export monopoly under the legislation, was performing its job. We can get the terms of reference to you separately if you wish, but that is the nub of it.

**Senator SIEWERT**—Did it have access to all of WEA's material, and did it cover any of these issues that we have been talking about today?

**Mr Mortimer**—I do not believe it covered Iraq. I do not think that was an issue at the time. It was a report to review the management arrangements of AWBI as a company set up to operate export pools and hold the export monopoly. It examined how the structural arrangements of the AWB group operated around that and it also examined issues about how well the arrangements were tracking in a marketing sense. It went on to examine issues such as the operation of the WEA itself—that was part of the terms of reference of the Williams 2004 review—as that was part of the arrangements for managing the export monopoly, and that included issues such as the giving and the conditions of giving of consent for export licences et cetera.

**Senator SIEWERT**—Have the findings of that review been fed back to WEA?

**Mr Mortimer**—Yes. The Williams review, as we call it, gave a report to the minister and government—I think in late 2004 or early 2005. The government made a decision on that, which was announced in April 2005 by Minister Truss. Effectively, the government endorsed the conclusions and recommendations of that report and asked AWBI and WEA in their respective capacities to implement the recommendations of the report.

**Senator SIEWERT**—That was in April 2005?

**Mr Mortimer**—Minister Truss announced the government's decision on the matter in April 2005.

**Senator SIEWERT**—But did not actually release the report?

**Mr Mortimer**—Two reports were released: one, as has been referenced, was a public report that went to growers; the other was the confidential report that went behind that, which, again, in the same pattern as WEA's annual reports, relied to a large degree on material provided in confidence by AWBI. Indeed, in July 2003, I think, the Wheat Marketing Act 1989 was amended to specifically provide for those arrangements.

**Senator SIEWERT**—It reviewed AWB and gave recommendations but did not cover Iraq—

**Mr Mortimer**—It was looking at the structural arrangements and broad performance of the wheat marketing arrangements.

**Senator SIEWERT**—In the report that AWB has on its website, when it is referring to the growers report it specifically refers to AWB's performance in light of the Iraq situation.

**Mr Mortimer**—Sorry, which document is this?

**Senator SIEWERT**—There is a document on AWB's website that makes a comment on the growers report. This is not the review but the growers report—the publicly available WEA one, as I understand it. But it does mention the fact that they had been particularly considering the international political issues, including the Iraq war. Were these things considered in that light?

**Mr Mortimer**—Can I make a clarification: the 2004 wheat marketing review gave a growers report, which I have here. Every year the WEA provides both a confidential report to the minister and also a growers report, which I have here. Which document are we talking about?

**Senator SIEWERT**—This document obviously talks to this one. The point I am making is that I find it hard to believe that—

**Senator Abetz**—The document you held up is not related to either of those.

**Senator SIEWERT**—Yes, it is. This is the AWB commentary on the big version of what Mr Mortimer just held up. In its comments, AWB refers to the Iraq situation. I find it hard to believe that in fact the 2004 review that was carried out would not have looked at the Iraq situation.

**Mr Mortimer**—As far as I know, it did not. I do not think that was considered to be within its terms of reference. It might be helpful if we get the terms of reference of that review to you, but it was essentially a broad based review of the operation of the structural arrangements and the particular outcomes of those resulting from AWBI holding the export monopoly under the legislation.

**Senator SIEWERT**—If you could get me the terms of reference, that would be useful.

**Mr Mortimer**—We are happy to do that.

**Senator SIEWERT**—To clarify, there are bits of that report that are confidential—is that right?

**Mr Mortimer**—Again, there are two reports. There is a confidential report that went to the minister and there is a growers report, which I have referenced here, that drew the conclusions of that report and brought out the outcomes and recommendations.

**Senator O'BRIEN**—What did the Grains Council get? Don't the Grains Council get a copy of a report?

**Mr Mortimer**—The confidential report goes to the minister. It is confidential to the minister.

**Senator SIEWERT**—Does the Grains Council just get the growers report?

**Mr Mortimer**—In broad terms, yes.

**Senator O'BRIEN**—No, they get more than that.

**Mr Mortimer**—It would only be otherwise if the minister agreed.

**Senator FAULKNER**—But the Wheat Export Authority's reporting mechanisms are to the minister and to the Grains Council. Is that right?

**Mr Mortimer**—That is right, but that reporting happens in different ways. As has been referenced, the legislation requires a report, which is colloquially referred to as the confidential report because of the nature of it, to the minister. There is a public report that goes to the growers.

**Senator FAULKNER**—So there are just two reporting mechanisms?

**Mr Mortimer**—Yes.

**Senator SIEWERT**—There were in fact three reports that year, weren't there?

**Mr Mortimer**—The 2004 review was not a normal report. It was a specific review for a specific purpose—the sort of review that happens once every five or 10 years. It was not a normal, routine report. As I said, it was required in the legislation, which was amended in 2003 to give effect to it.

**Ms Hewitt**—Whereas I think the report you are referring to, Senator, the growers report, was the regular annual WEA report to growers.

**Senator SIEWERT**—My understanding of it is that there was the normal, regular growers report; there was what they call growers report that came out of the review, so that was a separate report; plus the performance review of 2004; plus this confidential review. So there were in fact four.

**Mr Mortimer**—I think this is quite simple. There are two functions going on there. Every year there is a performance report, and that performance report is expressed in two ways: the confidential report to the minister and the public report to growers. So that is two. Then, on the occasion of 2004, the government decided to do a separate broader structural review of the arrangements, and that review generated two reports: a confidential report to the minister and a public report to growers. So that is the four reports, and they are fully accounted.

**Senator SIEWERT**—But in that review, my understanding is that the review panel had access to all WEA's material. What I would like to know is whether they had access to all the material that we have just been talking about as well.

**Mr Besley**—As Mr Mortimer has pointed out, the terms of reference—you need to see those and I cannot quote them off the top of my head—were about the structural arrangements: was AWBI managing the single desk correctly? It was not about the single desk as such. There was no discussion about whether there should be a single desk but, given that there is a single desk, was AWBI managing that properly? The other leg of it was about whether we were doing our job properly in terms of the structural arrangements that we have to give effect to our duties under the act of parliament which governs our operations. They were not looking for anything other than that. It was purely that sort of issue. I think the terms of reference will make that very clear to you.

**Ms Hewitt**—Senator, we will make arrangements to get you those terms of reference during the proceedings.

**Senator SIEWERT**—Okay. Is the material on the WEA publicly available? I understand the stuff on the AWB is not, but is the material on the WEA publicly available?

**Mr Besley**—The report by the 2004 panel?

**Senator SIEWERT**—Yes.

**Mr Besley**—Yes, it is.

**Mr Mortimer**—To the extent this is the public report—

**Senator SIEWERT**—To the extent of that, but anything beyond that?

**Mr Mortimer**—No, nothing but what is there.

**Mr Besley**—No, that is it.

**Senator SIEWERT**—Nothing beyond that is publicly available?

**Mr Mortimer**—No.

**Senator SIEWERT**—Why is that?

**Mr Mortimer**—Because the rest of it is in the confidential report. As I said, this document summarises and captures the findings of the review panel and the recommendations to government but does not go into the details, the facts and figures that the review panel examined in doing its review of AWBI's performance in holding the export monopoly.

**Senator SIEWERT**—That is what I understood was the confidential bit of it. It was not clear that the WEA section of it was as well.

**Mr Mortimer**—The whole report was wrapped up as a confidential report.

**Senator O'BRIEN**—Mr Taylor, who was on the board in 2004? Who was the government member during 2004?

**Mr Taylor**—That was Mr David Mortimer.

**Senator O'BRIEN**—And who was the Grains Council representative?

**Mr Besley**—There are two growers who are appointed by the minister on the recommendation of the Grains Council. In 2004 it was Malcolm Heath, who has been replaced, and Jim Flockart, was it?

**Mr Taylor**—I think there was a change during 2004.

**Mr Besley**—Yes, I think Leith Cooper came on when Jim Flockart went off, but I would need to check the dates.

**Senator O'BRIEN**—Mr Mortimer was present at the board meetings when the issue of the allegations of kickbacks was raised and the discussions with AWB took place?

**Mr Besley**—Yes, Mr Mortimer never misses a board meeting unless there is a very good reason to do so.

**Senator O'BRIEN**—I am sure he does not. He is a very diligent officer.

**Mr Besley**—He is.

**Senator O'BRIEN**—So he would have been aware of the nature of the difficulties that WEA was having in gaining the material it needed from AWB?

**Mr Besley**—Yes, he would have.

**Senator O'BRIEN**—Does that mean the Grains Council would have been aware because the grower representatives were on the board? The act talks about a quorum. It says that three members must be present, one of whom is a member nominated by the Grains Council.

**Mr Besley**—Under the act we have to report to the Grains Council as well and we have to present our annual report to the Grains Council. We do that under the lofty title of a 'meeting of report'. The format is that we run a bit of a program on a screen—what do you call those dreadful things where people turn up with a whole bunch of slides to show?—where we talk about what we are doing, what our financial status is and so on. Then formally once a year we are required to, and we do, present our annual report the Grains Council. So to the extent that the Grains Council reps feed back into the Grains Council, that it is a matter between them and it.

**Senator O'BRIEN**—When the authority attends the Grains Council meeting with the lofty title you have just described, particularly in 2004 was a report given on the investigation into the allegations of kickbacks?

**Mr Besley**—I would have to check that. I do not recall. We had such a meeting only last week. There was a lot of talk about the Cole inquiry, as you can imagine.

**Senator O'BRIEN**—I am asking about 2004 given that that is contemporaneous with the investigation, the joint meetings of the board, the documentation received in May which talked about contracts with a Jordanian trucking company, and the allegations which had been in the media the year before when Colin Powell raised the issue that US grain interests alleged that this kickback arrangement was taking place.

**Mr Besley**—I would need to get the agenda to you. I do not remember whether we discussed that.

**Senator O'BRIEN**—In terms of the process of the inquiry, is it fair to say that the Wheat Export Authority is the gatekeeper for AWB Ltd? Are you the only organisation with a statutory responsibility and a right to access—this is pre Cole inquiry, of course—the internal workings and material held by AWB Ltd and AWB International?

**Mr Besley**—We have the power to require information. It is a specific power in the act; we cannot just put a general inquiry out. We have used that power.

**Senator Abetz**—I am not sure who the chair is at the moment, but that is a very broad question to the witness and he is not necessarily qualified to answer it. As to what other organisations have the power to inquire into the internal workings of AWB, there is possibly ASIC and the Stock Exchange. I do not know. It could well be that there are a whole host of other regulatory bodies that would be entitled to do so, of which Mr Besley himself or WEA are not necessarily aware. That is the only point I am making.

**Senator O'BRIEN**—Let me put it this way: the Wheat Export Authority is specifically tasked with the scrutiny of AWB Ltd as to the performance of its export function.

**Mr Besley**—Let us be clear: not AWB Ltd, AWBI.

**Senator O'BRIEN**—But AWBI is nominated company B under the legislation.

**Mr Besley**—Yes, but that is an important point: it is not Ltd—we do not scrutinise it. To the extent that the listed company AWBL is, there are other organisations, as the minister has said—the Stock Exchange, the ACCC, ASIC and so on. But our role is to monitor how nominated company B, which is AWBI, manages the single desk for the benefit of growers. We have another role, which is to issue permits to non-AWBI exporters who may wish to export wheat. We do that only after consultation with AWBI, and that amounts, at the most, to four per cent of the exports in any one year.

**Senator O'BRIEN**—Section 5(1)(b) of the act says:

(1) The Authority has the following functions:

... ..

to monitor nominated company B's—

That is AWB International—

performance in relation to the export of wheat

That is the first part—

and examine and report on the benefits to growers ...

That is the second part. So that is your charter, apart from control of the export of wheat.

**Mr Hurley**—Yes.

**Senator O'BRIEN**—And section 5(2) says:

The Authority has power to do all things that are necessary or convenient to be done in connection with the performance of its functions.

That is a very powerful authorisation under the act and a very general reference to the monitoring of company B's performance in relation to the export of wheat. I take it from your letter and from the evidence you have given today that in 2004 you were investigating whether they were participating in kickbacks to the Iraqi regime.

**Mr Besley**—For the purpose of finding out, if they were, what impact if any it was having on the pool—not for the purpose of pursuing that issue itself.

**Senator O'BRIEN**—Did the Wheat Export Authority look at any period prior to 2004?

**Mr Besley**—In respect of what?

**Senator O'BRIEN**—In respect of the investigation into the allegation that AWB International was paying kickbacks to the Iraqi regime.

**Mr Besley**—I cannot tell you—I do not know because I was not there—what period the contract extracts—

**Senator O'BRIEN**—You have read the Volcker report. You know what period the contracts were for.

**Mr Besley**—Yes, but I do not know what it was that our man looked at, whether they were pre the date you asked for or post the date or what. I do not know.

**Senator FAULKNER**—You have the contract extracts on file, don't you?

**Mr Besley**—No, we do not have them on file.

**Senator FAULKNER**—Do you have copies of them at all?

**Mr Besley**—No, we do not.

**Senator FAULKNER**—These were just sighted then by your officer?

**Mr Besley**—That is right. That is what I said before: they were sighted in the AWBI office. You have already heard that there were two people from AWBI present, and our man made a file note which is the basis upon which we put what we did in the report to the minister.

**Senator FAULKNER**—Were these contracts that were sighted by your officer—I assume that you would tell me; I do not want to make an assumption, as I said before—17 contracts selected by AWB itself? Does the file note make it clear whether these are contracts that your officer had been able to wheedle out of AWB, or whether they were ones provided by AWB?

**Mr Besley**—I think they were simply provided as an example of the way they were trading. As has emerged, and again I apologise if it appeared that I was not covering that point, these were contracts approved by the UN.

**Senator FAULKNER**—But the key point is that you have the statutory capacity, which I think you might, to go into AWB and wheedle out what you might—I do not want to get into a technical argument about that. You certainly have some powers in that regard—and those powers were not used. These were just selected contracts provided by AWB itself.

**Mr Besley**—They were. There is no obligation in the legislation for AWBI to provide us with anything. We have to do it by a discussion process. We do have a power to specifically request information, but that is a fairly limited power. We cannot just ask broad questions.

**Senator FAULKNER**—But that power was not invoked in relation to this matter.

**Mr Besley**—No, it was not.

**Senator FAULKNER**—This was done in a cooperative way.

**Mr Besley**—That is correct.

**Senator FAULKNER**—I now have the transcript of Mr Vaile's comments made during a *Sky News* interview on 13 February 2006. As I understand it, from what was being said yesterday I think you have told me that there is no capacity for the Wheat Export Authority to monitor statements about the Wheat Export Authority in parliament. That is correct, isn't it?

**Mr Besley**—I did not say there was no capacity. You asked me whether there was a system in place, and I did not answer.

**Senator FAULKNER**—Sorry, there is no monitoring of statements about the Wheat Export Authority in parliament?

**Mr Besley**—Not specifically.

**Senator FAULKNER**—Is there any effort made to monitor statements about the Wheat Export Authority in the media? I assume your officials would be accessing clipping services of relevance to the issues you are dealing with. I hope you would be, anyway.

**Mr Besley**—The answer to that question is yes.

**Senator FAULKNER**—So you do monitor what is said about the Wheat Export Authority in the media?

**Mr Besley**—We do.

**Senator FAULKNER**—But not in parliament?

**Mr Besley**—No, I guess we do not.

**Mr Taylor**—We have to keep up with comments that are being made more generally about the Wheat Export Authority but we obviously do not cover 100 per cent of public comments that are made that affect the WEA.

**Senator FAULKNER**—And you are quite clear as to the evidence that you have provided to this committee about the United States Defense Contract Audit Agency report of 2003? You are quite clear that the Wheat Export Authority did not have access to that document?

**Mr Taylor**—That is my recollection. I would like to take that on notice and absolutely confirm that beyond doubt. But my understanding is that the Wheat Export Authority does not have on hand a copy of that document. The WEA was certainly aware of it through media reports.

**Senator FAULKNER**—But you can say to this committee that you have not accessed it or read it? You can say that?

**Mr Taylor**—I can say that.

**Senator FAULKNER**—And you can say that too, Mr Besley? Can you?

**Mr Besley**—Yes, I can.

**Senator FAULKNER**—We have a situation where a minister makes—and you have had this transcript read to you; I want to be clear here; this is a media transcript and it is not a *Hansard* transcript, so I want to be very clear about the record here—a comment. The journalist says: ‘So you are saying that this report’—and I interpolate here that this is the US defense report we are talking about, so that you are clear on this—‘was not seen by the government?’ Mr Vaile says: ‘No, what I am saying is it was addressed by the Wheat Export Authority when they did that review of those contracts that were conducted by the AWB.’ I want to be absolutely clear as to whether that report was addressed by the Wheat Export Authority when you did the review.

**Senator Abetz**—You are interpolating, to use your words, this report as referring to a particular report. I am not sure—I have not got the transcript in front of me—as to whether that is necessarily the particular report to which the minister or in fact the journalist was referring.

**Senator FAULKNER**—For the sake of time and moving on, I am happy to accept that—so you are not sure, I am sure and the transcript is clear. But let us put that aside—

**Senator ABETZ**—This report does not identify that report, and that is why you had to interpolate and that is why you cannot be sure, because you yourself acknowledged and admitted you were interpolating and it is the subject—

**Senator FAULKNER**—But let us put that aside. Let us just deal with the report. I just want to be clear on one thing: the report, which is the United States Defense Contract Audit Agency report, was not used in the review of your agency's review of contracts, the confidential report.

**Mr Besley**—I think, to put it into perspective—and I would like to have it checked, as Glen said we would, because I do not think we have a copy of the report—it was the press reports which referred to that report which led us to do the investigation we did. So our connection with that report was through a press comment. As far as I know, that is the only connection but we should check it.

**Senator O'BRIEN**—I wish to go back to the point I was raising earlier. The material that the Wheat Export Authority had—if I can be clear on this—did not contain material about the value of the contracts for the transportation of wheat within Iraq.

**Mr Taylor**—That is an answer I have given. I do not believe the WEA has any record that identifies those costs, but all that material is before Cole.

**Senator O'BRIEN**—Did the Wheat Export Authority's officer ask for that material and AWB (International) refuse to provide it?

**Mr Besley**—We cannot answer that; we do not know. We could ask, if that is important.

**Senator O'BRIEN**—Was there any material on the file about the value of the contracts that were discovered to exist in May 2005—that is, with a Jordanian trucking company to transport wheat within Iraq?

**Mr Besley**—Do you mean any cost data?

**Senator O'BRIEN**—Yes.

**Mr Besley**—Not as far as I know. As I said before, the only reference by AWBI people to the Jordanian trucking company was to indicate why it was that the wheat price might seem to be above the benchmark. It was because the cost of transportation in Iraq was high. I think that is recorded in our senior officer's note to file and is in turn recorded in the report we sent to the minister.

**Senator O'BRIEN**—But you do not know whether the officer requested that material. Did the board discuss the material it wanted from AWB International privately, or indeed when it met with the board of AWB International?

**Mr Besley**—As I recall, we said we wanted to understand what these allegations were about and we thought it would make sense if we were able to see some of the documents that the AWBI had. The upshot of that was an invitation to send somebody down to look.

**Senator O'BRIEN**—Was it as non-specific as that? Did you have any idea of the documents you wanted to see?

**Mr Besley**—I think it was as non-specific as that.

**Senator O'BRIEN**—This was an unusual arrangement, wasn't it? It was not something you normally looked at. When the Wheat Export Authority became aware that there were contracts with a Jordanian company for the trucking of wheat in Iraq, and given that the

allegation was about kickbacks, did that send any signals within the Wheat Export Authority that that might be something worth looking at?

**Mr Besley**—Again, let me repeat what I have already said a number of times today. We asked point blank: ‘Are the press reports correct; have you been paying bribes?’ This was for the purpose of understanding what impact, if any, that might have had on the operation of the pool. Their answer was: ‘No, we haven’t, and we have processes in the organisation which refer to agency payments.’ We asked, ‘Can we look at that register?’ They said, ‘Yes you can.’ As I said before, there were none recorded for Iraq. Our purpose was to find out whether anything that may have been going on was impacting on the pool and therefore the cost to growers. We were satisfied it was not. We cannot go beyond that; it is not our business.

**Senator FAULKNER**—Do you feel that you were duped?

**Mr Besley**—As I said before, I have thought about it and thought about it. I will have to withhold final judgment on whether I come to the conclusion that the answer to that question is yes until I see what Cole says.

**Senator O’BRIEN**—With respect, it really does seem as though in that period the authority was the three wise monkeys: you saw no evil, you heard no evil and you reported no evil to the minister.

**Senator FERRIS**—That is an unfortunate reflection, Senator O’Brien!

**Senator O’BRIEN**—That is not an unfortunate reflection at all. It is the fact. The Wheat Export Authority—

**Senator Abetz**—No.

**Senator O’BRIEN**—Do you want to give evidence? Do we want to have the public servants give evidence here?

**Senator Abetz**—Once again you are reaching conclusions before the Cole inquiry has been completed. We might as well tell the commissioner he can go home because Senator Kerry O’Brien has already determined the matter. Ask questions by all means, but these gratuitous conclusions are not assisting anyone, other than providing a cheap headline.

**Senator O’BRIEN**—The reality is that if the minister had any interest in this matter he would have known that I have been critical of the Wheat Export Authority for some time—indeed, dating from before Mr Besley’s chairmanship of the authority. Mr Taylor will know that. But, in this case, having decided to investigate kickbacks; to not inquire—apparently—about the value of the trucking contracts, which were an unusual arrangement; and to not inquire as to what sort of financial transactions were taking place completely; how could you possibly have had a proper insight into whether kickbacks were being paid? And do you seriously ask us to believe that you were happy to accept, given the allegations that were about, that a simple denial from AWB International was sufficient?

**Senator Abetz**—Mr Besley has answered this.

**CHAIR**—Do you want to invoke 5(2) in all of this?

**Senator O’BRIEN**—I have already mentioned it.

**CHAIR**—We could go down a path of assertion and jamming people's mores down someone's neck, but I do not see it serves any purpose.

**Senator O'BRIEN**—I will draw some *Hansard* of yours to your attention.

**CHAIR**—That is the unfortunate part—I am the chair.

**Senator O'BRIEN**—Yes, I agree—it is the unfortunate part. I put it to you that the authority has not done a job at all if it really was intending to investigate whether kickbacks took place. But not having inquired into an important aspect of the value of the transaction, and that is the trucking costs—

**Senator Abetz**—Mr Besley has already answered this.

**CHAIR**—This needs to be put in perspective today. There was the breakout at Taronga Zoo this morning with the gorillas. These blokes lobbed here with the full anticipation, as did the rest of the people in this building, that there would not be any questions answered here today. I think this committee has done a damn good job, and everyone ought to appreciate the fact that, despite all the bloody garbage that went on overnight and this morning, the Wheat Export Authority stepped up to the plate. No-one should forget that.

**Senator Abetz**—Mr Besley has already answered the question. He has indicated that his inquiry—and I am sure he will correct me if I am wrong—related to the impact on the pool, because that was the remit of the WEA. They investigated documents et cetera and a determination was made that it did not have an impact on the pool and, as far as the WEA were concerned, that was the end for them. Whether it was right, wrong or indifferent that they took that approach may well be a matter that Commissioner Cole will pass comment on, but you are asking them and drawing conclusions about that when they have already given you an answer as to why they took a certain approach and why they investigated to ensure that the pool was not impacted. Once they were satisfied with that—rightly, wrongly or indifferently—they did not pursue it further. I am sure Commissioner Cole will say that that interpretation was correct, possibly correct or whatever. That is for Commissioner Cole to determine.

**Senator O'BRIEN**—You are sure, are you? In terms of the investigation of the allegation of kickbacks, what steps were taken to ascertain the implications on the pool of the payment of kickbacks, any illegality that might bear upon the pool and the financial cost of such actions? What investigation actually took place into that aspect of the matter?

**Mr Besley**—The first action was to check that the FOB data, which is what is charged to the pool, was correct. We get FOB costs from AWBI—they do not have to give it to us, but they do give it to us because we have talked about how we are going to do our job. Where there is a contract that is not FOB, it is CNF—cost no insurance and freight—or CIF—cost insurance and freight. The primary purpose was to find out if what they had given us on FOB stuff was correct, and we satisfied ourselves that it was. The other purpose was to find, if there was something shady going on, whether that was impacting on the pool. As I said at the Senate estimates in November, before that meeting I had the chance to read the Volcker report and it was clear to me that, to the extent any payments were being made out of the oil for food fund, they were coming out of an escrow account and were not impacting back on the pool. That is what we were on about.

**Senator O'BRIEN**—In effect, you were the only gatekeepers of the performance of AWB in that period. You were the only ones conducting an inquiry into the allegation, were you not?

**Mr Besley**—Not really, because ours was specific. Do not forget that the Cole inquiry was announced—

**Senator O'BRIEN**—Someone else was inquiring, were they?

**Mr Besley**—Cole was announced—

**Senator O'BRIEN**—No, in 2004.

**Mr Besley**—In 2004?

**Senator O'BRIEN**—In 2004 you were the only ones inquiring into the kickback allegations and AWB, weren't you?

**Mr Besley**—Volcker was inquiring in 2004.

**Senator O'BRIEN**—Did you provide any material for Volcker?

**Mr Besley**—We may have done through DFAT.

**Mr Taylor**—The WEA was requested through DFAT to provide information in support of the Volcker inquiry. Subsequently, the WEA did not provide any information through DFAT for the Volcker inquiry. It is understood that AWBI dealt directly in providing information to the Volcker inquiry.

**Senator FAULKNER**—Mr Besley, you have now had a significant opportunity to review a range of documentation and decisions that have been made. From the evidence you have given, it sounds like you have given some thought to that—perhaps considerable thought to that. I hope that is the case. Is your assessment now in relation to this matter that the Wheat Export Authority could have done better?

**Mr Besley**—It depends what you are addressing that to. If you are asking whether we could have done better in following an inquiry on corruption, we were not really doing that. That was not our role. We were concerned to see that—

**Senator FAULKNER**—Let me put it in a context. The context of this, obviously, is what has been developed into a massive and embarrassing public scandal. I am not including any political spin in this. Everyone knows that that is the case. It now, as a result of decisions made in the last few days, appears as though it is going to have a massive impact on Australian wheat producers. So I am not trying to apply political spin in this; I am asking you very seriously whether, on reflection, you think that WEA could have done better.

**CHAIR**—Senator Faulkner, for your benefit, I would say that anything that has happened in the last few days has not affected Iraq's decision with the wheat. I can assure you that last September the Yanks told me that they were going to take every 'goddamn market off you'.

**Senator FAULKNER**—That may be right, but you understand the question I am asking. I am asking a reasonable question and I am asking it without a political spin. I am asking you, Mr Besley—because you are before this committee now and it is the first opportunity you have had since November last year—if you could respond on reflection.

**Senator Abetz**—Mr Chair, these sorts of questions, with respect, are not getting us anywhere. I would have thought that each of us—if we were honest—if we were asked, ‘Could you have done better with the way you were questioning witnesses today or the way—

**Senator FAULKNER**—I did not ask that; I asked whether WEA could have done better.

**Senator Abetz**—we would all on reflection say, ‘Yes, chances are, we could have done better.’ Anybody who says, ‘I’m perfect’—

**CHAIR**—We can always do better at everything we do.

**Senator Abetz**—This is the sort of questioning that we are now descending to.

**CHAIR**—I will let the answer come, but we are getting to the circle work. We are starting to get to the circle work.

**Senator FAULKNER**—I thought that was a reasonable question. I do not know if you care to answer it, Mr Besley. I will ask a specific question if you would prefer. I will ask a different question. Have you considered offering your resignation or have you offered your resignation to the board?

**CHAIR**—Thank you—

**Senator FAULKNER**—That is a serious question. You would not allow a different question, so I have asked this one.

**CHAIR**—You can ask whatever you like.

**Senator FAULKNER**—Well, I have asked that question.

**Mr Besley**—No.

**Senator Abetz**—Unlike Senator Faulkner, who did offer his resignation from the position of Australian Labor Party leadership of the Senate—probably for good reason.

**Senator SIEWERT**—I would like to pursue one of the questions that Senator O’Brien asked with regard to 2004 and when you were looking at whether you thought this was having an impact on the pool. I am a bit confused. You went on to refer to Volcker, but the Volcker report did not come out until 2005. So you could not have been using that information to review the impact on the pool in 2004.

**Mr Taylor**—That is correct.

**Senator SIEWERT**—Okay. So you could not have been using the fact that it was coming out of an escrow account. Or did you do that and then go on to talk about Volcker? You could not have used the information that was coming out of Volcker because they had not said that in 2005, so what else did you use to make your decision in 2004? Did you look at the allegations that were being made and that were circulating at the time and think, ‘Oh, they might have an impact’? Despite what AWB said, the fact was that information was coming from America—there was a lot of information that we know was on the record then. Did you look at that and think, ‘That might potentially have an impact on the pool’?

**Mr Besley**—What I said at the Senate estimates in November was that I had read the Volcker report by then, which I had. I said that it was clear to me that, to the extent that

payments were being made out of the escrow account oil for food fund, they were not impacting on the pool. That is what I said.

**Senator SIEWERT**—But in 2004 WEA was making its decision on whether AWB was in fact involved in the kickbacks issue. What information did you use to judge whether what they were doing would have an impact on the pool?

**Mr Besley**—The information we got when our man went down there.

**Senator SIEWERT**—So just the information from AWB. You did not look at the allegations that were being made to see whether it would have an impact on the pool?

**Mr Besley**—The allegations being made by whom?

**Senator SIEWERT**—The allegations that kicked off your investigation in the first place.

**Mr Besley**—That is right. We went down there to satisfy ourselves as best we could—and I believe we did—that what they had told us about FOB prices was correct. They said that there were no bribes, and we took that at face value. What was happening was not impacting on the pool.

**Senator SIEWERT**—So you did not then look at what impact any kickbacks might have on the pool if they came to light? You did not look at any of that; you looked purely at what AWB said about FOB prices.

**Mr Besley**—Yes, but do not forget that what affects the pool is the FOB price. What happens once the wheat leaves the shores, which is the cartage and insurance and all that stuff, is a cost to the buyer.

**CHAIR**—If I can focus your mind, Senator Siewert—because Senator O'Brien has some questions to ask and we are approaching a convenient time for lunch—what would your last question be if it was the last question before lunch? That is the one I want you to ask.

**Senator SIEWERT**—The point I am getting to is that hasn't all this ultimately impacted on the pool?

**Mr Besley**—Sorry?

**Senator SIEWERT**—Isn't all that is going on now—the scandal and the inquiry—ultimately impacting on the pool?

**Mr Besley**—That is an issue which I cannot answer. The structure of the industry is an issue which is going to get some consideration by the people who should be considering it. The news that Iraq has said we are not going to deal with you for the moment is clearly an issue that must be of concern to AWB and the grain growers. But that is for people better than I to make a judgment on. I guess life will never be quite the same again.

**CHAIR**—Can I, to give a bit of colour and movement to this before I throw to Senator O'Brien, remind everyone what the goddamn Yanks said on *Dateline* the other night? The goddamn Yanks said, 'We've gotta operate on a level playing field and we've gotta get rid of that goddamn single desk.' When the lady said to the grower, 'What about the farm subsidy?' the Yank said, 'We've gotta have ourselves a safety net or we couldn't operate.'

**Senator O'BRIEN**—The accent is not getting any better, I must say. I am intent on understanding the purpose of the investigation. Mr McGauran, in his press release of 19 February, said:

In February 2004 the WEA Board, aware of media reports of allegations of kickbacks regarding Australia's wheat trade with Iraq resolved to look into the matter.

I take it that is what would have been reported to Minister Truss in 2004 in the report to the minister.

**Mr Besley**—In the performance review report, yes.

**Senator O'BRIEN**—And the other material in that press release, I take it, is what you reported to the minister as to your method?

**Mr Besley**—Yes.

**Senator O'BRIEN**—So the report to the minister in October 2004 faithfully recorded that you were aware of the media reports, which you would have to say were potentially quite damaging to Australia's wheat export trade, and you resolved to look into the matter of kickbacks. So is it fair to say that in February 2004 the board was concerned that if there were kickbacks it would affect Australia's wheat export trade?

**Mr Besley**—No, I think that is putting too fine an interpretation on it. What we were concerned about was: if anything nefarious was going on, was that affecting the operation of the pool? We were not looking at the broader context of 'is this going to mess up our international wheat trade?'

**Senator O'BRIEN**—So the board had made a decision that there would be a narrow inquiry?

**Mr Besley**—There would be an inquiry, which was directed towards the Wheat Export Authority, doing what it is required to do under the act of the parliament that governs its performance. We were not to be a policeman. We were not going out to investigate corruption. We were going out to find out, if anything like that had happened, whether it in fact impacted on the pool—nothing else. It is not our job to do that. Cole is going to do that.

**Senator O'BRIEN**—Volcker was going to do that.

**Mr Besley**—He has had a go too. But that is not our job. It never has been our role. 'Look into it' does not mean look into it in the sense you are implying. It means: 'Look into it in terms of what impact, if any, it is having on the management by nominated company B on the operation of the pool for the benefit of the growers.'

**Senator O'BRIEN**—There is no provision in the act to monitor nominated company B's performance in relation to the export of wheat that reads as narrowly as you have interpreted it. Were you given any instruction as to how the act should be interpreted or have you taken legal advice?

**Mr Besley**—I think the authority has had advice on interpretation of the act from time to time before my day, and from time to time we have sought advice as well. We have sought advice on use of the powers.

**Senator O'BRIEN**—A more accurate representation of what the board decided to do in February 2004 is to find out whether the media reports of allegations of kickbacks had reduced the return to the pool.

**Mr Besley**—You could put it that way, yes.

**Senator O'BRIEN**—I think that is what the board had decided.

**Mr Besley**—Yes. I keep saying that we have a role, which is to monitor the performance of nominated company B insofar as it operates the pool for the benefit of growers.

**Senator O'BRIEN**—So it was not so much a concern that the company might be involved in the payment of kickbacks, bribes, improper commissions or the like; it was whether, having done that, that might impact on the pool?

**Mr Besley**—I think, if you are implying that none of us cares about improper behaviour, then you are wrong. But the purpose of our going there was to see if what was allegedly happening was affecting our role, which is to monitor—

**Senator O'BRIEN**—Hang on, I was not asking a question to put an implication. I was asking a question to find out the basis of the decision that the board made in February 2004. I want to understand—given the process that you followed, which was ultimately reported to the minister—if the board's decision was really intended to restrict the inquiry into whether the pool return was affected, and nothing more.

**Mr Besley**—Essentially, yes, because that is the role we have in life. We are not someone who goes out policing things.

**CHAIR**—If I take you to a role you have in life and there is no question of—

**Senator O'BRIEN**—You said you would give me the time—

**CHAIR**—And I will.

**Senator O'BRIEN**—You keep interrupting, as do others.

**CHAIR**—Can I just take you to the internal battle between the interests of the shareholders of AWB Limited and the interests of growers in AWB International. I have been a great critic of how you manage all that. Will you or have you looked at how a sale from Argentina—I presume through the Geneva desk to Iraq by AWB—impacted on the interests of Australia's wheat growers?

**Mr Besley**—I am not aware of that specific sale. We do look at AWB Geneva, and we have reported on that. As I am sure you recall, the business rules are that AWBI must approve any sale proposed by AWB Geneva. In fact, it has vetoed a number—I think two. AWB Geneva does two things: it sells Australian wheat where the financial risk is a higher risk than AWBI is prepared to take, or it sells non-Australian wheat to preserve a customer when there is a lower supply of Australian wheat to supply that customer—in other words, to keep a long-term customer supplied.

**CHAIR**—Anyway, we will come to that at a later time.

**Senator O'BRIEN**—I am asking about the decision taken by the board in February 2004 and I have been asking how narrowly that decision was couched. Is the decision recorded in the board's minutes?

**Mr Besley**—It would be. The board operates—and the minutes will demonstrate this—on a general basis. We do not resolve specific motions. We decided that we ought to go and have a look at it.

**Senator O'BRIEN**—So the board minutes will not reflect the nature of the discussion at the board.

**Mr Besley**—I would think nothing more than that. The board resolved that we ought to look at it. I think that is a fair assessment.

**Senator O'BRIEN**—I take it that it is correct to say that your representation of the intent of the board's decision is indeed what the board intended when it made that decision—that is, to enquire only as to how any alleged kickbacks might affect the return of the pool?

**Mr Besley**—That is a fair interpretation.

**Senator O'BRIEN**—And no more?

**Mr Besley**—That is the context in which we made that decision.

**Senator O'BRIEN**—That might further justify the comment I made about the 'hear no evil and see no evil' approach that I suggest that the board has had.

**Mr Besley**—That is your interpretation.

**Senator O'BRIEN**—That is exactly what you have just told us.

**Mr Besley**—That is an utterly ridiculous statement.

**CHAIR**—Mr Besley, you do not have to respond to that sort of intimidation.

**Senator Abetz**—This is a situation where, like it or not, the WEA has indicated its approach, the reasons for its approach and the rationale. Whether that is legal, right, wrong or indifferent, the Cole inquiry may well tell us. But if somebody has—and this is a big 'if', and I am not sure that it is the case—misdirected themselves as to the law, that is different to asserting that they are deliberately not wanting to go down a particular road. That is where the political spin that is now trying to be put on this is, in my submission to the committee, unacceptable. Sure, ask your questions about the rationale et cetera—and Senator O'Brien has received the answers—but, having been given a full answer as to why they did not pursue it further, putting on that spin is unacceptable.

**Senator O'BRIEN**—Frankly, the statement is justified by the answer. What you have just told us, Mr Besley, is that you were not looking for anything beyond the simple financial returns of the pool. You were not looking at the morality of the approach or for the facts of what took place. As long as there could be no return on the pool—

**Senator Abetz**—He believes he operates under a charter in the act.

**Senator O'BRIEN**—As long as there would be no impact on the pool, your role would be satisfied. That is what you just told us, isn't it, Mr Besley?

**Mr Besley**—I said to you that I was not commenting on my personal views about the alleged bribery and corruption; I was commenting as a practitioner who has to administer an act, which requires us to do certain things. The statement you made a moment ago was utterly ridiculous. I reject it and I am incensed by what you said. You are now getting into an area where, I have to say, it could well be that I will be called to the Cole commission, and we ought to stop this line of questioning right now.

**Senator O'BRIEN**—You may think that. We may stop for lunch.

**CHAIR**—I will seek some guidance here. I thank everyone for their cooperation this morning. Senator O'Brien, do you have any idea how much more circle work you need to do.

**Senator O'BRIEN**—I do not know what you are talking about with 'circle work', but I certainly have some more questions.

**CHAIR**—Didn't you ever do any circle work when you were a young bloke?

**Senator O'BRIEN**—No.

**Senator Abetz**—He has been a union official.

**CHAIR**—I think this would be a convenient time to break for lunch.

**Senator Abetz**—He will get dizzy if we do not stop now. He is going around in circles.

#### **Proceedings suspended from 1.00 pm to 2.00 pm**

**Senator MILNE**—I want to follow up on the questions I was asking about the outperformance bonus. The bonus that was paid was around \$19.4 million, and I understood from your earlier answer that if the Wheat Board met a certain benchmark then the outperformance bonus was paid. I assumed from your answer that the benchmark was purely financial. Is that correct?

**Mr Besley**—That is right. It is a financial benchmark.

**Mr Taylor**—That is correct. There is a financial benchmark that it struck which AWB Ltd, in providing services to AWBI, must outperform to entitle it to an outperformance incentive payment.

**Senator MILNE**—How can service delivery achieve an outperformance bonus? Explain it to me. If you are contracted for a service and you deliver the service, why would you get a performance bonus?

**Mr Taylor**—The remuneration model is based around the pool value, and that pool value is the basis against which the remuneration to AWB Ltd is assessed.

**Senator MILNE**—I will come back to that. How is the pool value impacted by the calculated volume of sales?

**Mr Taylor**—The pool value, as I understand it, is a calculation of the average pool return, per tonne, times volume.

**Senator MILNE**—Would that increase depending on the reporting of the Wheat Board? What I am getting at here is that the value of the Wheat Board sales, if you like, was inflated by virtue of the kickback arrangements. So would that increase the likelihood of them achieving or outperforming their benchmark?

**Mr Taylor**—I do not believe that it would, because the pool value is essentially based on the average APB price returned to the pool times the volume. So that would be exclusive of the kinds of costs that I think you are talking about.

**Senator MILNE**—So the pool costs have nothing to do with the additional service costs for which AWB is currently being investigated?

**Mr Taylor**—I believe that is correct.

**CHAIR**—That would not be to say, though, that the bonus arrangement works on the same set of figures. I clearly recall, as Senator O'Brien would, asking the CEO in Perth if he would have the courage to provide the committee with the logic and thinking behind how they arrived at the bonus for their executives. It could be that the bonus is worked on a different set of figures, couldn't it?

**Mr Taylor**—If you are referring to individual bonuses—

**CHAIR**—Yes, the executive bonus package.

**Mr Taylor**—then that is possible.

**Senator MILNE**—So what you are telling me is that the bonus payment of \$19.4 million was just related to the pool value, which was unrelated to the transport costs and other costs to the AWB?

**Mr Taylor**—Yes, that is essentially my understanding of what we know at this point in time of how things were working.

**Senator MILNE**—What do you mean 'we know at this point in time'? What other considerations are there in relation to this?

**Mr Taylor**—Information coming out of the Cole inquiry.

**Senator MILNE**—Can I ask a different question?

**CHAIR**—You can do whatever you like.

**Senator MILNE**—On another matter, the export consent arrangements working group, can you tell me what this export consent arrangements working group actually does? What does it approve?

**Mr Besley**—It does not approve anything. There used to be a standing consultative committee, which was one of the committees that the review panel, which Mr Mortimer spoke about this morning, questioned. Was it doing what it should do? Should it be independently chaired? As a result of the consideration of that, we have established a specific working group to do specific things, one of which was this export consent arrangement. They were charged with looking at what we do about the recommendation from the review panel, which was advocating a somewhat longer period of consent than was currently the case. Working through all of that—and that group had members from the Grains Council, from the AWB, from the department and from the WEA—recommendations emerged that went to the minister, who signed off on them. In fact, in respect of that particular one, he asked for more work to be done by June next year. He wanted to know what the reasons were that the group had not recommended going completely as far as the Williams panel recommended. Because of

perceived risks to the pool he wants more and better particulars, a report in June and any changes to be operative by October 2006.

**Senator MILNE**—So how long has this export consent arrangements working group been in place?

**Mr Besley**—I do not know; Glen, when did we establish it?

**Mr Taylor**—It was established shortly after the minister announced the government response to the review panel recommendations. The minister's announcement was in April 2005, and it was shortly thereafter that this working group was established.

**Senator MILNE**—In April 2005 it was established. How often did it meet?

**Mr Taylor**—I could not give you the exact meeting numbers. I could take that on notice.

**Senator MILNE**—I will accept that on notice, but did it meet monthly or three-monthly or ad hoc as required?

**Mr Besley**—If I can come in, it was more as required. It was tasked with working out, in the interests of the industry, what the process for export consents ought to be with regard to what Williams recommended.

**Senator MILNE**—You mentioned that someone from the Department of Agriculture, Fisheries and Forestry was on that working group. Who was that?

**Mr Taylor**—The initial representative from the department was Mr Roland Pittar. He subsequently changed his role in the department, and that role was largely filled by a fellow officer from the department, Mr Andrew Wallace. There were also additional, more junior staff who would come along from time to time to those meetings.

**Senator MILNE**—So we had a member of the department presumably reporting to his minister on these export consent arrangements working group meetings from April last year onwards. What sort of informational documents would that export consent arrangements working group have been looking at?

**Mr Mortimer**—Can I make an intervention here? That working group was a working group established by the WEA under its authority, and so that did its job and then the WEA reported on the outcome to the minister. The minister made his judgment on that. While the departmental officer was there to advise and assist, they did not report on or prejudge the outcome until the WEA, which was the custodian of the process, came to its conclusion.

**Senator MILNE**—Thank you, Mr Mortimer. I appreciate that explanation but, nevertheless, the departmental officer representing the government on that group could at any stage have consulted with their minister, surely?

**Mr Mortimer**—I appreciate the point you are making, but I am just pointing out that the WEA as an organisation, as a separate statutory authority, ran that process. When the WEA had finalised the outcome at the management and board level, it was then reported to the minister.

**Senator MILNE**—What sorts of documents were the export consent arrangements working group provided with in order to make its decisions?

**Mr Taylor**—The working group would have had access to the recommendations on the announcement of the government response to the review panel recommendations. They also would have had access to statistical information from the Wheat Export Authority on the system existing at that point in time and how it was operating. They would have had access to views that had been conveyed to the Wheat Export Authority from the exporters who were consulted by the authority on what a revised system should look like.

**Senator MILNE**—So would the export consent arrangements working group have had quite a lot of access to documents from the AWB as well, in the context of all that?

**Mr Taylor**—We are talking more about a process. I do not believe there would have been much in the way of AWB documentation tabled at those group meetings given the purpose for which that group was formed, which was to look at options for implementing the recommendations from the Williams review and how to achieve the recommendation to make the export consent system work more efficiently.

**Senator MILNE**—Since the AWB was represented on the export consent arrangements working group, was there any discussion on that working group about the arrangements under way in Iraq and the transport arrangements and so on?

**Mr Besley**—I can answer that. No, there was not. As Mr Taylor said, it was a process working group to understand what reasons, if any, there were for not fully implementing the Williams recommendations, which the government had accepted in principle. The concern on the one hand was that some of the exporters—but not all of them—would have liked a longer consent period. On the other hand, people could see that if the period during which the exporter could exercise the consent given to him was too lengthy and the WEA did not have power to revoke a consent, it could conceivably cause risks to the pool. It is that aspect that we have to look at further in our second go at this. It is purely a process thing; it is not mechanical.

**CHAIR**—This is probably not a question for today. A picture paints a thousand words, they say: if someone is driving around in another market with a van full of suitcases full of cash, I would like to at an appropriate time—not today—come to some consideration of the implications of that. Who checks the till every night when they pull up at the pub? Is there some way that Australia's wheat growers can ever be assured that one of those suitcases did not fall from the back of the van?

**Mr Besley**—Do you mean in Iraq?

**CHAIR**—Yes. A gold bar—oops, it fell out from the back of the van!

**Mr Besley**—I think you would have to ask AWB. We would not know.

**CHAIR**—We will in due course.

**Senator O'BRIEN**—And they will tell us, won't they!

**Mr Besley**—It depends on how good your questions are.

**Senator ROBERT RAY**—They are not as trusting as you are.

**CHAIR**—With great respect to everyone in the room, we have asked a question which has always exercised my mind: how do you assess that a third party sale through the Geneva desk

is in the best interests of Australia's growers? I will give you an example. Someone rang me the other day and complained that they had been to China and identified a 5,000 tonne a month order for wheat from some Chinese identity there—everyone who is in the business knows about this. The bloke said, I'll have to go back to Australia. I'll probably get vetoed via the veto power of AWBL or AWBI.' Sure enough, he came back and that is exactly what happened. So he rang the Chinese bloke in China and the Chinese bloke said, 'Mr So-and-So, you've done us a great turn; AWBL are in my office now negotiating the sale.' I do not know what the Chinese wall arrangements are. I know there is a peephole, as I mentioned in Perth in 2003, between Limited and International, but you can understand how this leaves a nasty taste in some people's mouths when that is the way business is conducted. That is beyond the reach of your role, I presume?

**Mr Besley**—It is, and I once heard that sort of story. But I also recall the Chairman of AWBI expressing the view that if one of the non-AWBI exporters developed a market—and we have a role, as you know, under the act to assist in the development of niche markets which complement the operation of the pool et cetera—it would be a bit rough if AWBI came along and took it away from them.

**CHAIR**—Anyone who is in the business will know what I am talking about as soon as I say that this was rosella wheat which is, for Robert's benefit, a low-protein biscuit wheat, which is rarely grown these days—some is grown on irrigation. When CBH got vetoed for that, I thought CBH were quite clever in getting those mills up in Asia, and I said that to the AWB at the time. I said, 'I think these blokes have outsmarted you.' Then CBH wanted to supply wheat to their own mills—50 per cent owned—in Indonesia. Did you, as it were, pass the parcel on the veto and that was the end of the section or did you give other considerations other than the veto decision by AWBL?

**Mr Besley**—It came in twice, the first time accompanied by a dossier of reasons why CBH thought it was appropriate to be given a permit. But on that occasion they said, 'We don't want you to give those reasons to AWBI.' So AWBI exercised its power under the act to veto, and unless and until they give us a written agreement to a bulk export we just have to say no.

**CHAIR**—That is all I need to know.

**Senator O'BRIEN**—Your statutory authority is the Wheat Marketing Act. When did section 5(d) become part of that act?

**Mr Besley**—That is the section that deals with the compulsory acquisition of information?

**Senator O'BRIEN**—Yes.

**Mr Besley**—There was a consideration of it in, I think, 2003 in the Senate. It went into the parliament.

**CHAIR**—Did that follow the reflection by this committee of lack of capacity?

**Senator O'BRIEN**—It followed our reflection. So it was available to you in 2004?

**Mr Besley**—Yes.

**Senator O'BRIEN**—Under that power, you could direct AWB International to provide information, documents or copies of documents in the custody or under the control of AWBI or the related body corporate?

**Mr Besley**—Yes.

**Senator O'BRIEN**—Did you use those powers?

**Mr Besley**—We have used it once.

**Senator O'BRIEN**—Did you use them in 2004 in relation to this inquiry?

**Mr Besley**—No. I already said that this morning—no, we didn't.

**Senator O'BRIEN**—I just want to be clear.

**Mr Besley**—I said no; and I repeat no.

**Senator O'BRIEN**—The value of the pool is impacted by the tax obligations of AWB International, isn't it?

**Mr Besley**—I cannot answer that off the top of my head.

**Mr Taylor**—I do not know the answer to that question, I would say.

**Senator O'BRIEN**—Presumably, if AWB International claimed deductions from their income, they therefore claim not to be liable to pay tax on that part of the income. Is that fair comment?

**Mr Taylor**—I do not know that.

**Mr Besley**—That approach sounds as though it is the way the system works. But are you referring to the procedure under which people who did pay facilitation payments could claim that as a tax deduction until recently?

**Senator O'BRIEN**—Yes. That is the question that arises. Surely, if you are looking at the grower's return you would have looked at whether illegal commissions had been claimed as tax deductions. Did you do that?

**Mr Besley**—I do not think that is a job for us.

**Senator O'BRIEN**—The return to the pool is affected by the amount of tax paid, isn't it?

**Mr Besley**—Yes, but it is not up to us to get into the tax affairs of the company.

**Senator O'BRIEN**—But if the tax affairs of the company affect the pool why is it not your issue?

**Senator Abetz**—Chair, we are into the hypotheticals again.

**Senator O'BRIEN**—No, we are not. We are in a very strong area because it is illegal—

**Senator Abetz**—We are getting into the area of tax law.

**Senator O'BRIEN**—to make these kickback payments and they are not tax deductible, so it is not hypothetical at all.

**CHAIR**—I am having difficulty following your logic, Senator O'Brien. Are you talking about from the escrow account or from the pool?

**Senator O'BRIEN**—I am talking about the fact that AWB Ltd contracted to make certain payments to a Jordanian—

**CHAIR**—AWB?

**Senator O'BRIEN**—You know who I mean—

**CHAIR**—AWBL or AWBI?

**Senator O'BRIEN**—trucking company. They contracted to make those payments. It is what you were told in May 2004. It turns out those payments were kickbacks. What I want to find out is this: did the Wheat Export Authority investigate the payment of kickbacks in the context of whether that had an effect on the tax liability of AWB International?

**CHAIR**—From my perspective, we are starting to wander into Mr Cole's area of responsibility.

**Senator Abetz**—Exactly; very much so. I do not pretend to be an expert, but in relation to the moneys paid to the trucking company I understand there were actually—and correct me if I am wrong—trucks that did take the wheat—

**CHAIR**—With great respect to you, Minister, I think everyone has had a bloody good go today.

**Senator Abetz**—I fully agree.

**Senator O'BRIEN**—I have not finished yet.

**Senator ROBERT RAY**—Chair, on a point of clarification: earlier today we heard that, if in fact some money was remitted to a Jordanian or other company and it came out of the escrow account, it really is not the business of Mr Besley. His business would have been if the return to the growers had been paying a percentage off to someone else as a kickback. I think that is your position, Mr Besley; I am not verbalising you there.

**Mr Besley**—No, that is correct.

**Senator ROBERT RAY**—What Senator O'Brien is asking in terms of return to growers is this: if for some reason these were claimed as some sort of thing—not from the escrow account but just generally—is that their business? I think they have answered no.

**CHAIR**—So we have not established the facts on either account.

**Senator ROBERT RAY**—I think that just before you interrupted they were about to say, 'No, we didn't investigate that,' and then we can move on.

**Senator O'BRIEN**—Is that what you were saying?

**Mr Besley**—We did not investigate that.

**Senator O'BRIEN**—Did the Wheat Export Authority consider whether it had obligations to report to the corporate regulator any issue which related to the nonreporting of these secret commission transactions?

**Mr Besley**—No, because in our inquiry at the time—and we took it on face value—they said they had not done it and their record of agency payments did not figure Iraq.

**Senator O'BRIEN**—But there were contracts?

**Mr Besley**—There were some contract documents. They did not apparently go as far as specifying the cost of inland transport, because we don't seem to have that number.

**Senator O'BRIEN**—Which probably means you did not ask.

**Mr Besley**—As I said to you before, our job was to satisfy ourselves to the best of our ability that what they were doing was not unfavourably impacting on the pool. We came away satisfied that that was not the case, that it was not unfavourably impacting on the pool.

**Senator ROBERT RAY**—Can I ask a more general question. This is to educate me, Chair, and nothing else. How many times have you found the Australian Wheat Board International take or commission acts or decisions that have unfavourably impacted on the growers' position? How many times have you done that since you were set up?

**Mr Taylor**—There has been a number of issues that have been identified in previous grower reports where the Wheat Export Authority has reported that it felt that the arrangements between AWBI and AWBL should have been looked at to see if there could be some modification to improve the returns to growers. They are on the public record.

**Senator ROBERT RAY**—Mr Taylor, that is helpful but it does not quite answer my question. I am trying to find out when you have actually intervened to say, 'They haven't maximised it and it's ended up maximising.' In other words, to put it in simple language, how often have the wheat growers got extra money from your intervention?

**Mr Taylor**—There has been some response to WEA issues that have been identified. I think in the 2003 *Growers' Report* we identified some changes which may or may not have been as a result of the WEA, but we know WEA did investigate those matters and there was a \$6 million saving for the pool.

**CHAIR**—I seem to recall there was some discussion at one stage about the provisional financing package, which might not have been as competitive as it ought to have been. Senator Ray, I am pleased to see you have taken an interest in the poor old cockies.

**Senator ROBERT RAY**—Just from a total outsider's point of view, I am looking at this authority—and it is no criticism of them—and trying to find out what value for money they are. The very threat of your existence has a salutary effect on the Australian Wheat Board, I have no doubt about that, but I am looking for instances where they have intervened and suddenly the wheat grower, who apparently pays all your expenses, is better off. I am trying to find one of those.

**CHAIR**—I think you should apply to get a permanent position on this committee.

**Senator ROBERT RAY**—If you disappear, I will! Make a deal. It is unanimous, I take it!

**Senator O'BRIEN**—What is the role of the government board member on the Wheat Export Authority?

**Mr Besley**—He is just a board member like everyone else, and all board members work for the good of the whole organisation. They do not represent the government or that sort of thing.

**Senator ROBERT RAY**—Can I just ask one more question, and then I will go.

**Senator O'BRIEN**—You did say earlier that what the grain growers on the board reported to the Grains Council was a matter for them.

**Mr Besley**—If they feel inclined to do so. They are nominated by the Grains Council and they are appointed by the minister, but they do not purely represent wheat growers. They are there to bring skills that the Wheat Export Authority board has available to it the skills of people who understand growing wheat.

**Senator O'BRIEN**—But you have an understanding that they will from time to time talk to their industry about the issues they hear on the board. That is the implication.

**Mr Besley**—I said they may; I cannot tell you if they do.

**Senator O'BRIEN**—Similarly, the government representative would be in the same boat, only in that case the connection with the government is the matter that—

**Mr Besley**—You could ask him but I—

**Senator O'BRIEN**—I cannot ask him, apparently.

**Mr Besley**—My view is that he—

**Senator O'BRIEN**—He might want to volunteer some information, but I am not allowed to ask him.

**Senator Abetz**—He appears here in his capacity as an official of the department, not as a board member.

**CHAIR**—I would like to raise the price of fertiliser, but I really cannot do that either.

**Senator ROBERT RAY**—If I could just ask one more and then I have got to go to DOFA's estimates. What is the total cost of directors' fees at WEA? I do not want to know it by individual. What is the total cost? What do we pay this board to be directors? I am sorry to ask that, Mr Mortimer, because I am sure you do it for the love. Do not comment: you are not allowed to!

**Mr Mortimer**—Zero, Senator!

**CHAIR**—They do not do it for the money.

**Mr Besley**—In round terms, about 180.

**Senator ROBERT RAY**—That is \$180,000.

**Mr Besley**—Yes.

**Senator SIEWERT**—How many times have you sent people to AWB to investigate their contracts?

**Mr Besley**—Not offhand, no. I could dig that up for you. We have certainly done some detailed investigations down there at times, but I do not know just off the top of my head.

**Senator SIEWERT**—I want to go back to when I asked you about this in November. When we were talking generally about how WEA operates and had a discussion about what your role was, you said that just recently—I am interpreting that you meant just recently—you had sent somebody down to Melbourne to look at the contracts. Are you referring then to the time when you investigated the 17 contracts?

**Mr Besley**—That would be the time we have been talking about where our man went down to look at those Iraq contracts. But that is not the only time we have been down.

**Senator SIEWERT**—So you have been down to check on them before?

**Mr Besley**—We have.

**Senator SIEWERT**—In the past, had they done the same thing they did this time?

**Mr Besley**—Sorry, with respect to the Iraq contracts we only did that once.

**Senator SIEWERT**—When you were talking about that in November, were you talking about that specific instance?

**Mr Besley**—Yes, I would have been.

**Senator SIEWERT**—Why, when you clearly recalled that you had sent someone down to investigate, did you not draw the link to the Jordanian trucking company?

**Mr Besley**—I said before that I cannot say anything more than I have already said. I was either totally forgetful or poorly briefed. I do not want to go any further into it. As I said, I am embarrassed by it. I did not come here to mislead or tell fibs or whatever you would like to call it. I am embarrassed about it and I hope my letter has now put the record straight.

**Senator SIEWERT**—I want to go back to what Senator O'Brien was talking about just before lunch and which I raised last time, and that is the role of the WEA. My understanding of your role, and I have got this information from your website, is that:

The WEA is responsible under the Wheat Marketing Act 1989 to monitor, examine and report on the performance of AWB (International) Ltd (AWB(I)) and the benefits to growers.

My understanding of how you interpret that is how it impacts on the national pool.

**Mr Besley**—That is correct, yes.

**Senator SIEWERT**—But am I fair in saying that that is the way you, the WEA, interpret it but that we could interpret it in another way, in a broader sense—to take it literally, to monitor and examine and report on the performance of the AWB? Is that not a fair interpretation of the role of the WEA?

**CHAIR**—Should that be AWBI or AWBL?

**Senator SIEWERT**—AWBI.

**CHAIR**—People keep saying AWB, and it does not mean anything.

**Mr Besley**—I think you will find the words 'and the benefits to growers' in there as well.

**Senator SIEWERT**—'And the benefits to growers'.

**Mr Besley**—That is continuous.

**Senator SIEWERT**—So you interpret that to mean both together whereas I read it as 'performance' and 'benefit to growers'.

**Mr Besley**—That is the way you have interpreted it, but that is not the way we did.

**Senator SIEWERT**—I do not think we resolved this before lunch. I think you mentioned you have had legal interpretations several times. Have you had a legal interpretation of your role?

**Mr Besley**—I guess we have, yes.

**Senator SIEWERT**—Is that something that is able to be provided to the committee?

**Mr Besley**—AWB?

**Senator SIEWERT**—I beg your pardon—of your role. Have you had a legal interpretation of your role?

**Mr Besley**—Yes, we have.

**Senator SIEWERT**—Is that something that you could make available to the committee?

**Mr Besley**—I think we would have to check with the minister, because normally you do not just hand out legal advice from your lawyer without some proper process. That is the process we would have to go through. But, subject to his clearance of it, I would have no difficulty with it coming to you.

**Senator SIEWERT**—I would like to very clearly understand how you interpret your responsibility and why I, and I think others, interpret it differently.

**Senator O'BRIEN**—Mr Besley and Mr Taylor, did you have a conversation with the minister, someone from the minister's office or the department about the giving of evidence here today and what you might say?

**Mr Besley**—We did not speak to the minister about it. Do you mean Minister McGauran?

**Senator O'BRIEN**—Yes, Minister McGauran.

**Mr Besley**—No, we did not speak to him.

**Senator O'BRIEN**—Or anyone from his office?

**Mr Besley**—I am just thinking. I had a conversation with his chief of staff this morning, but it was not about that. It was to make sure the minister was aware of the comments in the press, which I assumed that he would be. I wanted to make sure of what Harris had said, for example, which I found offensive. I wanted to just check that. But I did not talk about what I could or could not say. That was not an issue.

**CHAIR**—He, of course, gets paid to make those comments.

**Mr Besley**—Who, Harris?

**CHAIR**—Harris.

**Mr Besley**—He writes regularly, so I assume he is on the payroll.

**CHAIR**—He is on the payroll.

**Senator O'BRIEN**—I would like to get the completeness of the answer. What about other discussions, other than this morning, with members of the minister's staff or any discussions with offices of the department about the evidence?

**Senator Abetz**—That is where, if I could intervene, I was going to indicate to the committee that Mr Besley was in my office this morning, along with officials, and I indicated to them what the government's position was and the statement that I would be reading but, of course, indicating to Mr Besley that, representing an independent statutory authority, that statement did not apply to him and it was up to him how he dealt with the questions before the committee. The fact is that no such discussion was had with Mr McGauran, but I would not want to leave the impression that no such discussion at all had taken place. I want to place that on the record.

**Senator O'BRIEN**—Mr Besley, the question I asked goes beyond the point that the minister just made. I want for completeness an answer from you and from Mr Taylor as to whether there have been discussions with Minister McGauran, Minister McGauran's office or the department about the evidence you were going to give here today.

**Mr Besley**—Other than what you have already heard, no.

**Mr Taylor**—I concur with that.

**Senator O'BRIEN**—And no discussions with Mr Mortimer about the evidence that was to be given today, given that your evidence earlier was that you had discussions with Mr Mortimer about the letter which went to the committee secretariat last—

**Mr Besley**—Yes, but that was about correcting something that I had done.

**CHAIR**—Could I put something on the record? I think today, despite the expectation that today was going to be about something completely different to what it has been about—that is, it was going to be about no-one answering questions—I think it is eminently clear to everyone that the Wheat Export Authority made their own decision and fronted up and stumped up here and answered the questions. There is no great conspiracy here. Against the better judgment of everyone in the building that thought this was going to be some sort of cut-off at the pass by the government, it has not been. The money has been where the mouth is. I think everyone is to be commended.

**Senator O'BRIEN**—I am on the record as saying that I expected that they would turn up because they were obliged to.

**Senator Abetz**—There is a big difference between somebody turning up and the way they answer questions.

**Senator O'BRIEN**—I do not think we have had all the answers that we want.

**Senator Abetz**—Mr Mortimer was in my office this morning as well but it lasted for about five minutes maximum.

**CHAIR**—We are starting to get back into the circle work, or doughnuts.

**Senator Abetz**—Yes, there was the suggestion about discussions with Mr Mortimer.

**CHAIR**—There will be no blowing smoke.

**Senator Abetz**—I think I said all that occurred in that very brief meeting.

**Senator O'BRIEN**—You have taken a lot of questions on notice. When can we expect the answers to those questions?

**Mr Besley**—That is something over which I do not have control, but as fast as the system will allow.

**Senator Abetz**—Some of the questions will undoubtedly be able to be answered, I would have thought, very quickly and easily. Others will need more time and work and—I had better correct myself. Once the draft answers are ready, they go via Minister McGauran's office, and therefore Mr Besley and the WEA are not able to determine when those answers will come before the committee.

**Senator O'BRIEN**—In whose control is the form of the answer after it has been to Mr McGauran's office? I am keen to know whether the answer we receive is Mr McGauran's version of the answer or Mr Taylor's and Mr Besley's version of the answer.

**CHAIR**—With great respect, you are now reflecting on the integrity of the people—

**Senator O'BRIEN**—No, I am not. There is no disrespect intended. I am asking a question on process. If they provide an answer, can that be altered by the minister without recourse to these witnesses?

**Senator Abetz**—I do not know how it operates in Minister McGauran's office, but having had experience with an independent statutory authority—the Australian Electoral Commission—my answers used to be on the basis of: 'I am advised that,' and I would make it clear that it was the answer from the Australian Electoral Commission. But if I had some difficulty with the answer, or I thought it was not completely detailed enough or information was missing or extra information was needed, I could go back to the Australian Electoral Commission, suggesting that they might like to amplify it or whatever. That was my practice. I do not know how that applies in the offices of other ministers. At the end of the day, it was still the Australian Electoral Commission that had to be satisfied with the answer provided.

**Senator O'BRIEN**—Have you, Mr Taylor or Mr Besley, been invited to appear before the Cole inquiry?

**Mr Besley**—Not at this moment.

**Senator O'BRIEN**—When you say, 'Not at this moment,' have you been told to expect to be called?

**Mr Besley**—As I said before when my blood pressure was somewhat higher than my normal 130 over 70 or whatever it is—

**CHAIR**—You are a walking medical miracle, mate! You are a bragger.

**Mr Besley**—I rather resented your comments about my ears and eyes, and I then said, as you will recall, 'I think we ought to stop this line of questioning; it is getting difficult because I may be summoned to appear before Cole.' I do not know.

**Senator O'BRIEN**—I am simply asking for completeness.

**Mr Besley**—At this point I have not received a request to appear.

**Senator Abetz**—Do you have a crystal ball?

**Senator O'BRIEN**—Have you been told that you can expect to be invited, rather than having a crystal ball?

**Mr Besley**—I do not know where he is going.

**Senator O'BRIEN**—You have not been told to expect to be invited?

**Mr Besley**—No, I have not been told.

**Senator O'BRIEN**—Or that you will be invited or you might be invited?

**Mr Besley**—I am just speculating that that could occur.

**CHAIR**—Could I have a copy of your diet and exercise regime?

**Senator O'BRIEN**—I won't do you any good. He will not follow it.

**CHAIR**—Thank you very much for your patience.

**Senator Abetz**—Is there nothing else?

**CHAIR**—No, I would get going while the going's good. Thank you, Mr Besley and Mr Taylor.

**Senator O'BRIEN**—I have further questions in the area of food and agriculture. Table 1.10 on page 20 of the PAES shows that the estimated administered expenses for the Sugar Industry Reform Program 2004 have been revised upwards for 2005-06, from \$84.026 million to \$158.415 million. Can someone explain the variation?

**Mr Mortimer**—Yes. The bulk of that results from the fact that the second tranche of the sustainability grant, which was some \$73 million, was not paid in the 2004-05 financial year as originally expected and that the second tranche of the sustainability grant was, therefore, paid in 2005-06, I think in September. As a consequence, that has now entered the revised estimate and it will be dealt with at additional estimates.

**Senator O'BRIEN**—As it is.

**Mr Mortimer**—Exactly, that is my point. I try to be complete!

**Senator O'BRIEN**—Don't tempt me to enter into that. Perhaps you can give me an update on exactly where the implementation of the whole sugar package is up to.

**Mr Mortimer**—I will make a broad statement and if necessary get assistance from other officers on the details. The second tranche of the sustainability grant has been paid. The industry oversight group is now finalising its strategic plan, which we understand will go to the minister very shortly. There is one round of payments for regional community project grants—which I think you are aware of; we discussed it previously—and another round of those regional community project grants now in the process of consideration.

**Senator O'BRIEN**—How much of the \$444 million allocated has now been spent?

**Mr Mortimer**—The total amount spent as at 3 February 2006 is \$227 million.

**Senator O'BRIEN**—Can you break that down into components for us, please?

**Mr Mortimer**—The sustainability grant is the largest element at \$146.1 million. Of the remainder, re-establishment grants are at \$36.7 million; income support is at \$17.9 million; restructuring grants are at \$13.5 million; business planning support is at \$3.9 million; regional community projects are at \$0.82 million; business planning assistance to mills is at \$0.8

million; crisis counselling is at \$3.1 million; IOG and RAG support is at \$3.9 million; retraining grants are at \$0.24 million; and intergenerational transfer is at \$0.162 million.

**Senator O'BRIEN**—How much of the \$444 million do you now believe will remain unspent?

**Mr Mortimer**—That is an impossible question to answer. One key element of the project is demand driven by farmers, in particular re-establishment grants. I think it would be unhelpful to try to put a number on that at this point.

**Senator O'BRIEN**—How long are those grants available?

**Mr Mortimer**—Until the end of the 2006-07 financial year.

**Senator O'BRIEN**—How much in total is available?

**Mr Mortimer**—\$96 million.

**Senator O'BRIEN**—So \$13.5 million has been committed and \$96 million is available; therefore \$82.5 million is still available with 16 months remaining. I think the current sugar price is not that bad, which might drive people towards the re-establishment grants, mightn't it?

**Mr Mortimer**—That is a fair comment.

**Senator O'BRIEN**—So would it be a reasonable assumption that a fair bit of that \$82.5 million will remain unspent?

**Mr Mortimer**—That is possible.

**Senator O'BRIEN**—Is there another sustainability grant round available?

**Mr Mortimer**—No. The two tranches of the sustainability grant have both been paid. What I think you are referencing is the regional community projects program.

**Senator O'BRIEN**—How much is available in that?

**Mr Mortimer**—\$75 million.

**Senator O'BRIEN**—I see that \$1.1 million has been spent. Are there applications under consideration at the moment?

**Mr Mortimer**—Yes, that is the case.

**Senator O'BRIEN**—How many remain to be processed?

**Mr Mortimer**—I will ask Tanya Cvijanovic to give the details and tell us where that assessment process is at.

**Ms Cvijanovic**—The industry oversight group is currently considering round 2 applications. There are 47 applications in round 2.

**Senator O'BRIEN**—How many applications were there in round 1?

**Ms Cvijanovic**—Going off memory, I believe there were either 70 or 71.

**Senator O'BRIEN**—How much is available under each of those applications? What is the maximum grant?

**Ms Cvijanovic**—There is no maximum grant amount.

**Senator O'BRIEN**—How much in total is being sought under the current scheme through the applications currently awaiting processing?

**Ms Cvijanovic**—I am unaware of the exact figure in relation to that. I can take it on notice.

**Senator O'BRIEN**—Yes, please. So in re-establishment and the regional community grants there is \$150-odd million still available?

**Mr Mortimer**—I think the point that is being made is that there is money available, as you said, under the re-establishment grants. That is available for the life of the program. There is money available for regional community projects—and you gave a number of—

**Senator O'BRIEN**—Roughly \$155 million.

**Mr Mortimer**—I am just checking the numbers. I think the point you are making is that there is more than \$70 million available for regional community projects and that there is about \$60 million available for re-establishment grants.

**Senator O'BRIEN**—I thought it was \$82½ million. You gave me a figure of \$96 million in total and said that \$13½ million had been committed.

**Mr Mortimer**—No. The restructuring grants were \$13 million and the re-establishment grants were \$36 million.

**Senator O'BRIEN**—I see.

**Mr Mortimer**—But I take your point. That gives you a figure of about \$134 million that is potentially available.

**Senator O'BRIEN**—Are the sustainability grants processed by the industry oversight group?

**Mr Mortimer**—No. What happened there was that the minister sought advice from the industry oversight group as to whether the process of reform had advanced sufficiently to warrant the payment of the second tranche. The first tranche, you might remember, was paid when the government first announced the package a year or so back, and the government said at the time that it would pay a second tranche when it was satisfied of industry commitment to and progress on reform. The minister sought advice from the industry oversight group on that matter and, in the event, the industry oversight group advised the minister—I think it was as of September—that they were satisfied with the progress on that count, so the minister then made the second payment of the sustainability grant.

**Senator O'BRIEN**—The process of the assessment of all regional plans by the industry oversight group has been completed, I take it?

**Mr Mortimer**—The industry oversight group has now accepted the plans from the regional advisory groups.

**Senator O'BRIEN**—All of them?

**Mr Mortimer**—Yes.

**Senator O'BRIEN**—At supplementary estimates last November I asked a couple of questions related to an answer on notice from budget estimates numbered food and ag 10. The answer was in response to a question about concerns that the original regional plans were

about a patching and repairing approach rather than genuine structural reform. The answer states that the industry oversight group believe that the plans needed to include:

- specific, realistic and measurable targets;
- detail on how structural change will occur, when changes will be completed by and what changes will achieve;
- quantification and provision of appropriate evidence of the added benefits to the region of changes being implemented; and
- contingency plans where identified strategies for change are not successfully implemented to provide regions with the flexibility to identify alternative paths to achieve the region's goals.

At the November supplementary estimates I was promised copies of the industry plans, and seven documents were finally received in my office late on Friday. Am I missing a plan? I thought there were eight regions.

**Ms Cvijanovic**—There are seven regional advisory groups based in Queensland and one in New South Wales.

**Senator O'BRIEN**—So there are eight in total.

**Ms Cvijanovic**—Regional advisory groups in total.

**Mr Mortimer**—And seven regional plans.

**Ms Cvijanovic**—And seven regional plans.

**Senator O'BRIEN**—So these documents delivered are concise public versions. Are the actual plans more detailed?

**Ms Cvijanovic**—Yes, the actual plans are more detailed.

**Senator O'BRIEN**—Why were you not able to provide the committee with copies of the detailed plans?

**Ms Cvijanovic**—There was some sensitive commercial-in-confidence information within each of the regional plans. The regional plans are owned by the regional advisory group and they had concerns about some of the commercial information within those detailed plans.

**Senator O'BRIEN**—Did you inquire whether they would release them if there were an opportunity to release them in camera?

**Ms Cvijanovic**—No, I did not.

**Senator O'BRIEN**—At supplementary estimates I asked a number of questions related to the targets and measurable benchmarks that could be used to assess progress and success in the implementation of these plans. The answers to questions on notice 3 to 6 all say the same thing. They tell me that the information I require is contained in the copies of the regional plans provided. Unfortunately, not all the concise plans do provide details of benchmarks or targets. In some cases, even those which do provide targets are so vague as to be next to useless.

For example, the Herbert region plan has a goal of 'fostering innovation' and a strategy for achieving it of 'learning opportunities and study tours'. Under 'target dates' it just says 'annual'. It also has a goal of 'identifying opportunities' with a strategy of 'monitoring market

changes' and a target date listed as 'ongoing'—which is vague stuff indeed. Some of the plans provide even less information than this. Can you show me in budget estimates answer to question on notice No. 10, which relates to food, how these plans meet the full criteria set out in that answer? For example, I can find no mention of 'contingency planning for strategies that are not successful' in any of the plans you have provided.

**Mr Mortimer**—The plans are the creation and work of the regional advisory groups. The regional advisory groups bring together people in the regions to assess the situation and plan in the terms that best meet their needs and that they believe will take them forward. You have passed some comment about those plans, and you are allowed to make those comments, but essentially the regional visionary groups went through a process of working within their regions, consulting with the mills and the cane grower committees, to establish what they believed were effective plans that would deliver them the benefits that they were looking for. A lot of work was put into that process over a considerable period of time, and they were the ways that the regional advisory groups believed that they should express their targets and outcomes, and that is the nature of the plans as they are.

**Senator O'BRIEN**—The answer that we received earlier said that these plans, despite what now seems to be a revision of the expectation of these plans, would contain specific, realistic and measurable targets, detail on how structural change will occur, when change will be completed, what changes it will achieve, quantification and provision of appropriate evidence of the added benefits to the region of changes being implemented, and contingency plans et cetera. From the documentation we have been supplied, it does not seem that any of those plans meet the criteria that we were advised of in answer to question on notice No. 10 from the budget round.

**Mr Mortimer**—At the end of the day, a judgment was made about those plans. You have made a judgment that is on the table. There is nothing much more I can add to that, except to say what I said earlier that the plans were developed by the regions with considerable encouragement to make them as effective as possible, with interaction from an industry oversight group to guide them and assist them on that. At the end of the day, the plans were formulated and signed off by those regional advisory groups, and they are the plans that are now on the table and that have been put forward. Whatever one might think about those plans, you have made a judgment. I think it is a bit unreasonable to be entirely dismissive of them.

**Senator O'BRIEN**—A bit unreasonable to be entirely dismissive of them? What I said was that they do not appear to meet the benchmarks, the requirements, that the parliament was advised would be applied to those plans.

**Mr Mortimer**—I accept your point.

**Senator O'BRIEN**—I was inviting you to show me where that was wrong. What you are saying is that somehow, somewhere, someone might make a different judgment.

**Mr Mortimer**—I will ask Ms Cvijanovic to make some further elaborations.

**Ms Cvijanovic**—The regional advisory groups are also required to report on a biannual basis, and the plans will continue to be modified and refined through that process. So the regional advisory groups will report through to the IOG on a biannual basis.

**Senator O'BRIEN**—Are there no further financial incentives to improve the plan?

**Mr Mortimer**—There are no specific payments linked to the plans, but I think it is fair to say that the assessment of applications for regional and community projects, which I understand is done by the IOG, depends in part upon their consistency with the regional plans.

**Senator O'BRIEN**—Of the \$8 million allocated for the IOGs and RAGs, \$3.9 million has been spent. Over what period will the remainder be made available to those groups?

**Ms Cvijanovic**—It is over the life of the package, so to 2007-08.

**Senator O'BRIEN**—Is it to the end of that year or the beginning of it?

**Ms Cvijanovic**—It is until the end of the financial year 2007-08.

**Senator O'BRIEN**—Can you update us on the take-up of the exit grants?

**Ms Cvijanovic**—There are 368 applications granted. Did you also want applications received?

**Senator O'BRIEN**—Yes, please.

**Ms Cvijanovic**—There were 642 applications.

**Senator O'BRIEN**—How many were rejected?

**Ms Cvijanovic**—One hundred and seventy-five.

**Senator O'BRIEN**—I take it the remainder are yet to be processed.

**Ms Cvijanovic**—That is correct.

**Senator O'BRIEN**—How much longer have sugar producers got to lodge a claim for the exit grant?

**Ms Cvijanovic**—The exit grant is still available. The \$100,000 exit grant is available to the end of this financial year, and then it will drop to \$50,000 for the next financial year.

**Senator O'BRIEN**—So there are 368 growers who have exited the industry?

**Ms Cvijanovic**—Three hundred and sixty-eight have been granted re-establishment grant assistance.

**Senator O'BRIEN**—That does mean they leave the industry, doesn't it?

**Ms Cvijanovic**—They need to leave the sugar industry; they do not necessarily need to leave agriculture altogether. I do not have numbers on that.

**Senator O'BRIEN**—I want to go to the issue of protecting the interests of the Australian taxpayer in relation to money provided to the South Johnston mill. Answers to questions on notice—food and ag—8 to 10 relate to the legal framework for the loan to the mill. In answer 9 we are advised that the terms of the settlement are enforceable, even on those growers who refuse to sign up. Is that based on legal advice?

**Mr Mortimer**—Could you repeat the question?

**Senator O'BRIEN**—In answer to question 9 you say:

Not every supplier signed up to the terms of settlement. A small number have not signed. Even though not all growers have signed, this does not impact on the enforceability of the terms of settlement.

Does that mean it is enforceable even on those who refuse to sign?

**Mr Mortimer**—I want to step through this carefully, just to refresh my memory. My understanding is that the arrangements around the South Johnston mill were negotiated between the mill and the grower-supplier committees. My understanding is that did not necessarily mean that all growers had to sign up on an individual or personal basis.

**Senator O'BRIEN**—Is that the subject of legal advice to the department?

**Mr Mortimer**—I expect it would have been, but I will have to take that on notice and check.

**Senator O'BRIEN**—Can you let us know who provided it and provide a copy to the committee?

**Mr Mortimer**—I will take it on notice.

**Senator O'BRIEN**—On 28 October Minister McGauran issued a press release entitled, 'Minister approves new country-of-origin labelling laws.' Mr McGauran also said FSANZ had been asked to do further work on extending these laws on labelling for packaged products. Has the department any ongoing role in the development of these new laws?

**Mr Mortimer**—The department is a member of the Food Regulation Standing Committee, which draws together all Commonwealth and state officials who are involved with the food safety arrangements. As noted in that press release, the ministerial council last year made a decision to ask for more work on the matter. As a consequence of that, FSANZ, Food Standards Australia and New Zealand, was asked to do some more investigation. FSANZ will then make a recommendation to its board, and that will then go to ministers for consideration at a further meeting of the Food Regulation Ministerial Council, comprising all relevant Commonwealth and state ministers.

**Senator MILNE**—In relation to that, when are you expecting that that additional information will be sought and that there may be a report back to ministers? When will it go to their board?

**Mr Mortimer**—FSANZ are doing the work at the moment. I cannot give an exact date. My understanding is that they are going to take it to their board shortly and then, after their board signs off on it, it goes to ministers.

**Senator MILNE**—So one could assume in the first half of this year.

**Mr Mortimer**—I think that is the expectation—my apologies: Mr Banfield has just reminded me that the board looks at the initial work by FSANZ, then they have a public consultation process whereby a draft report goes out and that is the subject of consultation for some period of time. Then it comes back to the board to finalise.

**Senator O'BRIEN**—So it is not going to be considered by ministers any time soon.

**Mr Mortimer**—Stepped through that process, I think—

**Mr Banfield**—The intention is that FSANZ will have a report for consideration by ministers at the meeting by the end of April but, as Mr Mortimer said, it is not the development of a standard per se; it is really an analysis and examination of the costs and benefits of various options associated with extending the existing country-of-origin labelling.

The expectation would be that, on the basis of FSANZ's advice, ministers would make a judgment about whether or not they want to extend the existing standards. If the answer was in the affirmative then there would be some additional work required to develop a standard then to go back to ministers for signoff.

**Senator MILNE**—Just to clarify, where in that process is the public consultation? If the ministers were to decide in April, is that the point it goes to public consultation, or when?

**Mr Banfield**—As Mr Mortimer said, FSANZ are envisaging a short public consultation process in relation to the costs and benefits of extending it, so that would occur before ministerial council in April. My expectation is that there would need to be at least one round of consultation, I would have thought. I will confirm if that is not the case, but my expectation is that, if ministers were to take a decision to extend the standard, there would need to be perhaps one round of consultations in the development of that standard.

**Mr Mortimer**—Essentially what happens is that, if ministers make an agreement to vary the standard, that then triggers statutory provisions in terms of what needs to be done under the relevant legislation for standard development, and that typically provides for public consultation.

**Mr Banfield**—I might just add that I think there was a unanimous agreement by federal and state ministers when this matter was last discussed that they did want to move as expeditiously as possible on all this, consistent with the requirements for proper consultation.

**Senator O'BRIEN**—I am just thinking it through. If there is a consultation process between now and April, it will only be pretty short.

**Mr Mortimer**—Yes. That is essentially in the hands of the FSANZ board, consistent with the requirements of the ministers.

**Senator O'BRIEN**—How often do the ministers meet?

**Mr Mortimer**—Typically about twice a year, I think.

**Senator O'BRIEN**—Can we expect another meeting towards Christmas?

**Mr Mortimer**—Yes. There is a meeting scheduled in April and I think there is another one for September or October, but do not hold me to the exact date.

**Senator O'BRIEN**—No. So there is a distinct possibility it will not get to the ministers before the end of the year?

**Mr Mortimer**—The option is also available to the ministers to do business by teleconference. They do that from time to time if there is urgent business or business that warrants quick attention. I could not say whether that would be the case here or not but I just point it out as an option that is available that the ministerial council has used in the past.

**Senator MILNE**—I wanted to ask about a broad policy issue in relation to food and agriculture on strategic planning for biofuels and bioenergy. There is quite a bit of evidence from countries such as Brazil where a large part of the sugar crop has gone across to ethanol production. That has obviously taken it out of food production and so increased the price of sugar globally. There is quite a lot of enthusiasm in rural Australia for supplementing rural incomes and certifying rural and regional areas to go into some sort of biofuel production. In

terms of these regional plans—I obviously have not read them at this point—I just wanted to know whether you are starting to think in terms of a national strategy on biofuels and what the scenario planning is on the sort of impacts that might occur in relation to displacement of agricultural land from crop production to fuel production, particularly the potential to displace, again, small growers when agribusiness buys up large areas of land to serve a refinery and that sort of thing. I just wondered what sort of strategic planning has started in the department, if any, about those sorts of issues on food production and the mix around Australia.

**Mr Mortimer**—There are couple of parts to that. As you say, there is a lot of interest in biofuels and suchlike out there. There is work being done in a number of different parts of the department, so I will not try to represent them all. It is driven in part by interest in the sugar industry and also interest in providing benefits to the ecology in terms of climate change and so on. Clearly, the impact of that on farmers is far from clear because, essentially, we do not know what the pace of the uptake of the fuel will be and where that impact will land.

It is probably best to say that it is looked at within the context of the rural adjustment framework and the agriculture support framework and that we think about what mechanisms might be necessary in different programs to help farmers deal with the future, deal with change and suchlike. That is something that brings together a number of areas of the department and we do work on trying to keep in touch with that and also think about where it might take us.

I cannot give you any particular report at the moment because we do not have any sum report on it that we can put out to the public, but essentially it is part of our ongoing work. I would also reference that there is a biofuels task force that has operated in PM&C which has reported on this. If it is helpful we will see if we can provide that report to you.

**Senator MILNE**—Thank you. If it is available on the net, and I presume it would be, I can get it from there. The question was really in terms of trying to anticipate shifts in agricultural land going out of food and into fuel production. In some countries that has been quite a significant shift, and it has both good and adverse ecological consequences depending on what they do. I just wanted to know whether there are any signals in the department about starting to look at the strategic ramifications of that shift.

**Mr Mortimer**—I appreciate that, and that is entirely right. As I explained, we do look at that and do our best, accepting that interest in these fuels often does wax or wane with different industries, depending on the relative price in international markets.

[3.24 pm]

#### **Biosecurity Australia**

**Senator O'BRIEN**—In November Mr Cahill told us that the draft uncooked chicken meat import risk assessment would be finalised in the first part of this year. I am not sure how big that part is. Has that happened yet?

**Mr Cahill**—No, it has not happened yet, but I still expect it to happen in the first part of 2006.

**Senator O'BRIEN**—How big is the first part?

**Mr Cahill**—Six months.

**Senator O'BRIEN**—What is happening in the process so far?

**Mr Cahill**—We are preparing an advanced draft. We are going through a process at the moment of finalising that draft, doing the editing and the internal review processes. We are hopeful that it will be out certainly by midyear.

**Senator O'BRIEN**—What is the timetable for the completion of the Philippine banana import risk assessment?

**Mr Cahill**—The intention is to finish that in the first six months of this year. That is probably the most important IRA we have outstanding in the plant area at the moment, as is chicken meat in the animal area. The completion of that is dependent on receiving all of the information we need to complete the assessment and that is, in turn, dependent on the provision of information by the Philippines. So I am less certain about the timing of that, but that is our current intention.

**Senator O'BRIEN**—What does the Philippines have to supply us?

**Mr Cahill**—We are seeking to clarify with them aspects of some of the information that they have presented to us previously and to undertake a visit to the Philippines to talk to the scientists and industry. We do not yet have arrangements in place to do that, but we are still pressing.

**Senator O'BRIEN**—I noted that on Thursday last week you issued a lengthy corrigenda to the draft import risk assessment for apples from New Zealand. Some of the corrections seem to be typos but others are a bit more substantial. Who is responsible for picking up the errors?

**Mr Cahill**—This time around we deliberately set about a process to make sure that, as we detect errors, be they minor typographical errors or issues of greater substance, in the interests of full transparency we put up corrigenda that are available for all to see. No material errors have been put on the corrigenda to date, but in the interests of full transparency we do want to make sure that everyone is aware of the issues as they arise. It is not surprising in a report of three volumes on that sort of material that those sorts of matters will arise that are detected by stakeholders or by us as we continue to review it. As I say, we are endeavouring to put those up on the web as corrigenda as we find them.

**Senator O'BRIEN**—When do you expect to have a final IRA and policy decision on importation of New Zealand apples?

**Mr Cahill**—That depends in large part on the nature and substance of the stakeholder comments that are provided. The comment period on the current draft does not conclude until the end of March and, naturally, we will need to look closely at the comments that stakeholders submit to us. That will determine how much longer it will be before we issue a final report. I might add that, as part of the next process, there will be a review by the eminent scientist group that has been established now. They also have a task to make sure that all stakeholder comments have been properly taken into account in the final draft.

**CHAIR**—On the assertion that fire blight can live in the skin of the apple, is that competing science, do you think?

**Mr Cahill**—I have quickly reached the limits of my technical expertise on this. I will ask Dr Roberts to come to the table to answer that.

**Dr Roberts**—Could you repeat the question, please? I did not quite catch it.

**CHAIR**—There is a view among some apple growers that the science—in other words, a certain set of science—suggests that fire blight can live in the skin of the apple. Do you know anything about that?

**Dr Roberts**—The issue of endophytic infection internal to the apple but symptomless has been debated in scientific literature for some time. Essentially, there is no evidence for endophytic infection. It is true that the bacteria can survive on the surface of the fruit under some circumstances for some period. It is true that apple fruit at some stages, particularly in the early growth phase, can become infected with an active infection which leads to symptoms.

**CHAIR**—Today might not be the day to go through all this again, but I call this an ‘over my dead body’ issue. For someone to say that an apple orchard is fire blight free by walking through and inspecting it is the same, isn’t it, as saying a beast is BSE free, because you actually have to kill the beast?

**Dr Roberts**—The draft risk analysis that is out for consultation refers to freedom from symptoms, not necessarily—

**CHAIR**—From disease?

**Dr Roberts**—freedom from the diseased organism.

**CHAIR**—Today might not be the day to have the prolonged, robust discussion about this, but it is coming.

**Dr Roberts**—I am sure.

**Senator O’BRIEN**—Christmas is, too!

**Senator MILNE**—In relation to the fire blight issue, did the corrections that you made come as a result of the apple growers challenging and reconstructing the model that you used?

**Mr Cahill**—No, they did not.

**Senator MILNE**—What was the basis on which those corrections were made? What feedback did you get?

**Mr Cahill**—No. I would categorise the corrigenda as a routine outcome of a continuing process of reviewing the draft. As I said, I do not believe there is anything material in the corrigenda they stand that affects the substance of the report or the recommendations.

**CHAIR**—If we do happen to—over my dead body—import apples, and we do happen to get an infection as a result of that, who do we sack?

**Senator O’BRIEN**—The minister!

**Ms Hewitt**—I am sure you will have a view, Senator.

**Senator Abetz**—Or the chairman of the committee!

**CHAIR**—This stuff is crazy. We had these blokes on the telephone from New Zealand. I asked them, ‘Could you understand an apple grower’s position in Australia—where we do not have fire blight—if he were given the choice between an apple orchard that had fire blight and one that did not?’ The guy in New Zealand said, ‘I wouldn’t be too fussed about having one that had it versus one that didn’t.’ It is a false debate. This is cuckoo land stuff. Anyhow, I look forward to the robust future discussions about this.

**Senator MILNE**—In relation to the permit for the export of Tasmanian devils—the christening present to Denmark—has that been dealt with, and who should I best direct these questions to?

**Senator Abetz**—Can I just flag an interest in this. I think the zoo in Mexico is desperately wanting Tasmanian devils. I made all the inquiries and I was blocked off at every avenue, including the state government saying, ‘It’s impossible, can’t do it,’ and that they wouldn’t do it. Now, all of a sudden, it is happening.

**Senator MILNE**—No, it is not happening yet. That is the point.

**Senator Abetz**—So I want to know the process, so we can see what we can do for Mexico.

**CHAIR**—Minister, you can fly over there any time you like if all they want is a Tasmanian devil!

**Ms Hewitt**—I suspect, Senator, it might be an issue that is somewhere between our portfolio and the Department of the Environment and Heritage. But to the extent that it is a DAFF issue, it would be an AQIS one.

**Mr Yuile**—I will have to check with our live animal exports area. As we were just discussing, it is probably linked, as the secretary has said, to the Department of the Environment and Heritage and their responsibility for exports in certain areas of certain protected species. I think it would also depend on the importing country’s requirements. If I might, I will take it on notice to pick up on the AQIS element of the estimates. In the meantime I will speak to the live animal exports area and see if I can get you a bit more substance and some sort of a response.

**Senator MILNE**—If I can put it to you in the context that you are about to follow up, my understanding of the latest research shows that there is still no diagnostic test at all to be able to establish whether an animal has the disease or not, that recent field tests have shown that previous thinking—that the disease only developed at maturation—is in fact wrong in that some juvenile animals have developed the disease and that the latest research also shows that the disease is a very rare cancer in that it can be transmitted by biting, so there are cancer cells going to another animal. Given that, I would ask for some serious assessment of the dangers of giving any export licence in the context of that disease. I would appreciate hearing back from you what advice you are giving as to the export licence decision.

**Mr Yuile**—As I say, I think there is also an import dimension to this is in terms of what the Danish import requirements might be. Let me take that on notice and I will see what further information I can find before the AQIS estimates.

**Senator MILNE**—Thank you. I want to ask a further question in relation to buffel grass and other grasses in the Northern Territory. Can I ask it now instead of later?

**Ms Hewitt**—Yes. It would be for our natural resource management colleagues. It would be up to the chair as to whether you wanted to jump to that.

**Senator Abetz**—How many other questions do you have in this portfolio?

**Senator MILNE**—I have to leave here at four o'clock so maybe I can put this on notice.

**Senator Abetz**—Yes, that would be all right.

**CHAIR**—I have an email here from someone who says there is meat coming into Australia from the Philippines. Whom will I deal with on that?

**Senator O'BRIEN**—AQIS?

**Ms Hewitt**—I think we can have an AQIS starting point and we will take it from there.

**Senator O'BRIEN**—On 20 December, Biosecurity Australia issued a draft policy for the importation of mangoes from Taiwan. I understand that you are treating this as an extension of the existing policy that allows mangoes to be imported from certain parts of the Philippines. Is that correct?

**Mr Cahill**—That is right.

**Senator O'BRIEN**—Can you take the committee through the process you used to determine that it is not necessary to undertake a full import risk assessment process for mangoes from Taiwan.

**Mr Cahill**—Essentially, the decision about doing a policy review rather than doing a full import risk analysis rests on assessments that have already been undertaken for similar commodities that have similar pest and disease concerns. So if those issues have already been assessed, we will look at the application and determine whether we can undertake that by way of a policy review rather than as a full IRA. In doing that, we do issue notices to stakeholders informing them of that fact and allowing the opportunity for comment when we release a review report.

**CHAIR**—Is this already happening?

**Senator O'BRIEN**—No, it is a draft.

**Mr Cahill**—It is a draft. It is a comment period.

**CHAIR**—So are there some peculiar diseases in mangoes that we have not got?

**Mr Cahill**—Yes. As I understand it, the pest and disease risks are similar to those for the existing policy for the importation of mangoes.

**Senator HOGG**—Can I just ask for a point of clarification? In response to Senator Heffernan's question, I thought you said that there were differences. Wasn't that the implication of your question? Are there differences or the risks basically the same?

**Mr Cahill**—The decision to do a policy review is based on the judgment about the risks that are presented from similar pests and diseases that have already been assessed.

**CHAIR**—With respect, there are diseases that their mango crops have got that we have not got.

**Mr Cahill**—Correct.

**CHAIR**—What sort of assessment has been made in this draft?

**Mr Cahill**—The risk assessment is done by way of a policy review. We look at the existing conditions and protocols that are in place for importations and we look at the pest and disease status of the exporting country in relation to that commodity.

**CHAIR**—I know that there is a bit of a contest between us and the Philippines over bananas and other things—

**Senator O'BRIEN**—And mangoes.

**CHAIR**—and that we have to find something to square the business up. What are the risks that we are managing?

**Mr Cahill**—We are talking about mangoes from Taiwan. I will ask Louise van Meurs to come to the table.

**CHAIR**—Are they catastrophic diseases like foot and mouth or canker? We are coming to canker.

**Ms van Meurs**—No, they are not similar from that point of view.

**CHAIR**—I mean consequentially.

**Ms van Meurs**—Their fruit flies are different from ours, but the economic consequences from them are similar to those from some of our fruit flies. Mealy bugs and other insects in general that are similar to those that affect the mango are import risks.

**CHAIR**—What are the protocols?

**Ms van Meurs**—At the moment the proposed ones are—

**CHAIR**—Fumigation?

**Ms van Meurs**—They are vapour heat treatment, which is effective against fruit flies, and making sure that they have certain pest control programs for other insects—general good hygiene with regard to horticulture orchard management systems. There are a number of scales. So it involves various inspections on arrival, which we have asked AQIS to undertake.

**CHAIR**—Is there any restriction on the orchard that the fruit is sourced from? Are they like those for fire blight? Are there those sorts of restrictions?

**Ms van Meurs**—No, there is not in our view in the draft.

**CHAIR**—So it does not matter whether the fruit is picked from a an orchard that has got whatever it is we are trying to prevent coming here, as long it is not in the box?

**Ms van Meurs**—The draft is out for comment and there may be some other views from stakeholders, but it requires that there is orchard registration and that they have pest control programs that are effective against a number of pests. From the point of view of mangoes from Taiwan, the main pests that we are worried about are fruit flies. So there is a requirement for—

**CHAIR**—When you say 'effective', that does not really answer the question. Can you import into Australia mangoes from an orchard in Taiwan that has fruit flies, as long as the mangoes have not got it?

**Ms van Meurs**—Yes.

**CHAIR**—You can? You have got a problem with me.

**Ms van Meurs**—But there is a requirement for VHT treatment. That treatment is effective against fruit flies.

**CHAIR**—You are going to allow the importation of mangoes from an orchard that has fruit flies?

**Ms van Meurs**—No. Then they are treated—

**CHAIR**—You said ‘yes’ a minute ago.

**Ms van Meurs**—Then they are treated with VHT.

**CHAIR**—But not the orchard, just the fruit. It is crazy.

**Ms van Meurs**—The fruit is treated with a VHT treatment.

**CHAIR**—Why wouldn’t you treat the orchard?

**Ms van Meurs**—The fruit is treated.

**CHAIR**—Why don’t you treat the orchard?

**Ms van Meurs**—There is a general requirement—I have not got the detail with me—

**CHAIR**—If these blokes down here in the MIA were allowed to—

**Ms van Meurs**—They are allowed to export under a cold disinfestation treatment to a number of countries.

**CHAIR**—We get blown out of the sky every now and then because we have an outbreak.

**Ms van Meurs**—That is not an area of freedom for fruit fly. It is a treatment against fruit fly, the same as the Sunraysia growers are allowed to go to various destinations in the world under cold sterilisation.

**CHAIR**—What else have they got that we have not got? This is a variety of fruit fly we have not got.

**Ms van Meurs**—Yes, they do have a number of fruit flies that we do not have.

**CHAIR**—God help us. What else have you got? What other things have they got?

**Ms van Meurs**—Off the top of my head I can say they have mealy bugs, but I would have to take the others on notice.

**CHAIR**—Are they any different from the mealy bugs that we are always worried about?

**Ms van Meurs**—Our view is that we can undertake inspection on arrival.

**Ms Hewitt**—Chair, could we send you perhaps a short note summarising the contents of the draft?

**CHAIR**—I think you had better. You had better do better than a note—you had better come and have a chat to us.

**Senator O’BRIEN**—Why don’t you supply it to the committee, and we will put it in the *Hansard*?

**Ms Hewitt**—Indeed.

**Senator O'BRIEN**—It might not get out of his office if you send it to him.

**Ms van Meurs**—Again, the draft is actually up on the Biosecurity website,

**Ms Hewitt**—It is on the website, but we can provide a summary of it.

**Senator O'BRIEN**—How do you determine when it is necessary to go through the formal import risk assessment process and when you can truncate the process by just issuing a policy memorandum?

**Mr Cahill**—I outlined the judgments that we make on that a moment ago. Essentially, if there is an existing policy that presents a similar pest and disease risk to the commodity under assessment we will endeavour to do that or look at it by way of a policy review rather than starting from scratch and doing a complete import risk assessment.

**Senator O'BRIEN**—So the issues with the Filipino mangoes are substantially the same as the issues with the Taiwanese mangoes?

**Mr Cahill**—Yes.

**Senator HOGG**—On that same issue, you said that when there is an existing policy you use that as the template, as I understand it. How often do you review the existing policy to see whether or not the circumstances have changed?

**Mr Cahill**—It depends on the applications we receive, and what commodities they are for. It is a bit difficult to answer that.

**Senator HOGG**—The point I am getting to is that it could be that some of the existing policy you may be looking at may well be in a sense well out of date in terms of changed local circumstances.

**Mr Cahill**—In that case, we would seriously consider doing a full import risk analysis. It is a judgment that we need to make.

**Senator O'BRIEN**—What triggers that judgment? That's what concerning me.

**Mr Cahill**—I have mentioned the nature of the risks that are presented and similarity with risks that have already been assessed but, in the circumstances that you outline, where the policy might be a very old one that has not been fully reviewed in many years, that would be something that we would take into account in determining whether in fact we do need to do a full import risk analysis.

**Senator HOGG**—In the case of the mangoes, how long ago was the policy determined?

**Ms van Meurs**—We will have to take that on notice.

**Senator HOGG**—Was it two years ago? Three years ago? Five? Ten?

**Ms van Meurs**—Anywhere between two years and five years. I would have to take that on notice.

**Senator HOGG**—Take it on notice. I was looking mainly for a ballpark figure. I wanted to see that we were not dealing with something that was totally out of date. Thank you.

**Senator O'BRIEN**—In November, Dr Murray told us that the department was involved in a government review in relation to BSE. On the actions that would follow the discovery of a case of BSE in this country, Dr Murray told us that the government was considering a whole range of options, including the current policy of virtually shutting down the beef industry. What stage is this review up to?

**Ms Hewitt**—I can probably answer briefly. That work is continuing in consultation with other relevant departments.

**Senator O'BRIEN**—Dr Murray also told the committee that the department hired a consultant to assess the costs involved in various options for dealing with any future BSE cases. He told us the consultant had produced a report. Can that report be made available to the committee?

**Ms Hewitt**—I will ask Dr Murray to join us at the table, if I may, to answer that question specifically. I wonder whether the report to which you refer might not be the report that followed work we did a couple of years ago. You will remember the Exercise Minotaur work, which has found its way into the public domain as a published report. But perhaps there is some additional work Dr Murray could take us through—some consultancy work on the costs of a BSE outbreak, maybe the ABARE work.

**Dr Murray**—There have been a number of consultancy reports. The one I think I was referring to was a study of costs that may be imposed should a BSE case occur in, for example, the management of feed mills, the feeding of animals and changes to abattoir construction arrangements. As I recall, this is what I was talking about.

**Senator O'BRIEN**—Is it available on the website?

**Dr Murray**—I do not think it is on the website, but we can make it available to this committee.

**Senator O'BRIEN**—In a media release dated 20 January, Minister McGauran stated that Taiwan will now only accept fruit exports from Tasmania and the Riverland of South Australia. What has been the impact of these restrictions on the Australian fruit industry, particularly the stone fruit and cherry industries? Which areas and which crops have been most affected by these bans?

**Ms Hewitt**—I will ask Paul Morris to take the lead in responding to the matter you raise, which has been a major concern to the government.

**Mr Morris**—It has mainly been the fruits that have been grown outside the two fruit fly free areas—that is, outside the Riverland and Tasmania—that are directly affected. Tasmania is still going through the administrative processes in Taiwan at the moment to get the final approval, so there is a short-term effect on fruit exports from there as well. In the immediate future, the crops that have been affected have been the crops that are in season now, so cherries and stone fruit are the ones which are affected at the moment. Down the track, other fruits will be affected unless we can get a protocol in place in time for their seasons when they come into force.

**Senator O'BRIEN**—What are we going to try and get that protocol in place?

**Mr Morris**—We have been making efforts over about 10 months now I suppose. The Taiwanese first announced the potential to proscribe Queensland fruit fly as a prohibited pest back in April last year and there have been extensive efforts over the full period since then to try and get a protocol in place. The efforts that are proceeding at the moment are that there will be delegation going to Taiwan—tomorrow, in fact—which I will be leading, along with technical experts from Biosecurity Australia. The aim of that delegation is to more fully understand why the Taiwanese have decided on the measures they have currently proposed to put in place and better understand what additional technical material industry and we can provide to convince them that the protocols that we would like to put in place are acceptable to them.

**Ms Hewitt**—I think it might be helpful if Mr Morris extremely briefly runs through a number of actions that we have had in train over the last 10 months or so.

**Mr Morris**—We originally received the formal advice from Taiwan of their intention to list Queensland fruit fly as a prohibited pest. Formally it was notified to the WTO on 12 April last year. At that time, BA sent a submission to Taiwan supporting Queensland fruit fly free status to Tasmania. In fact, it was on the same day, because we had some few days prior notice before that WTO notification was provided. So we immediately put in a submission seeking Tasmanian freedom. We also immediately sought an extension of any deadline to implement the new regulation immediately so that we could make sure there was sufficient time to put protocols in place. Over the preceding few weeks, there were a number of contacts with the quarantine authorities in Taiwan to try and understand what technical information they would require. BA provided a draft protocol in July to BAPHIQ indicating proposed cold disinfestation treatments and a fumigation schedule in conjunction with an agreement with industry in terms of how we take that forward.

There was a meeting with the Taiwanese on 18 July in Canberra, where again that protocol was discussed. In the preceding months there were a number of contacts between Biosecurity Australia, this department and the quarantining authorities in Taiwan to try to get a response to that protocol. I will not go through all the detail of that, but there were quite a number of contacts over that period. We sent another revised draft protocol in November to the Taiwanese, which updated the previous protocol and was an attempt to get them to move on the comments we were seeking on the original protocol.

A delegation that I led went over on 18 November, where we again encouraged BAPHIQ, which is the quarantine authority in Taiwan, to agree to the draft protocol. At that stage they gave us a commitment that the protocol would be in place by 1 January. In the event they did not meet that commitment. We followed up again quite a number of times, including at ministerial level, over the preceding couple of months until the 1 January deadline, when the ban would come in place. We were very active over that following couple of months, including at the ministerial level with contacts by Minister McGauran to his counterpart in Taiwan.

Eventually, the Taiwanese did consider our request on 12 January. At that point they agreed to Tasmanian area freedom, which was announced shortly after that meeting. They approved a particular protocol based on USDA schedules for fruit from other parts of Australia. According to industry, that protocol is not commercially viable for them to export under, so

we are seeking to go back to the Taiwanese to better understand why they recommended that protocol and what additional material we would need to provide to them to justify the types of fumigation and disinfestation regimes that industry would like to put in place.

The next step is our visit in the second half of this week, and then we will be aiming to provide information in time for their quarantine advisory committee meeting, which is scheduled for April this year, where hopefully they we will make a revised decision on protocols which would be acceptable. Of course, over the last month or so there have been some disruptions in Taiwan around changes to their government, which have caused a few delays in getting responses to some of our requests, and also the Chinese New Year interrupted things for the last couple of weeks. In very brief terms that is where we are at.

**Ms Hewitt**—It was important to track through that chronology, because we do understand the concern and frustration in our industry circles about the situation that we are grappling with, but I wanted to be clear with the committee that it is a matter that the department and the minister in particular have given very high priority and we are very actively looking for resolution.

**Senator O'BRIEN**—What is the connection between the Taiwanese refusal to accept fruit containing Queensland fruit fly and our decision to fast-track an IRA or an importation protocol for Taiwanese mangoes which carry fruit fly?

**Mr Morris**—We are at pains to stress to the countries that we talk to about market access issues that we do not do tit-for-tat deals. Because of our quarantine regime in Australia all of our decisions made on requests of Australia by other countries are made by Biosecurity Australia on the basis of the science of the issue based on our appropriate level of protection in Australia. When we deal with other countries we obviously try and push Australia's interests as strongly as we can, but we also assume those countries are largely making decisions on the basis of science or require some scientific justification for the protocols that they put in place. We try to prosecute our interests as best we can based on the science of the information.

In saying that, obviously a number of countries make market access requests of Australia and we also make a number of market access requests of those other countries. We need to recognise that, for our issues to be advanced, we need to be seen as making progress on their issues. That does not mean that we commit to any particular end point, but in looking at the priorities given to addressing particular issues in particular countries we need to be mindful that, if we want other countries to progress our issues, we need to be seen to be moving ahead on their issues. Again, I stress that does not mean committing on an end point on what Biosecurity will say about whether we allow access or not, but it does mean that we need to be seen to be moving.

#### **Proceedings suspended from 4.00 pm to 4.18 pm**

**Senator O'BRIEN**—I want to go back to the issue raised earlier relating to a company called Marnic Worldwide Pty Ltd. It involves both AQIS and Biosecurity Australia. Is it possible to have officers of both organisations at the table?

**Ms Hewitt**—If you are ready to start, my colleague Mr Grant is able to supplement a little of the information that he provided this morning on this matter.

**Senator O'BRIEN**—AQIS issued this company, Marnic Worldwide Pty Ltd, with a permit to import marine worms in 1989 but the company could not establish a reliable supplier and the permit lapsed, as I understand it. Apparently, AQIS has no record of that permit—perhaps its representatives will confirm that when they get here. The company was again looking to import marine worms for the recreational fishing sector in 2002 and communication between AQIS and this company commenced in November 2002, the initial contact taking place in Perth. Perth advised the company that permits were issued out of Canberra—I will not name the officers, but there are records of these contacts. At that time such imports were only permitted if the product had been subject to gamma irradiation, the effect of which is to turn marine worms in a can into a thick soup, which I understand makes it very hard to put a hook in them. I wanted AQIS to confirm that it advised Marnic that if it could comply with another existing protocol, known as C5407, AQIS was prepared to consider granting an import permit.

**Mr Yuile**—I will ask Dr Narelle Clegg, who is the branch head in our live animal area, to help you with that, but, as you discussed with Mr Grant this morning, it is the subject of an investigation into defective administration.

**Senator O'BRIEN**—A compensation matter?

**Mr Yuile**—Yes. We will certainly be as helpful as we can.

**Senator O'BRIEN**—I am only asking for facts.

**Mr Yuile**—Yes, I understand that.

**Senator O'BRIEN**—The facts will not change, will they?

**Mr Yuile**—No, they will not.

**Dr Clegg**—What happened with this import application is pretty much as you have outlined: the first contact AQIS had with the importer was in November 2002. The importer explained to us that gamma irradiation would destroy the integrity of the worms and you would not be able to put them on a hook. Another condition was considered which was based on a section of the quarantine proclamation. The importer was issued with an import permit based on this section of the quarantine proclamation, which was for goods that are preserved in alcohol. That was the permit that he was issued.

**Senator O'BRIEN**—Alcohol or other substances: glutaraldehyde, formalin or formaldehyde.

**Dr Clegg**—That is right.

**CHAIR**—Someone was probably just making out an argument for the fish!

**Senator O'BRIEN**—That is the minister's job; we will get to him later.

**CHAIR**—Someone was looking after the interests of the fish.

**Dr Clegg**—Anyway, that is what we did do.

**Senator O'BRIEN**—Did AQIS communicate to the company proposing to import that that protocol was acceptable?

**Dr Clegg**—Yes, we had correspondence back and forth with the applicant. The applicant at this stage had not put in a formal permit application, so conversations were going on with several officers at that time.

**Senator O'BRIEN**—I have an AQIS document headed 'Import case details public listing—commodity: animal or plant specimens preserved or fixed' and dated 15 December 2002. It refers to condition C5407, so that is the condition that was in place, I take it, at the end of 2002?

**Dr Clegg**—I would have to look at that particular condition. That sounds like it has come off our ICON database, but I do not have that information before me.

**Senator O'BRIEN**—Would it be reasonable to assume that AQIS drew Marnic's attention to this option soon after contact was made and that the problems with the gamma option were pointed out to AQIS?

**Dr Clegg**—I do not know when the conversations between the officers and the applicant determined that this section of the proclamation could be used.

**Senator O'BRIEN**—Has AQIS checked file notes for this information?

**Dr Clegg**—AQIS have been through all of our files in preparation for this and we do not have records of the correspondence between us and the applicant until the time we received the application. After that we have all of the records; up to that point we do not have anything.

**Senator O'BRIEN**—The company was basing its work on alcohol, as I understand it, and I think you have confirmed that. As part of the development of a protocol there were a number of trial shipments of these worms into Australia from Indonesia and China, and those trial shipments were under the control of AQIS, or at least supervised by AQIS.

**Dr Clegg**—The consignments that were imported just came in as normal consignments. He had an import permit and they came in with documentation to say that they met the conditions and then the worms were released to the importer. AQIS was not actually involved to my knowledge in any trials with the importer.

**Senator O'BRIEN**—As far as AQIS was concerned, they were simply shipments, were they?

**Dr Clegg**—Yes, they were shipments. We have records of those shipments on our database.

**Senator O'BRIEN**—There were two more shipments on 4 February, one from Indonesia and the second from China, and there was another shipment from China on 22 February but from a different source. On 18 March there was another shipment from Indonesia. Do you hold records for all of those shipments?

**Dr Clegg**—We have records on the database for those shipments, I would expect, yes.

**Senator O'BRIEN**—They were, as far as you were concerned, normal shipments, not trial shipments?

**Dr Clegg**—We had issued an import permit and the import permit did not specify whether it was a trial or a commercial import; it was just a permit.

**Senator O'BRIEN**—So the normal monitoring process would take place for those shipments?

**Dr Clegg**—The normal monitoring process for that import would be according to the conditions on the import permit, and the conditions were that you came in with documentation that the product had been treated in accordance with the permit conditions.

**CHAIR**—We are talking about worms here, are we?

**Dr Clegg**—Yes.

**Senator O'BRIEN**—Yes, we are.

**CHAIR**—Bloody hell!

**Senator O'BRIEN**—Were these shipments cleared through Biosecurity Australia or were the requirements of C5407 such that, as long as the requirements of that AQIS condition were met, Biosecurity was not involved?

**Dr Clegg**—I guess that is the crux of the matter. The issue is that the permit was issued under the basis of the information in the proclamation. Another applicant applied for a permit and that application was referred around to Biosecurity Australia because of the workings of the biologicals unit. We had been going through a review process about how we managed requests to import goods, where we sought our advice from and how we verified that the advice and the conditions we were applying were appropriate. The way we managed applications had changed at the time the second application arrived. The rules at the time of the second application were that, if a product came in for which we did not have an import risk assessment or standard conditions, I guess, that are on the ICON database, those applications were referred to Biosecurity Australia for advice. That second application went around to Biosecurity, and we got advice back that the application required 50 kilograys of radiation.

Shortly after that we had another request from the applicant to add a new competent authority to the permit, and at that point in time we referred the application to Biosecurity Australia because that competent authority was not on our list. We received the same advice back—that is, that they did not believe the conditions we had issued the permit under would manage the risks. Their advice to us was that the conditions in the proclamation were really only intended for display—that is, for bringing in worms or any other product preserved in alcohol for display purposes—not for consumption by anything. It was at that point that we contacted the importer and informed them that we needed to change the import conditions.

**Senator O'BRIEN**—When did that take place?

**Dr Clegg**—He would have been advised on 9 November 2004.

**Senator O'BRIEN**—I have a copy of an email from a Biosecurity officer, dated February 2003, that is a response to contact from Marnic about the import proposals. It was sent on to AQIS by Marnic and, I assume, resolved at that time. I have the name of the AQIS officer involved so it can be checked. I take it from that that Biosecurity had some involvement in the earlier protocol.

**Dr Clegg**—I have to say that I am not fully aware of all of the names of the officers. I take it that, if you have an email from the officer, that happened. We have provided all our files to the officer in the department who is going to review the claim for compensation from the applicant.

**Ms Hewitt**—Would this be an appropriate point, Senator, for us to bring you up-to-date following your questions this morning about the progress of that review which is under way? I am conscious that we have a serious investigation taking place with a nominated reviewing senior officer, which has been kept quite separate from AQIS's involvement in the issue.

**Mr Grant**—I took some questions this morning about the state of play of the investigation and the review. I think you asked me whether we had been in contact with the applicant direct. The answer to that is no, we have not, but we have been in contact with the applicant's lawyers through the department's lawyers. I further clarify that we have not at this stage advised the applicant that the investigation has been extended to conclude on 28 February, but we will do so in the near future.

**Senator O'BRIEN**—I am advised that this product previously imported has been distributed to 14 wholesalers in the retail sector from Townsville to Perth, so there is a very wide distribution of the samples of this product. I have a number of dockets from AQIS regarding aspects of these shipments from around the middle of 2003. I take it from your answer that, once Marnic brought the material in, it was free to distribute the worms for general use as bait.

**Dr Clegg**—Yes, that is correct.

**Senator O'BRIEN**—The permit issued on 7 April was for a period of two years. I have six versions of it, with permit Nos 17 to 22. The first four versions are for the import of five types of marine worms. They cover the importation of worms from all countries, and in each case the end use is described as bait. I understand there are technical errors in the first three versions of this permit that seem to involve condition numbers, and there also seem to be changes in the certification process required. There are four dates in April 2003 on which the issue took place. With the process that is under way now, are you saying that it will be resolved by the end of February?

**Mr Grant**—Yes, it will be resolved by the end of February.

**Mr Yuile**—The extension has been made for the investigators to conclude their work. Then, depending on the outcome of that investigation, there is the question of compensation, if indeed that is deemed appropriate. Then there would be a separate process.

**CHAIR**—So has the trade in these worms ceased?

**Senator O'BRIEN**—There is no permit.

**Mr Yuile**—Imports have not proceeded since the conditions were applied, as a result of further advice from Biosecurity Australia. I think that is correct.

**Senator O'BRIEN**—I understand the importer thought they were import trials and they brought in samples. They could have brought in tonnes.

**Mr Yuile**—I think that is part of the confusion about this issue.

**Senator O'BRIEN**—Hence the distribution of the samples in fishing shops around the country as a sample of a product that could be imported.

**CHAIR**—Once again, have we identified a risk to our waterways and fisheries and so on with these?

**Dr Clegg**—We drew to the attention of Biosecurity Australia when we had the changed conditions that a number of consignments—trial samples—had been imported into the country. We asked whether we needed to recall those samples—whether they were such a quarantine risk that they needed an immediate recall. Our advice from BA was that they did not need to be immediately recalled. However, I guess this was based on the quantity of worms that was coming in, but there was insufficient information for Biosecurity Australia to say, 'You can continue on with this permit that you have issued here'.

**CHAIR**—Pardon my ignorance on all of this, but was the sample that came out originally a pallet full or a tonne or a handbag full?

**Dr Clegg**—I can provide you with quantities. I think we have actual quantities on the database for those trial shipments.

**CHAIR**—Where do they come from?

**Dr Clegg**—They came from China and Indonesia.

**CHAIR**—Do they come from a sewage farm in China or a worm farm in China?

**Senator O'BRIEN**—I do not know.

**Dr Clegg**—I think they were marine worms for bait.

**CHAIR**—We import bottled water from China, for God's sake!

**Mr Yuile**—That has been treated.

**CHAIR**—So the fish like a bit of a nibble and a tipple?

**Senator O'BRIEN**—Yes, a bit of Chinese tucker!

**CHAIR**—So what are the diseases, or the risks associated with them, so that we have got to turn them into soup?

**Dr Clegg**—That is the question.

**CHAIR**—So we do not know.

**Dr Clegg**—That is right.

**CHAIR**—Very good. We are erring on the side of caution.

**Senator O'BRIEN**—On 6 May last year, AQIS advised Marnic that it only held documents with the original application and advised that earlier material had arrived without an import application and, because of that, had been destroyed in accordance with office policy. What is the policy in relation to the destruction of documents?

**Dr Clegg**—I can only speak for the way the area manages that information coming in from applicants. If it is not attached to an application, we do not have a file in which to store it. So the information that had been coming in, where the applicant had been corresponding with the officer or had passed information on—there was perhaps a series of conversations, which as I

understand it is how the circumstances went—that information would have been kept until such time as it moved to another officer. The information may have been passed to them or it may have been just destroyed.

People come and go in the unit, and papers that are not filed and are not attached to applications do not get filed. We have nothing to link them to, I suppose. One of the things we have changed as an outcome of the incident with Marnic is that all applicants are advised at the very beginning that if they supply information to us and it is not part of an application the information will be destroyed. That was one of the concerns for this importer. He was concerned that we were holding confidential information that he had given us, and that could have been available to other people.

**Mr Yuile**—This unit handles about 8,000 to 9,000 import applications per annum. It is something in that order.

**Senator O'BRIEN**—That means you have 8,000 to 9,000 files?

**Mr Yuile**—I am just saying that in terms of that complexity and the range of requests—

**CHAIR**—It sounds worse than farming to me!

**Senator O'BRIEN**—So the process following the investigation will be that there will be a report? What is the process at that point?

**Mr Grant**—There will be a report by the investigating officer. That report will go back to the minister who has appointed the officer. The minister will then inform the company of the outcome of that investigation and identify to the company whatever other appeal rights they have under other avenues.

**Senator O'BRIEN**—They appear to have done nothing wrong in this process. They have approached the competent authority, they have received permits—which, in their experience, allowed them to import the product. And then the rules changed.

**Ms Hewitt**—Since this matter is the subject of a review that is under way at the moment, with your agreement I think it would not be appropriate for another officer to comment on the question of where responsibility lies precisely at this point. We would be very happy to brief the committee further on that, but I think it would be appropriate to do that when we have completed the review work that is under way.

**Senator O'BRIEN**—So AQIS and Biosecurity would be prepared to brief us following the report to the minister?

**Ms Hewitt**—Yes, or Mr Grant, in whose division we have our governance unit. It is through that division that the process of appointing review officers in the few—rather rare—cases that we do get of this kind is managed. It is deliberately separate from the line-responsible area of the department that has undertaken the work that is being reviewed.

**Senator O'BRIEN**—So we could be certain that their work will be completed by 1 March.

**Mr Grant**—That is the deadline that we have set on the investigations officer. I understand he is doing his best to meet that deadline—he is confident he will meet that deadline.

**Senator O'BRIEN**—So the committee could reconvene and hear a report.

**Mr Grant**—I think we should wait until the applicant has been told of the outcome of the investigation. If the applicant is unhappy in any way with the outcome of the investigation and then decides that there are other processes by which he wants to take his claim further, we would have to be very careful about whatever information was discussed in public about the outcome and the incident, depending on what appeal rights the claimant had.

**Senator O'BRIEN**—We have been down the path while such a process with those appeal rights was going on. The toing-and-froing about compensation occurred in the Hewitt case, which took place over some years, not months. There are issues about the administration of the department that arise, which is the purview of this committee.

**Ms Hewitt**—I certainly understand and respect the committee's interest in the matter. It is really just a question of not cutting across review processes that are under way or legal action that may flow from them.

**Senator O'BRIEN**—I look forward to further information on this.

**CHAIR**—Who should I talk to about eggs?

**Senator Abetz**—What, the price of them in China?

**Ms Hewitt**—Import conditions?

**CHAIR**—The farm down in—

**Mr Cahill**—The SPF eggs, I think you are thinking of.

**CHAIR**—Yes. Who should I talk to about them?

**Mr Cahill**—I will ask Dr Martin to come to the table.

**CHAIR**—Is this the appropriate—

**Mr Cahill**—It is part of Biosecurity Australia, yes.

**CHAIR**—Obviously, there are some issues surrounding the SPF production in Australia. You might explain to the committee what this is all about.

**Dr Martin**—Biosecurity Australia has recently finalised conditions on a contingency policy for SPF eggs. That means eggs that are specific pathogen free from birds that are free of a lot of the diseases of concern. Those eggs are used in vaccine production for diagnostic purposes and to produce sentinel chickens for quarantine purposes. Australia currently only has one SPF egg producer, which supplies all the eggs for Australia. In fact, eggs produced here in Australia go overseas to produce vaccines that then come into Australia.

**CHAIR**—We have had a bit of a default on the part of the present egg farmers that were—

**Dr Martin**—That is right. They had two flocks and one of those flocks broke down with a disease, so there was great concern that, if the other flock broke down, there would be no SPF eggs available in Australia for essential use. That has not happened, and they have continued to be able to meet supply. However, because of that, we have developed this contingency policy which will be used only on a contingency basis.

**CHAIR**—Where would be the source of the eggs in the event of a contingency?

**Dr Martin**—That would be assessed on a case-by-case basis, but it may be the US, for example.

**CHAIR**—I understand; that is far enough on that. I thank Biosecurity Australia for the briefing I got on this. My point at the time was that, if there was a worldwide outbreak of bird flu or whatever it is we need these eggs to create a vaccine for, I would have thought that if I was America and the supplier of these eggs and had a serious outbreak of bird flu and wanted to get as much vaccine as I could then I would tell everyone else to go hunt. So, if we relied on importing these eggs in the event of a worldwide outbreak of a disease of some kind, we would be putting ourselves at grave risk of not being able to get the eggs to enable the production of vaccines et cetera.

It followed in my mind that the sensible thing for Australia to do would be to put a few dollars—whether it is \$1 million or \$5 million or whatever; it would be cheap insurance—into creating a separate egg farm away from the one we have in an appropriate location as some sort of national insurance, rather than relying on someone else. It is like water. It is not much good relying on the farm that has water every time except when there is a drought. My view is that, while that contingency plan may well be biosecure, it may not be secure in the event of some global catastrophe. Is there no merit to that argument? You can tell me to go to hell, if you want to.

**Dr Martin**—I guess that issue is not one for Biosecurity Australia. My understanding is that there used to be three SPF premises and now there is one.

**CHAIR**—Do you think there is someone out there in the government listening to this conversation? I hope there is, because I think that is an issue that we need to address, I just thought I had better raise it to give it a bit of a run.

**Ms Hewitt**—I will take that question on notice. I think it is something that we should reflect on further and perhaps resume discussion about when we meet next.

**CHAIR**—I think that is a really serious issue because it is no good relying on something that is only available in times of plenty. You have got the message on that. Would the beef thing with the little incursion that happened in Japan with the BSE be best dealt with by AQIS or Biosecurity?

**Ms Hewitt**—That is possibly the Animal and Plant Health Division. That is Mr McCutcheon's area or, depending on your question, maybe our international division if it is detailed.

**CHAIR**—I will leave it.

**Senator O'BRIEN**—Just briefly going back to that matter, is it possible to find out what the material was that Marnic sent in that was destroyed? Is that known or not known?

**Mr Yuile**—You are back on the worms, obviously.

**Senator O'BRIEN**—Yes.

**CHAIR**—Slithering around in here.

**Dr Clegg**—When the applicant contacted us—because he was very distressed about the new permit we had issued him—he made it plain that he had had a long period of writing

backwards and forwards to AQIS. One of our officers asked whether he had a record of that. He did have a record of some of those conversations, and he provided that to AQIS. We have all those documents.

**Senator O'BRIEN**—Whatever Marnic supplied—

**Dr Clegg**—Yes, we do.

**Senator O'BRIEN**—you have from him but not your own records?

**Dr Clegg**—We have our own records from the date the application was submitted.

**Senator O'BRIEN**—Was the destruction decision an automatic policy decision, rather than a decision of a particular decision maker?

**Dr Clegg**—I suppose it is the practice of the area in which we are working that a lot of paper is coming in all the time, and it is the only way we can reasonably manage it. We have security bins, and that sort of information just gets destroyed.

**Mr Yuile**—As Dr Clegg said, there is the issue of protecting the applicants, too, if they provide information that they later do not action but which we have and which they might regard as commercially sensitive. That is why I mention the numbers. The sheer volume means that we have to manage it in a quite tight way. Since I have joined the organisation, I know that Dr Clegg and people in the biologicals area are streamlining and tightening their administrative processes significantly so that when they do have changeovers of staff, as they do, and as occurred in the case of this particular instance, there is a better history that people can draw on.

**Senator O'BRIEN**—Thank you for that.

**CHAIR**—Some work was going to be done on the importation of prawns and the fact that a lot of prawns, whether illegally or not, are used for bait. Is some import risk analysis work going on on that?

**Ms Hewitt**—There is and that is a matter—

**CHAIR**—I am sorry if I am jumping about a bit.

**Ms Hewitt**—That is Biosecurity Australia.

**Mr Cahill**—Work is continuing on that. The prawn IRA is one of the highest priorities in the animal biosecurity area and probably the most important one in our aquatics area. We are seeking to complete that in the first half of this calendar year. In the meantime, we are watching and monitoring very closely and consulting with the IRA team and other experts on the disease risk presented by imported prawns.

**CHAIR**—Would it be fair to say that, as we speak this afternoon, somewhere up the coast someone is chucking in a line with an imported prawn on it, perhaps? The answer is yes.

**Mr Cahill**—I do not know how I answer that.

**CHAIR**—You do not have to; the answer is obvious. Allegedly, these prawns were brought in originally to be eaten. I have raised in another place the issues of the human risk in all of this, because I think one-third of the prawns from two or three provinces in China that go into Japan are rejected for antibiotic episodes. As I understand it, they originally came into

Australia for human consumption without consideration for the fisheries, wildlife et cetera. But good fishermen being good fishermen, they try to get the cheapest bait, and these are often the cheapest bait. We have just had the worms; now we have the prawns. The answer, without drawing it out, is that there is a risk analysis. It has a high priority and I urge you to get on with it.

**Mr Cahill**—There are, as you may also be aware, conditions already in place for imported prawns. It is not as though we are unaware of the disease risk; there are measures in place to manage those risks.

**CHAIR**—I understand that.

**Mr Cahill**—Those measures have been reviewed again a couple of times. The expert advice is that there is no reason to change the conditions at this point. We have, however, commissioned some further research on the potential for transmission of this disease to other fish. So we are proceeding with that as well as proceeding as quickly as we can with the completion of the prawn IRA.

**CHAIR**—Thank you. As I say, we are on the easy side of biosecurity. We just have to keep throwing you the hand grenades and you somehow have to deal with them.

**Ms Hewitt**—There is some related work, which Peter Yuile might want to mention, in relation to the other aspect of the prawn import question that you raised, and that is to do with the human health safety questions.

**Mr Yuile**—It goes to the survey work that we have done on horticulture. We are planning to do a similar survey on imported product this year, with advice from FSANZ, to test for a variety of micro and antibiotic residues and the like. The imports have to comply with Australian standards and the survey will be testing against those standards.

**CHAIR**—We have a random testing regime?

**Mr Yuile**—We already have a testing regime.

**CHAIR**—With the original random testing it was possible—it might be in the present regime, because it is a percentage of an import—wasn't it, for an area not to have a test done on it, because you do it on shipments or—

**Mr Yuile**—It is done in accordance with the FSANZ risk profiles that are established and it differs. There is a quarantine issue and a human health issue.

**CHAIR**—Under the current testing regime, if there are 10 prawn farms in southern China or wherever, it would be possible to put together a shipment and test the shipment without testing the region. Obviously, some farm practices are better than others. In some areas they literally feed prawns antibiotics to keep them alive in the pond. To Australia's credit, our prawn industry is sterile and antibiotic-free, even though they can use antibiotics if they wish to do so. Are we going to deal with the issue of ensuring that every zone that imported prawns come from is tested, as opposed to every load sample?

**Mr Read**—Depending on the nature of the seafood, there is a risk categorisation. If it were considered to be a risk seafood, such as a cooked prawn or an oyster—if, in fact, we imported oysters—those consignments would be subject to 100 per cent testing. When a performance is

built up with those consignments and there is a successful range of imports, that testing is reduced. There is a risk based approach to the testing. A corollary of what I have just said links to what you have stated—that is, when they come from a region where you have the same importers and the same exporters operating then, based on the performance of those consignments through that testing regime, there would be a reduction in testing. Having said that, if they identify at some point in the future an issue with those consignments then obviously there will be a reverting back to the every consignment test and hold arrangements.

**CHAIR**—Anyhow, you are on the case. Is it possible—and it has been stated to me that it may have happened—to have fish that has been rejected in Europe imported into Australia?

**Mr Read**—That is right. We will have specific conditions for the import of any product. It depends whether it is a health issue.

**CHAIR**—I recall being briefed in one of these Senate committee rooms—I do not know who else was there—and I almost swallowed my tongue when one of the fishing representatives said that they knew of fish that had been rejected in Europe being imported into Australia. That is something for you to chew on, so to speak.

**Mr Read**—Thank you.

[5.01 pm]

**CHAIR**—Are there any questions on output 4, International food and agriculture service?

**Senator STERLE**—Yes.

**Senator O'BRIEN**—Table 1.10 of page 21 of the PBS shows under international food and agricultural service an increase in the amount for Keniry Technical Cooperation from a budget estimate of \$1 million to a revised estimate of \$1.876 million. Can you explain the basis of this increase?

**Mr Morris**—I will perhaps start off and then I might ask the branch head responsible for that area to add anything that is necessary. As you are aware and we reported to this committee a number of times, over the past couple of years now we have been negotiating memoranda of understanding with a number of countries in the Middle East. As part of that negotiation process, in most of those—and in fact probably all of them—there is a component built in which allows for some technical cooperation assistance with the relevant countries we are negotiating MOUs with. As a result of the time it took to actually finalise a number of those MOUs, it was not possible to spend the \$1 million allocation of money under the government's response to the Keniry report in the first year. However, there were a number of commitments made associated with those MOUs, and therefore we requested that the government rephase the money that we had committed in the first year but not spent into the second year and therefore a transfer of funds was made to cover that.

**Senator O'BRIEN**—How much?

**Mr Morris**—The original allocation was \$1 million per year over four years, and we rephased \$876,000 from 2004-05 into the 2005-06 financial year.

**Senator O'BRIEN**—Page 25 of the PBS provides some details of the role of this department in the development of an FTA with China. I note there is no mention of any

assessment of the impact that the China FTA may have on some of our agricultural industries. Has any such assessment been made?

**Mr Burns**—As you would be aware, a scoping study was done jointly between Australia and China prior to the announcement that we would commence an FTA negotiation. Modelling was done as part of that, and those results were contained in that scoping study.

**Senator O'BRIEN**—Who did that?

**Mr Burns**—A scoping study was done jointly by the Australian government and the Chinese government. A modelling exercise was an attachment, and that modelling produced some estimates of the benefits to Australian industry.

**Senator O'BRIEN**—Is it proposed to do any future assessments?

**Mr Burns**—It is still an early stage in the negotiations, as you would appreciate. As the negotiations progress, we will be looking at the potential implications for whatever might happen for our industries.

**Senator O'BRIEN**—By this division?

**Mr Burns**—It would be the responsibility jointly with the Department of Foreign Affairs and Trade to determine whether we would formally commission some independent modelling or whether we would try to do it perhaps with the help of our ABARE colleagues. But that has not been determined yet, just the scale or scope of such a study.

**Ms Hewitt**—In addition to any analytical or technical modelling work, there is an active process of consultation with a wide range of industry groups in the sector taking place in parallel with the work that is progressing bilaterally with China on the FTA. Those views are also actively being solicited.

**Senator O'BRIEN**—So the department is involved with advocacy with industry in support of the FTA?

**Mr Burns**—That is correct.

**Senator O'BRIEN**—How are you meeting that objective?

**Mr Burns**—We have a number of strategies. Again, I would preface any comments with the fact that the Department of Foreign Affairs and Trade is obviously taking the lead on the negotiations and the advocacy strategy. But, of course, the department is contributing to all aspects. There are several strands. One is within Australia. We are consulting a lot with industry to obtain their views about what priorities should be in the FTA. In doing so, we are promoting the FTA within Australia within our industry groups. But, more importantly, there is a strategy—which, again, is being led by DFAT—of some outreach programs in China. For example, we had a seminar involving the wool industry, talking to Chinese colleagues at a function that was hosted by the embassy in Beijing to try to promote the potential positive outcomes of an FTA with China. A strategy is rolling out in the minerals and energy sector, and I know that they have already had a similar seminar. We are planning a seminar later in the year for the dairy industry and for some of the other industries. I should add that the embassy in Beijing, with our assistance and DFAT's assistance, is producing a number of fact sheets and is visiting various regions in China to promote the FTA.

**Ms Hewitt**—We have recently taken a decision, following on from an election commitment made by the government last year, to increase the number of embassy staff we have at the embassy in Beijing from one to two. So, in addition to a technical policy officer who does a lot of work on plant and animal quarantine related issues, we are just at the point of appointing a policy officer to the staff in Beijing who will work actively on some of these issues in China.

**Senator Abetz**—Is that all for international?

**Senator O'BRIEN**—That is all I have in this area.

[5.10 pm]

**Senator Abetz**—So we are now on to output 5, Product integrity, animal (including aquatic animal) and plant health.

**Senator O'BRIEN**—Table 1.7 on page 16 of the PBS lists receipts, and it shows an upwards revision for the agricultural and veterinary chemical levy of some \$5.6 million for 2005-06. Does this increase relate to the easing of the drought in a number of areas, or is there some other explanation?

**Mr McCutcheon**—It primarily relates to drought factors. When the original estimates were made in the first half of last year, the drought at that stage was pretty severe, particularly in eastern Australia. As a result of the easing of those conditions and a subsequent large increase in grain crop output, the receipts subsequently went up. To give you an indication, around 70 per cent of Australian Pesticide and Veterinary Medicine Authority levies come from the agriculture stream as opposed to the veterinary stream.

**Senator O'BRIEN**—Could you provide the committee with an update of where the national livestock identification scheme for sheep has reached?

**Mr McCutcheon**—The national livestock identification system for sheep commenced implementation on 1 January this year. It followed quite detailed industry consultation across all states and territories and follows on from the decision by the Primary Industries Ministerial Council to extend the NLIS to sheep. The decision was taken back in April 2003.

**ACTING CHAIR (Senator Nash)**—How is that progressing so far? How is industry reacting to the introduction?

**Mr McCutcheon**—There has been, I guess, fairly positive reaction to it. Essentially, it was driven by the sheep production industry. I guess they saw the need to have a system, primarily to protect their market access interests, but also they saw some benefits in terms of disease control programs. They are starting a fair way behind where, say, cattle were. Basically, the sheep system is based on identifying flocks with a property identification code and using a plastic ear tag. So it is pretty much where the cattle industry was 25 years ago. Nonetheless, the sheep production industry has been fairly positive about it.

If you are looking for areas of negativity, that has come mostly from the livestock agents sector because, in starting this situation off for sheep, there are some exemptions for sheep that are 'sold over the hook'—they go directly to slaughter that way. That issue arose with cattle when the cattle scheme was made mandatory back on 1 July 2004. Certainly the sheep

production industry's intent is, I guess, as the system becomes implemented, to move towards removing those exemptions at some point in the future.

**Senator O'BRIEN**—Can you provide the committee with an update on where the NLIS for pigs is up to?

**Mr McCutcheon**—Yes. That is also at the very early stages of development. Essentially, it is one of those areas where the pig industry has only just turned its attention. It does have a system of sorts in terms of tattoos on ears of animals, which they have been using for many years. However, they recently submitted a proposal for some funding out of the government's NLIS program and the minister has approved and announced a grant of \$1.2 million—I think, off the top of my head—to assist the pig industry develop a more contemporary identification system.

**Senator O'BRIEN**—Who is going to be in receipt of the grant?

**Mr McCutcheon**—The grant is going to be administered by Australian Pork Ltd, and they, in consultation with Animal Health Australia, have been working with the department in developing their proposal.

**Senator O'BRIEN**—Can you give us a breakdown by state and territory of money provided under the \$15 million cattle NLIS implementation scheme?

**Mr McCutcheon**—Yes, I can. At this stage of the program roll-out, \$2 million has been committed to Victoria, \$3.02 million has been allocated to New South Wales and \$954,400 has been approved for Western Australia. Proposals are currently under consideration from two other states, South Australia and Queensland, and the Northern Territory.

**Senator O'BRIEN**—That does not cover all jurisdictions?

**Mr McCutcheon**—For example, Tasmania are still in the process of developing their proposal, and we understand that one will be forthcoming from that jurisdiction in due course.

**Senator O'BRIEN**—When is it likely that all states and territories will be on board?

**Mr McCutcheon**—Certainly before the end of this financial year, because we have a rolling program. All those states are in the process of implementing the NLIS for cattle, so the pressure is on them to get their funding bids in.

**Senator O'BRIEN**—I want to ask some questions related to our preparedness to deal with an outbreak of bird flu in the country. Exercise Eleusis was staged at the end of November last year to test Australia's preparedness to deal with an outbreak of avian influenza. On 1 December last year, Minister McGauran issued a press release stating that a formal report detailing all aspects of the exercise would be completed in January 2006. Has that happened yet?

**Mr McCutcheon**—The report has been drafted, and that was completed at the end of January. It is currently going through a process of consideration by the ministerial council standing committee and the council itself. That is essentially where the process is at the moment.

**Senator O'BRIEN**—Does it need to go to a ministerial meeting?

**Mr McCutcheon**—Yes. My understanding is that it will go to the standing committee meeting and the ministerial council meeting in April, I think it is.

**Senator O'BRIEN**—Can you give us a brief outline of what was learned through the exercise?

**Mr McCutcheon**—We certainly can. In a nutshell, the exercise was considered to be highly successful in both demonstrating Australia's capacity to deal with a zoonotic animal disease outbreak. It also served its other main objective of being a very good training program for all the officials and other participants in the exercise. In terms of learnings and so on, some of the key ones—and these will be further explained in the report—demonstrated the need for a very clear national policy to be in place for assessing the risk to human health of a zoonotic disease.

You might recall that Exercise Minotaur, which was dealing with a simulated outbreak of foot-and-mouth disease, was essentially looking at the animal health side. In this case, we extended the boundaries to the human health side of things. It did certainly demonstrate, for example, that things like personal protective equipment and the additional medical measures that might be needed, such as antiviral prophylaxis and those sorts of things, need to be thought through. A positive from the exercise was the fact that the agriculture agencies and the health agencies worked very well, and there was a range of reasons for that: there was a lot of shared information and there were officers from each department embedded in the emergency management arrangements for the other respective department.

The area of public communications was another area that was tested. Again, going back to the Minotaur Exercise itself, one of the key learnings from that was that a major disease outbreak such as foot-and-mouth disease puts a huge amount of pressure on handling the communications. The resources for that were actually increased for Exercise Eleusis, and again the outcomes of that suggested that further resources would be needed for Australia to be able to cope with managing the extra dimension of the human health components. From a learning point of view, it demonstrated that a lot of resources would need to go into the area of communications for dealing with a real event.

Related to that was the sheer amount of information, the quantity of information, that was generated. Again we are looking at systems to try and manage that, particularly with high-level committees and so on making quite important decisions affecting both human health and animal health. Being able to sift through that information and make considered decisions requires some further work. Another aspect that we learnt was that there is certainly a need to keep our disease response strategies up to date. In some ways that relates to having appropriately qualified personnel to call on to help manage the emergency and particularly to plan ahead.

The last aspect was that, in dealing with such a multi-focussed and multidisciplinary disease event, there is a very clear need for very clear national objectives in terms of managing that exercise and making sure that those linkages that have been established both within governments—between health and agriculture—and then between government, industry and the broader community to make sure everyone has a very clear understanding of the disease strategy and the objectives of the emergency that is being handled.

**Senator O'BRIEN**—I am not sure if I missed it, but there did not seem to be problems with communications and command and control in this exercise. Was that a factor or was it not tested?

**Mr McCutcheon**—I do not think there was a problem per se. I think there certainly were areas where things could be improved but again the exercise itself was quite challenging, and deliberately so. I was not a participant in the exercise; I was an observer-facilitator. My observations were that the command and control lines were pretty clear, certainly at the federal government level and, I understand from the report, the state governments as well.

**Senator O'BRIEN**—What about logistics? Given that these were problems with Minotaur in a sense, I am just double-checking.

**Mr McCutcheon**—This was really a desktop exercise. In a logistical sense, in a real event there would be a huge amount of resources deployed at the operational level.

[5.24 pm]

### **Australian Quarantine and Inspection Service**

**ACTING CHAIR**—I welcome the witnesses from AQIS.

**Senator O'BRIEN**—I have had some information passed to me since we had the discussion about the worm matter earlier. It was not apparent from the evidence that was presented then that there was a file transfer between AQIS and Biosecurity Australia—a transfer of the files in relation to this matter.

**Senator Abetz**—In relation to which matter?

**Ms Hewitt**—I wonder whether that might reflect the evidence that I believe was given to do with referring one of the import applications to Biosecurity Australia.

**Mr Yuile**—For advice.

**Ms Hewitt**—For advice. Probably, in order to do that, AQIS's biological units may well have passed the information in the file to BA for assessment.

**Senator O'BRIEN**—What I am asking is: does AQIS have a set of files which relate to the transactions between AQIS and this importer, and has a copy gone to Biosecurity Australia or was the whole file transmitted holus-bolus?

**Mr Yuile**—I will invite Dr Clegg to answer that, but I would have thought that, for completeness, they would see the file—for the flow of information.

**Dr Clegg**—It depends on what stage of the assessment we are up to with the applicant. After the permit application was issued—are we talking after the first permit application?

**Senator O'BRIEN**—After the first permit? I am taking it to be when AQIS referred the matter to Biosecurity Australia.

**Dr Clegg**—That was in 2004?

**Senator O'BRIEN**—I believe so.

**Dr Clegg**—At that point we would have been in discussion with them about the conditions on that permit, which they were aware of because the application had come around. We send

that across to BA with a cover sheet, with our request for advice on that sheet, and with the application attached.

**Senator O'BRIEN**—Can you remind me of the date of the first shipment that you have a record for?

**Dr Clegg**—I do not have a date on it, but we issued the import permit in, I believe, April 2003, so it could have been any time after that. I can get that information for you

**Senator O'BRIEN**—Thank you. I would like that, if you can get it, because I was a bit confused in the earlier exchange. I am told that the first shipment arrived on 31 January 2003, which is pre permit, which is why I was talking about the trial shipments and why I was a bit confused by the evidence you were giving me. I am reminded that the applicant says there was an arrangement for trial shipments before an import permit was issued and that there were a number of trial shipments.

**Dr Clegg**—Not to my knowledge. I will check that and give you that information.

**Mr Yuile**—It would still require a permit.

**Dr Clegg**—Yes. It would all require a permit. But a shipment may arrive and be held. That is possible.

**Senator O'BRIEN**—I am told that the first shipment arrived on 31 January 2003 from the Netherlands, that there were two more shipments on 4 February 2003—one from Indonesia and the second from China, that another shipment came from China on 22 February 2003 and that a shipment came from Indonesia on 18 March. They all seem to predate the first permit. Obviously, having gone through a process and having set up a wholesale-retail chain around the country and getting ready for its main shipment, to have the whole thing closed down was cataclysmic for this business. So essentially what you are telling me—so I can be clear on this—is that AQIS and Biosecurity Australia have no record of the arrangements that relate to a pre-permit shipment?

**Ms Hewitt**—Could we take that on notice and be absolutely clear that we are correct in our advice to you?

**Senator O'BRIEN**—Yes.

**Ms Hewitt**—We will do that quickly.

**Senator O'BRIEN**—When files pass between AQIS and Biosecurity Australia, is there a log that records the passage of those files?

**Dr Clegg**—What we have is an information sheet. We usually send it around with a minute. Sometimes we send the request for information as an email, but it has been our practice of late to send all of these requests around to Biosecurity with a minute with the application. We send to them the information supplied by the applicant. In this case the applicant was asking for a new competent authority to be added, so we sent around the application and that request.

**Senator O'BRIEN**—Was this in 2004?

**Dr Clegg**—Yes. Biosecurity was not aware until we sent that around that AQIS had issued this permit with this condition.

**Senator O'BRIEN**—I refer to Minister McGauran's press release of 10 November 2005 headed 'Survey shows imported horticulture is safe' which reported on the findings of testing by AQIS of 97 items of imported horticulture. The media release said that this was additional testing carried out at the request of the minister and was over and above AQIS's normal testing regime. What can you tell us about that?

**Mr Read**—It is correct that there was a survey with 97 samples taken. Detections were identified in that sample. Those detections were, in terms of presence, referred to the competent authority in Australia with regard to food safety, FSANZ, for advice on those detections. That did not lead to any change in AQIS's border regime for imported food, but it has of course resulted in further survey work of horticultural product by AQIS, particularly targeting, obviously, *E. coli* 157, which was probably the fundamental issue identified during that initial survey.

**Senator O'BRIEN**—Did you say the items were chosen at random?

**Mr Read**—That is correct; they were randomly selected.

**Senator O'BRIEN**—How does this random selection work?

**Mr Read**—I would have to ask in more detail about the procedure behind it. It would be based on shipment details, targeting the type of product that is coming in and the consignments. It would be a mixture of that and the sample required to be able to make a conclusion as to the representativeness of that sample in regard to the imported product.

**Senator O'BRIEN**—The minister's press claimed the results demonstrated that imported horticultural products are safe, but two were found to contain pesticide residues and 14 contained *E. coli*.

**Mr Read**—That is correct.

**Senator O'BRIEN**—Going to the issue of pesticide residues, the media release said that a sample of semi-dried tomatoes contained pesticides that were within MRLs. That is Australian MRLs we are talking about, is it?

**Mr Read**—Correct.

**Senator O'BRIEN**—The press release said that the level in a sample of garlic was lower than permitted in other widely consumed foods. What does that mean?

**Mr Read**—Was it a pesticide residue issue?

**Senator O'BRIEN**—Yes, I think so.

**Mr Read**—Then it would be below MRLs. The issue with the detections is that detections will always be the case, whether it is imported food or domestic food. The issue then comes down to the level of that detection and the implication of that level in regard to food safety and human health. Clearly, particularly with *E. coli*, there are levels of *E. coli* present in all foods, particularly foods of the horticultural variety. As FSANZ continually remind us, there are safe handling practices that should be employed in the home in regard to those foods, such as washing vegetables thoroughly and so forth. In that context, those findings did not illustrate anything that would alarm the competent authority in regard to those identifications that

would lead to any change in the border regime or the testing of imported food. You will also be aware that a number of those detections were from one importer from Fiji—

**Mr Yuile**—Ten of the 14.

**Mr Read**—So we have certainly sent advice to Fiji, which we are still seeking clarification on.

**Senator O'BRIEN**—Were they pesticides or *E. coli*?

**Mr Read**—*E. coli*. With respect to Thailand, we have taken similar action for a remaining three—they were at the lower end of the spectrum. There was one that was borderline, from China, that was so close to being a nondetection that no further action was taken.

**Senator O'BRIEN**—What were the pesticides found in? Tomatoes and garlic?

**Ms Goodchap**—I believe that fenvalerate was found in the garlic. It is a chemical which is widely used in Australia as well as overseas. In the sun-dried tomatoes I believe it was a chemical called procymidone.

**Senator O'BRIEN**—I am not familiar with either. Can you be a little more helpful?

**Ms Goodchap**—We can take those on notice for you.

**Senator O'BRIEN**—Thank you. I am sure Hansard will want to know how to spell them!

**Senator Abetz**—What in particular do you want to know about them?

**Senator O'BRIEN**—What their properties are. It is fine to say there is a chemical residue. I presume they are agricultural chemicals, not just residual chemicals in a soil that was used for planting in. The Fijian samples were the cassava leaf, drumstick leaf and other specialist items we were talking about. The other items were from Thailand and Romania?

**Ms Goodchap**—No, China.

**Senator O'BRIEN**—They were the *E. Coli* ones we were talking about?

**Ms Goodchap**—That is correct.

**Senator O'BRIEN**—Where were the chemical residue items from?

**Ms Goodchap**—I believe that one was from Turkey—the sun-dried tomatoes—and I do not know off the top of my head where the garlic was from.

**Senator O'BRIEN**—There is a lot of Chinese garlic in supermarkets, but that does not mean that is where it was from.

**Ms Goodchap**—I think it is likely. But I would like to check that detail before I confirm that.

**Senator O'BRIEN**—Does this mean that some of the types of *E. coli* found on horticultural products can be harmful?

**Ms Goodchap**—There is a raft of different types of *E. coli*: some are pathogenic and some are nonpathogenic. That is, some are harmful to human health and some are not. Because the survey only detected *E. coli* generically it does not give us an indication of which ones were pathogenic and which ones were nonpathogenic. The levels that we found are very similar to levels found in Australian produce and we know that we do not have food-borne outbreak in

Australia related to this produce so we know that the majority of the *E. coli* is nonpathogenic. The extension of the survey that Mr Read referred to is specifically looking at pathogenic *E. coli* to gather additional information to confirm that.

**Senator O'BRIEN**—What is AQIS's normal testing regime for imported agricultural product?

**Ms Goodchap**—It varies depending on the commodity. As a general rule, pesticide screens are applied to the vegetables, and different types of vegetables that have been processed in certain ways may have additional tests. For example, some preserved vegetables may have intense sweeteners or artificial sweeteners. There are specific tests depending on the processing. As a general rule, fresh vegetables coming in would be subject to a pesticide screen.

**Senator O'BRIEN**—How would you normally make a choice for sampling purposes?

**Ms Goodchap**—The sampling regime is in the imported food legislation that we operate under. The number of samples taken is quite clearly defined in legislation.

**Senator O'BRIEN**—The minister's press release says that imported product—I take it he means horticulture product—will now also be screened for *E. coli*.

**Ms Goodchap**—That is referring to the extension survey we are conducting now.

**Senator O'BRIEN**—It is just for survey purposes?

**Ms Goodchap**—That is correct. The idea there is to gather the additional information that I was referring to, which we could provide to Food Standards Australia and New Zealand for them to determine whether additional testing is actually required. We do not have enough information at this time to make that decision.

**Senator O'BRIEN**—That *E. coli* testing will be a random sampling of some sort?

**Ms Goodchap**—That is correct. I would like to point out that a similar survey is being conducted on Australian produce at the moment which FSANZ will also be assessing.

**Senator O'BRIEN**—Do you know why it was necessary for this promotion of imported horticulture to have taken place? What was the purpose of the minister's release?

**Ms Hewitt**—It was because there have been a number of comments and media articles drawing attention to concerns and we wanted to be satisfied that our sampling arrangements were adequate and that we could speak with some authority.

**Senator Abetz**—And if you did not, you would be hiding it from the Australian people, no doubt.

**Mr Yuile**—It is about reassurance and, as the secretary has said, the various speculations at different times about imported product. It was responsibly taking the step of undertaking this survey as a means of augmenting the data to provide to the food standards authorities to make some judgments about the testing regime. As you know, products are categorised according to risk. It was our effort to add to that body of knowledge. As the minister has said, it is in the interests of at least providing information to the public that this was issued.

**Senator O'BRIEN**—I can understand the health minister wanting to do that. It is the agriculture minister I am wondering about.

**Mr Yuile**—We did the survey, Senator, and we are feeding that information to the health authorities.

**Senator O'BRIEN**—What is the practice when sampling shows that a product has an unacceptable residue level? Is a media release issued? Does the department or the minister issue a release?

**Ms Goodchap**—On the day-to-day testing that we do at the border for imported foods, no, that is not the case. The procedure when a food fails, which it can do for a number of reasons, including chemical residues, is that the importer is obviously advised of that failure. The country from which the goods originated is advised of that failure as well. If the goods have been released into the market place, there may be public disclosure through a recall notification. However, that is conducted by our colleagues in the health departments around Australia. That is not an AQIS concern when that occurs.

**Senator O'BRIEN**—Minister McGauran issued a press release on 9 November relating to the Australian Meat Exports to China. The press release states that AQIS is developing the necessary documentation for opening up the Chinese market for Australian tripe. Is this a big market we are looking at? It is a big country.

**Mr Read**—I do not have the quantum of the potential of that tripe market in China, but it is a sizeable market.

**Senator O'BRIEN**—The press release says that Chinese authorities are hoping to finalise the tripe protocol as soon as possible. Can you tell me where that process is up to?

**Mr Read**—The protocol is currently with the Chinese authorities. We are waiting for further discussion as to the suitability of that protocol.

**Senator O'BRIEN**—Perhaps you can get us some information on the potential market.

**Mr Read**—Certainly.

**Mr Yuile**—To the extent that the statistics are available, I will certainly try. My understanding is that it is not just the size of the market, but also the economics for the operators of being able to take additional product out of carcasses.

**CHAIR**—You could probably sell it as calamari, couldn't you?

**Senator O'BRIEN**—They do.

**Mr Yuile**—You might, Senator.

**Senator O'BRIEN**—They do: seafood extender.

**Senator WEBBER**—That is outrageous!

**Senator O'BRIEN**—I can only encourage members of the committee to read the press release.

**Senator WEBBER**—I will.

**Senator O'BRIEN**—Are we any closer to knowing how citrus canker became established in the Emerald district?

**Ms Hewitt**—I am afraid we no longer have with us the product integrity animal and plant health colleague.

**Senator O'BRIEN**—I will put those on notice.

**Mr Yuile**—Senator, haven't we got a hearing on 1 March?

**CHAIR**—Yes.

**Senator O'BRIEN**—So we will have the answers by then?

**Mr Yuile**—It depends on your question.

**Senator O'BRIEN**—They are pretty easy ones. Are we any closer to knowing how citrus canker became established in the Emerald district?

**Senator Abetz**—Without telling anybody how to suck eggs, if you have questions about it, if these people were to be provided with that list prior to your hearing on 1 March, it may assist the hearing on 1 March.

**Senator O'BRIEN**—That is what I was just doing.

**Senator Abetz**—Good.

**Senator O'BRIEN**—There are a very small number of questions. Is the matter still under investigation by AQIS at all?

**Mr Yuile**—Yes. It is still the subject of investigation by our compliance and investigations unit.

**Senator Abetz**—Are you expecting answers now?

**Senator O'BRIEN**—It is better to get them now, if it is possible.

**Mr Yuile**—The investigation continues. Discussions with the DPP continue, and we are expecting advice there as to whether that can be taken further. They are the two key pieces of information following on from our previous discussions.

**Senator O'BRIEN**—Thank you for that. That concludes my question for AQIS.

**CHAIR**—I have one more question on AQIS. The poor old guy who always has the problem at Walgett with the—

**Mr Yuile**—That is subject to continuing review by the Ombudsman. That is my recollection. I have certainly investigated it myself.

**Senator Abetz**—I thought the old guy with a problem was you!

**CHAIR**—Are you challenging me to a round or two for a pound or two, Senator Abetz?

**Senator Abetz**—No, not you. Especially not an arm wrestle.

**CHAIR**—So it is with the Ombudsman.

**Mr Yuile**—Yes.

**CHAIR**—Thank you.

[5.51 pm]

**Australian Bureau of Agriculture and Resource Economics**

**Senator O'BRIEN**—Ms Schneider, during the budget estimates Dr Fisher told the committee there had been some informal discussions between ABARE and the National Water Commission with respect to ongoing water research. Did anything come from those discussions?

**Dr Beare**—Yes. We have had a range of ongoing discussions with the Water Commission. We provide fairly regular advice to the commission in two parts: directly to the commission to try to promote the policies stated in the National Water Initiative and also to look after portfolio interests and at how these policies will impact or could be better designed to make sure that irrigation industries in Australia remain competitive. We have also put in an application to be a consultant of record with the commission.

**Senator O'BRIEN**—So you are providing ongoing regular advice on the National Water Initiative.

**Dr Beare**—Yes.

**Senator O'BRIEN**—Do you provide them with a written commentary, a monthly report or an occasional report on issues of note that arise in your research?

**Dr Beare**—When we make our regular publications we hold seminars which we invite the commission to, along with the Murray-Darling Basin Commission. Through the department we are invited on a fairly regular basis to attend meetings at the commission to discuss issues such as infrastructure charging. We try to keep a close working relationship with them because we think our policy advice or economic advice is relevant. I think they have agreed that we have something to contribute to the process.

**Senator O'BRIEN**—What do you categorise as portfolio advice?

**Dr Beare**—All these policies—for example, environmental flow policies and how they are pursued—potentially have an impact on the overall demand for water and the availability of water for irrigation. We need to understand that, how it is going to work and, from the portfolio industry's perspectives, what some of the key issues are about the reform. I would suggest, for example, that one of the key issues is to make sure that we bed down security. We are not going to get the investment in the higher valued activities to which we wish water to flow unless we have some secure basis for investment. That is on the environmental side as well. That is a very important issue that we would put forward as a view. We would try to back that up with facts and figures to suggest that it is an important issue. I have a couple of examples of some reports that have been recently done that I am happy to give the committee. We did them for other reasons, for other venues and fora, but we held seminars and things for the commission.

**Senator O'BRIEN**—I am sure that members of this committee will receive those reports because of the coming inquiry into water policy, so thank you very much for that. How confident is ABARE in the following statement in its December commodities report:

China's government appears to be successfully managing the soft landing of the economy ...

Is this situation likely to continue?

**Ms Schneider**—We did make that statement. I think we are repeating a similar statement in the March *Australian Commodities*, which will be released at the end of this month at the Outlook conference. One of the things that would lend support to that is the fact that China revised its GDP forecasts up recently following its first national economic census. So that makes some of the economic aggregates, such as the investment ratio to GDP and the savings ratio to GDP, seem quite sustainable. I think we would attach some credibility to that statement.

**Senator O'BRIEN**—In the same report, you list as a major risk to the US economy 'the current state of trade and current account imbalances'. Has there been any change in or improvement of this situation in the near term?

**Ms Schneider**—In terms of those aggregates, there are no major changes. We do expect to see some continued small interest rate rises in the US which would probably lend support to the US exchange rate over the 2006 period, so that may have some impact.

**Senator O'BRIEN**—Do you mean it will push the US dollar up against ours?

**Ms Schneider**—It is likely, yes, to bolster the US dollar.

**Senator O'BRIEN**—Against all currencies?

**Ms Schneider**—Not necessarily against all currencies but against a basket of currencies.

**Senator O'BRIEN**—That was a huge question, sorry. You have stated in the same report that 'economic performance in Australia remains robust'. I would like to know what threats, if any, are on the horizon with regard to this position.

**Ms Schneider**—I think we would raise the exchange rate as a potential threat. We have ongoing high prices in the minerals and energy sector which is lending support in terms of trade, which is putting some upward pressure on the exchange rate. We expect that that might come off a little bit over the next year or so. We are forecasting probably a slightly lower economic growth at the world level so that is probably likely to see some small declines in some commodity prices, which will have a downward impact on the terms of trade and the exchange rate. The exchange rate could be an ongoing issue, but there are positives to that as well.

**Senator O'BRIEN**—Some commentators have suggested that without the commodity boom we would be in recession at the moment.

**Ms Schneider**—I am not sure I could make a definitive statement about that.

**Senator O'BRIEN**—When you talk about the threat on the horizon, is that that our exchange rate will deteriorate?

**Ms Schneider**—We could see an ongoing very strong exchange rate that could put pressure on some of the export sectors—the non minerals and energy export sectors.

**Senator O'BRIEN**—Can you bring us up to date on demand for commodities. Where is demand coming from? We all hear about China but—

**Ms Schneider**—In the agriculture sector—

**Senator O'BRIEN**—Yes.

**Ms Schneider**—or the minerals and energy sector? The minerals and energy sector is obviously driven very strongly by China. The demand in the agriculture sector is less driven by China. China features in some commodities on both the production side and the consumption side, but it is not a strong component of consumption on most of the agricultural commodities. It is much more of an issue on the minerals and energy side of the commodities.

**Senator O'BRIEN**—So what are the main drivers of demand for our agricultural commodities, if not the Chinese economy?

**Ms Schneider**—Maybe I could just run through some of our expectations of the forecasts we will be looking at in the Outlook conference. That might be one way to go about it.

**Senator O'BRIEN**—Thanks for that.

**Ms Schneider**—I might start with beef, for example. We are looking at some decline in prices for beef, basically because we expect there will be lower exports to Japan in the next financial year of 2006-07 because of the potential return of the US to the Japanese market. We also expect that there will be some decline in demand coming out of Japan because of consumer sentiment following the US incident. It is a similar story regarding Korean demand for beef.

In terms of sugar, we have not finalised our forecasts yet but the expectation is that sugar prices will rise quite strongly in the next year, mainly because a lot of sugar production in Brazil is being directed to the ethanol industry rather than to export onto sugar markets, so that is going to lend support to sugar prices internationally. We expect cotton prices to ease in 2006-07 because of high production, which is mainly coming out of India, China and Pakistan. There has been a considerable increase in world stocks there. In terms of crops—wheat, for example—we are likely to see some increases in prices because of lower production in some of the main producers. China, Russia and the Ukraine are likely to see falls in their production in the next year, as will the US. In the US there has been an increase in the area sown, but the yields are lower because of dry conditions.

**Senator O'BRIEN**—Regarding low production, I suppose it depends on what happens with our monopoly exporter as to how it goes in its markets in the current environment where Iraq is saying, 'No more from you, thank you very much.' Is that something that ABARE will factor into its commodity predictions?

**Ms Schneider**—We have not factored that in at the moment because it has been a very recent announcement—and it remains to be seen whether it is a very short-term factor or something that is long term.

**Senator O'BRIEN**—Is that a real option for Iraq? I mean, the grains industry talk about how special our grain is. Is it easily substituted in those markets for US red wheat?

**Ms Schneider**—I am not sure about substitution. It probably is quite substitutable, but then again wheat stocks are very low, so it may well be difficult for that substitution to occur.

**Senator O'BRIEN**—They have been paying a high price for our product.

**Ms Schneider**—Yes.

**Senator O'BRIEN**—What other grains are relevant?

**Ms Schneider**—Canola. We have had very strong canola production in 2005-06. Demand is actually very strong, and increases in demand will probably be stronger than production in the next year. There was a very strong production in 2005-06 because of very strong seasonal conditions. With a return to normal sorts of conditions in the next year we expect to see production fall back, and that will lend support for prices.

**Senator O'BRIEN**—Senator Heffernan was showing me a prediction that we were going to be back in drought.

**Ms Schneider**—Our forecast is for Canadian production, which was very strong last year, to fall back to normal levels, and as Canada is the major producer that is likely to lend support to prices next year.

**Senator O'BRIEN**—Has there been any change to the strength of the lamb market in the United States? Obviously Australian consumers are seeing high prices off the back of a strong export demand.

**Ms Schneider**—No. We see demand as remaining very strong in the US and the same coming out of Asia as well. There is obviously some substitution in Asian markets away from US beef and into lamb and so it is a reasonably strong story for lamb, with some price increases coming there.

**Senator O'BRIEN**—The national flock has declined below 100 million now, hasn't it?

**Ms Schneider**—No, the flock has actually come back. It did go below 100 million, I think a couple of years ago, but it is now climbing back again. However, that is mainly for meat production rather than wool.

**Senator O'BRIEN**—A crossbreed rather than the traditional merino.

**Ms Schneider**—That is right.

**Senator O'BRIEN**—What impact is that having on wool production? Prices do not seem to be very strong at all in real terms.

**Ms Schneider**—We are not forecasting anything very strong with regard to demand for wool. We are not seeing any enormous support for wool production, largely because in China there does not seem to be a strongly growing market for wool. There does not seem to be a preference for wool in China. That is obviously the largest potential market, and it is not really developing. So we do not see significant expansion in wool.

**Dr Beare**—We do see a fairly significant threat to wool. It is a relatively perennial problem and we are about to engage in a fairly extensive analysis regionally of the industry—where it has been able to substitute out, where it has been able to move into meat, where the real pressures are. We hope to have that report coming out in the coming year. I think we are engaged in looking at the wool industry.

**Senator O'BRIEN**—Substitution, animal welfare campaigns—

**Dr Beare**—Yes, huge issues.

**Senator O'BRIEN**—consumer sentiment and the profitability of the alternative meat production sector.

**Ms Schneider**—That is right.

**Senator O'BRIEN**—I do not have an interest to declare as a wool producer but others at the table may. Is it fair to say that ABARE has not had a positive forecast of the wool industry for some time now?

**Dr Beare**—Yes, I think that would be fair to say. The longer term trend in competition with other fibres, just the way people are demanding apparel and the changes in the generations and what they want are quite significant and it has worked against wool. You can just look at the change in the sheep flock and not see the response in price that everyone would say should have been there. I think that points to a fundamental shift in the demand for the product.

**Senator O'BRIEN**—Decline in production; decline in demand. In relation to those commodity issues, are there any other capacity constraints that are additional? I suppose drought is potentially one but I do not know whether that fits in with what your commodity predictions are based on.

**Dr Beare**—We have been through a period of fairly extensive dry weather for quite some time. It has been seven or eight years where we have had conditions where it has been very dry, to the point where some of our irrigation industries have been threatened in terms of their income base. I think probably the limiting factor in Australia dominantly is the climate. I am hoping the weather we have had recently is indicative that maybe things are going to shift—but that is well and truly outside of ABARE's hands!

**Senator O'BRIEN**—Thank you very much for that.

**Senator WEBBER**—It will probably come as no surprise but I want to have a chat about the *Four Corners* program last night, seeing as your agency got a mention along the way. Was ABARE aware of allegations raised in the program last night regarding the undue influence of Australia's largest energy users on the government's climate change policies? Has that come to your attention?

**Ms Schneider**—Only through the media in the last couple of days.

**Senator WEBBER**—Would the agency have any concern at all or are they aware of the claims about the supposed climate-change mafia that we have in Australia?

**Ms Schneider**—I am not aware of the existence of a group known as the mafia, no. I am certainly aware of the AIGN.

**Senator WEBBER**—Therefore, would you be a bit concerned or surprised to learn that there are allegations that ABARE are part of this mafia?

**Ms Schneider**—I was not aware that that allegation had been made. I did not hear ABARE's name mentioned last night on the program.

**Senator WEBBER**—It has certainly been mentioned in dispatches.

**Senator Abetz**—In the program?

**Senator WEBBER**—As far as I am aware, yes, Mind you, last night was a very busy night, so I may have misheard.

**Senator Abetz**—I am just wanting to know the source for the officials here; that is all. I did not see it.

**Senator WEBBER**—I was a bit busy.

**Senator Abetz**—I was doing PM&C estimates, having that fun.

**Senator WEBBER**—Indeed. We are all rushing around, so I do not want to be too emphatic in case I picked it up from other discussions.

**Senator Abetz**—Yes.

**Senator WEBBER**—How would you describe the nature of ABARE's relationship with the Australian Industry Greenhouse Network and its member companies?

**Ms Schneider**—We do not have a formal relationship with the AIGN. When we do our climate analysis we consult widely. It is possible that we consult with members of the AIGN. That is part of our normal consultation process, very broadly.

**Senator WEBBER**—Would you receive any funding from any of the member companies?

**Ms Schneider**—I am not familiar with all of the member companies.

**Senator WEBBER**—I am happy for you to take that on notice if you want to check.

**Ms Schneider**—I can take that on notice.

**Senator WEBBER**—As Senator Abetz would be aware, I try not to be too unreasonable and so, if there are any of these that you feel you need to take on notice, just let me know and we will skip straight on to the next one. We are also becoming a little pressed for time. Was ABARE solely responsible for the report entitled *Technical development and economic growth*?

**Ms Schneider**—That was ABARE's report, yes.

**Senator WEBBER**—Did it have to be cleared by the minister?

**Ms Schneider**—It was not cleared by the minister, no. We gave it to the minister for information.

**Senator WEBBER**—Which one?

**Ms Schneider**—Minister Macfarlane.

**Senator WEBBER**—Was Minister Macfarlane updated with drafts of the report?

**Ms Schneider**—No.

**Senator WEBBER**—It just went to him as a final version for information.

**Ms Schneider**—That is right. We brief him a week before we release the report.

**Senator WEBBER**—Were you at all concerned with some media reports that used ABARE modelling to suggest that there would be a 100 per cent increase in emissions under the climate pact?

**Ms Schneider**—I am not aware of reports that mention that quantity, but certainly in the report we do state that under our reference case, which is like our business as usual

projection—our simulation—emissions will rise, and even under the advanced technology simulations emissions continue to rise.

**Senator WEBBER**—Did Dr Fisher or anyone else advise the climate pact meeting that reducing global greenhouse emissions by 23 per cent by 2050 was substantially short of what is necessary to avoid dangerous climate change?

**Ms Schneider**—I was not at the meeting so I am not aware of exactly what he said. He did not have speech notes; he did not have a written speech.

**Senator WEBBER**—Can you take that on notice and check?

**Ms Schneider**—Yes.

**Senator WEBBER**—In your projections for greenhouse abatement, did ABARE include the impact of renewable energy in China under the Chinese law that stipulates the deployment of renewables?

**Ms Schneider**—We certainly make some quite strong assumptions about the growth in non-hydro renewable energy in the Asia-Pacific partnership countries. In developing those assumptions we take account of policy measures in each of those six countries. I cannot say that that particular policy issue was addressed. I would have to refer that back to our analysts.

**Senator WEBBER**—It would be good if you could.

**Ms Schneider**—That is the way we go about deriving those assumptions.

**Senator WEBBER**—Perhaps you can check on whether you specifically looked at that.

**Ms Schneider**—We do have a very significant increase in renewable energy in those simulations.

**Senator WEBBER**—If you can check that, particularly in relation to China, that would be good. It is my understanding that Dr Fisher has claimed technological transfers are the key to greenhouse abatement. Can someone explain to me how that will occur without price signals?

**Ms Schneider**—The major idea behind the Asia-Pacific 6 partnership group is that technology will make a major contribution to the reduction in emissions and that having on board those particular developing countries as part of that partnership—China and India in particular, in view of their significant growth in emissions, and Korea—and having new advanced, clean energy technologies will be significant in reducing the growth in emissions, given their very strong growth in energy demand. The partnership is designed to facilitate the development, deployment and transfer of technologies through cooperative mechanisms. The partnership has not designed the sorts of mechanisms that will be appropriate to facilitate that development and transfer of technologies yet, but it has established a series of working groups that will further the work in that area.

**Senator WEBBER**—So we have not written off that it will not be developed without price signals?

**Ms Schneider**—I cannot answer that for sure. I can come back to you on that.

**Senator WEBBER**—That would be good, because I am not sure how it would occur without them.

**Dr Beare**—It is a bit about intellectual property rights. If you are asking the private sector to make all the investments then there have to be price signals. What we are aiming for, hopefully, is to see new investments in new plant and new facilities to be picking up these technologies. However, there are two things on that: government expenditure on research and not needing those property rights, and a genuine cooperation and recognition of the issues at hand, which I think is what Karen was referring to in terms of the group. Prices are important—you cannot ignore that—but there are other mechanisms to make sure that we address the broader issues.

**Senator WEBBER**—Price certainly is important, because usually when you are talking about things like intellectual property it is price that dictates access on the whole. It is my understanding that Ministers Downer and Costello have actually come out and supported price signals, so I am interested in finding out whether that will fit into where we are going to in the development of the proposals. Assuming—and this is hypothetical, so I will accept if you cannot fully answer this—that we do not have price signals, how would we envisage Australian or US companies using their technologies, this new high-tech way, to get around these emissions? They are not going to give them away.

**Ms Schneider**—One thing that the report does address is the need for both push policies, which are related to policies that facilitate the development of technologies such as intellectual property rights, and pull policies, which are the price type signals that we are speaking about. An important aspect there is how to sequence those policies. If you have the pull policies, or the price policies, before you have the development of the technologies then it is not going to be as effective as having the development of the technologies coming first followed by the demand-side mechanisms through price. There certainly is that sense in the report. But it is true that private companies are not going to be transferring their technology without appropriate returns on their investment.

**Senator WEBBER**—So there are going to be some issues there. It has been reported in the past that Dr Fisher has said that emissions trading is not practical. Does ABARE still hold that view, given the success of the Kyoto carbon financing market?

**Senator Abetz**—Do we know in what context it was said? It might help to contextualise it.

**Ms Hewitt**—We can take that on notice and see if there is an answer.

**Senator WEBBER**—I am happy for you to take that on notice. I am not trying to be unreasonable.

**Ms Hewitt**—Not at all. It may be the case that the response will indicate that ABARE per se does not have a view at all, but we would like to provide what sensible comment we can.

**Senator WEBBER**—I do try and choose my words reasonably carefully. Can you provide the committee with your sources of funding for the modelling on climate change, emissions abatement and energy use? Again, if you do not have that to hand—

**Ms Schneider**—Our funding is principally from the Department of Industry, Tourism and Resources, as well as from the DAFF appropriation. A component of that is allocated to climate change work, which involves the development and application of the model for climate change analysis. It is from both of the departmental sources.

**Senator WEBBER**—It is the two departmental sources.

**Senator SIEWERT**—I have a quick question. In ABARE's response to some questions I asked last time, you mentioned that you were doing some work on the cost effectiveness of some of the environmental water flows for the Murray-Darling. I am wondering how that is going.

**Dr Beare**—I am quite pleased to give the report to the committee. The work has been quite successful. It has engaged economists, hydrologists and fresh-water ecologists in a way that I think is going to be very productive in the future. It is going to feature quite prominently at the Outlook conference. The basic work has been done, and I am happy to provide a report. I am happy to talk about it if you would like to contact me at any time.

**Senator SIEWERT**—Just to cross committees a little bit, I think that would be very useful for the rural and regional water inquiry.

**Dr Beare**—I have a copy with us and I will leave that.

**Senator Abetz**—I think he was ready for this. He was very pleased.

**Senator SIEWERT**—And we will certainly take you up on your offer.

**Ms Hewitt**—I think it is the case that the paper that we will pass to you was presented at an OECD workshop which we helped to host in Adelaide, in combination with our state government counterparts and some others. We have also had very favourable feedback internationally from the work.

**Senator SIEWERT**—Thank you. I will not waste the committee's time now, but I think we will take you up on your offer for a briefing for the references committee and call you up then.

[6.21 pm]

#### **Bureau of Rural Sciences**

**Senator O'BRIEN**—I would like to begin by asking for an update on the national social data study.

**Ms Hewitt**—That is not ringing bells. Perhaps it is work known by a different title.

**Senator O'BRIEN**—It may be. That is the title I know it by. If we have found terminology that does not ring any bells—

**Dr Samson**—We will take it on notice on the assumption that perhaps we do know it by a different name. If what you are looking for is an update, we would be happy to provide a progress report if it is indeed something that falls within our purview.

**Senator O'BRIEN**—If you can find it, I want to find out what has been done to ensure that the results of this study are translated to practical outcomes on farms. Perhaps this is not your area.

**Dr Samson**—I am afraid it is collectively not ringing any bells, but we will certainly look into it and try to track it down for you.

**Senator O'BRIEN**—What about the national agricultural monitoring system project? Great, some lights have lit up this time! What is happening there?

**Dr Ritman**—The national agricultural monitoring system is on target for a draft website by April this year and a final by June-July this year. As you would understand, it is a jointly funded exercise between the states and the Commonwealth to produce information that will assist in drought exceptional circumstance assessments. It covers only the dryland and broadacre areas in its first production in June-July. There will be investigation as to the more-intensive agricultural areas in irrigation, as a next step.

**Senator O'BRIEN**—This is to help streamline the EC approvals process?

**Dr Ritman**—It is not to actually do the EC assessments itself, but it has the information that is pre-agreed in a common source.

**Senator O'BRIEN**—So it is about developing methodology for assessment, is it?

**Dr Samson**—The national agricultural monitoring system is initially being developed to streamline and facilitate the application-making process and then, subsequent to an application being made, to facilitate the assessment of that application by the National Rural Advisory Council.

**Ms Hewitt**—It would be fair to say that that is to improve both the speed at which that can be done and the objectivity and consistency of the information that is available to NRAC in doing its assessment work.

**Senator O'BRIEN**—When should we see any improvements that come from this process?

**Ms Hewitt**—I think they are already coming through. I recently chaired, under the auspices of the Primary Industries Ministerial Council, a working group with representatives of the state departments, the NFF and some of the state farm organisations. We are doing some quite constructive work which will take account of developments in the national agricultural monitoring system as well as look more broadly at drought policy. The initial comment and reaction that we are having through that process to this NAMS, as we have slipped into calling it, has been pretty favourable, but there is further work going to ministers at their next meeting in April.

**Senator O'BRIEN**—You are doing the work on the dryland broadacre areas. Will it lead to a better fit for other farming communities as well?

**Ms Hewitt**—I will ask Dr Samson to talk to this, but I think the idea is that progressively we look to see what is possible in the intensive and irrigated areas. It is not simple; quite a complex mix of factors comes into those more intensive areas.

**Senator O'BRIEN**—They are the harder areas, aren't they?

**Ms Hewitt**—Yes.

**Dr Samson**—As you would be aware, drought exceptional circumstances are historically focused on broadacre dryland production. The extent of the current drought has brought irrigators and intensive industries in horticulture into the picture really for the first time on this scale. When the Primary Industries Ministerial Council commissioned the work on the national agricultural monitoring system the initial focus was on the traditional broadacre dryland farming, but it flagged at the same time that, when the prototype system was up and

had been tested, the next focus would be on those irrigated and intensive industries. That will be the second tranche of work once the NAMS has been tested.

**Senator O'BRIEN**—When will that second tranche commence?

**Dr Samson**—As Dr Ritman said, there will be a live pilot of the NAMS available in April, and it will go fully live and start to be used by NRAC hopefully in the decision-making process in July of this year. So I anticipate that the ministerial council would want us to move to that second phase sometime fairly immediately post 1 July.

**Senator O'BRIEN**—Moving to the second phase requires the decision of the ministerial council?

**Dr Samson**—I think the decision has been made in principle. There is probably some detail to be finalised. I think that the bureau will need to assist the ministerial council in fleshing out some of the detail of the next step—not least of which will be the costs involved in the next body of work.

**Ms Hewitt**—There is a steering group which is chaired by my Queensland counterpart and has representatives from the state, territory and Australian governments. My expectation is that that group would continue to prepare reports which we would pass through to ministers for a decision.

**Senator O'BRIEN**—Is it possible that the ministerial council could make whatever decisions are necessary to allow an automatic commencement on the work on the more difficult areas once the dryland broadacre system goes live?

**Dr Samson**—I would have to check council decisions but my sense of it is that that basic decision has been made—we will move to that. Certainly, from the bureau's perspective, that is what we anticipate doing and we are gearing ourselves up to do that work.

**Senator O'BRIEN**—I am happy for any clarity we can get on that.

**Dr Samson**—I do not think you will see a hiatus or long delay between finishing the first tranche and starting work on the second.

**ACTING CHAIR (Senator Nash)**—Senator O'Brien, do you have many more questions?

**Senator O'BRIEN**—I think we can finish this section before we break for dinner, on the basis that we crib an extra few minutes at the end. Can you let me know where the Water 2010 project is up to?

**Dr Ritman**—It is in process. It has deliverables this financial year. It is bringing together data sets on a website. It works to a steering committee.

**Dr Grant**—I chair that steering committee. We have a product which is building data agreed by a suite of people around the steering committee. Essentially the objective is to be able to identify what the water balance is in Australia at any point in time through sourcing data from, for example, the Bureau of Meteorology, looking at pasture growth and the like, looking back at historical models that have been produced by the National Land and Water Resources Audit and CSIRO, and looking at soil moisture sources of information and building up a picture so that at any point in time we can look at the moisture balance, the water balance, across Australia by a one-kilometre grid. That is the objective.

It is a targeted program over three years. The first phase is to build the database. The second phase is to interrogate the database. We are into that second phase now. The third phase will be in the third year and that will be to start doing some scenario analyses that say, for example, if you drew down on water to this extent in this location it would mean this in another location.

**Senator O'BRIEN**—Is the Water Commission involved?

**Dr Grant**—They are involved. They are on the steering committee with us and they have put some small amount of funding into it. The remainder of the funding is from departmental appropriation.

**Senator O'BRIEN**—What is the funding?

**Dr Grant**—As I recall, it is about \$600,000 this year, but I will take that on notice if you need to be precise.

**Senator O'BRIEN**—That would be good. Is it a similar amount in the out years, or a diminishing amount?

**Dr Grant**—We have identified a notional budget but it is to be allocated each year as we develop the program forward. Certainly, we are hopeful that a number of the parties that are members of the steering committee, and these are Commonwealth government agencies in the main, will see the benefit of this and start helping to build the demand for this product as we go forward. It has been a pilot study to see if this is technically possible. We believe it is. The next phases are about using it in the context of a decision-making tool or a scenario assessment tool.

**Senator O'BRIEN**—What material is on your website about this matter?

**Dr Grant**—Nothing at this stage. It is still in the process of being built. It is an information-gathering exercise. Once we have the information built and agreed we can start putting out an interactive database. At the moment we are sourcing distributed data, so it is what is called a distributed database. We are sourcing it in, building the product and then making it available.

**Senator O'BRIEN**—Is it intended to be a publicly available, free of charge database?

**Dr Grant**—It certainly will be. That is the objective.

**Senator O'BRIEN**—Thank you.

#### **Proceedings suspended from 6.34 pm to 7.34 pm**

**ACTING CHAIR**—We now move to rural policy and innovation. Senator O'Brien, do you have any questions?

**Senator O'BRIEN**—Just a few. At page 20 of the PAES, table 1.10 shows the estimated expenses for Farm Help revised down from \$42.541 million to \$15 million. Can you give us an explanation for this revision?

**Mr Thompson**—The major explanation for that revision is a reduction in demand. It is a demand-driven program, and funds are appropriated to meet what the estimated demand is. Our experience has been that during drought exceptional circumstances, with many areas of

Australia declared to be experiencing those circumstances, many farmers who may have otherwise been potential recipients of Farm Help are accessing income support under the drought arrangements. So the demand has dropped under Farm Help.

**Senator O'BRIEN**—It is purely drought related, is it?

**Mr Thompson**—From our analysis of it, yes, we believe it to be largely drought related. The income support arrangements under drought provide the same level of support as Farm Help except access conditions are a little easier and it does not carry with it the time limitation of the Farm Help arrangements, so I think many farmers would be encouraged by their advisers, or others, to apply for drought exceptional circumstances. When we look at the breakdowns, another factor that has affected the demand is the availability of other packages such as the sugar package, which had similar benefits to the drought package.

**Senator O'BRIEN**—The same table shows an increase for the AAA Rural Financial Counselling Service of \$1.023 million. Is this the additional \$780,000 announced by the Prime Minister on 30 May and \$243,000 announced by Mr McGauran on 12 October?

**Mr Thompson**—I do not have the numbers in front of me, but that is the increased amount for providing additional drought relief counsellors through Centrelink and for supplementation to each of the rural financial counselling services in drought exceptional circumstances areas to meet the increased demand, and those announcements were made by Minister McGauran and the Prime Minister.

**Senator O'BRIEN**—How many additional rural financial counsellors have been provided as a result of this additional funding?

**Mr Thompson**—Ten drought relief counsellors were provided through Centrelink.

**Senator O'BRIEN**—These are Centrelink staff, are they?

**Mr Thompson**—Yes.

**Senator O'BRIEN**—Is there funding in the out years to continue this?

**Mr Thompson**—No. That was a supplementation for this financial year only. Any continued funding would be a separate decision. As I said, the existing rural financial counselling services in drought exceptional circumstances areas receive supplementary funding to enable them to meet the increased costs of a larger number of clients and greater travel and those sorts of things.

**Senator O'BRIEN**—The communique that followed the 26 October Primary Industries Ministerial Council stated:

The Commonwealth will continue to develop bilateral agreements to deliver rural financial counselling services with participating states and territories.

Where is this process up to? Which states and territories are participating?

**Mr Thompson**—Minister McGauran wrote to his state counterparts following that meeting outlining proposals for rural financial counselling services, and no states have indicated that they are not participating. The letters went out at the beginning of January this year and replies are still coming in, but we do have replies from Queensland, South Australia,

Tasmania and Victoria. We have been in contact with officials in other states and expect replies from them shortly.

**Senator O'BRIEN**—What sorts of replies have you had?

**Mr Thompson**—Essentially, it is getting their in principle agreement to the framework that was proposed in the minister's letter, their agreement for officials to participate in the details of the development of bilateral agreements and their commitment to maintaining funding, as they have in the past, for the program.

**Senator O'BRIEN**—In November Mr Murnane confirmed that the minister is required to table a statement that he is satisfied that Dairy Australia is fully compliant with the terms of its statutory funding agreement with the Commonwealth and that the act requires that that statement be tabled soon after the AGM. The AGM was held on 25 November last year. I may have missed it but I could not find any record of the minister tabling the required statement. Has it happened? If not, why not?

**Mr Murnane**—I understand that it has been tabled, but I can certainly check the date for you.

**Senator O'BRIEN**—Would it have been tabled out of session?

**Mr Murnane**—I believe so.

**Senator O'BRIEN**—If you could draw our attention to the tabling, I am sure that it is available from the Table Office.

**Mr Murnane**—Certainly.

**Senator O'BRIEN**—Can someone provide the committee with an update on the areas that are currently in receipt of exceptional circumstances assistance.

**Mr Koval**—I do not have a full list of the latest areas. There are some 50-odd areas receiving assistance. I can provide you on notice with a complete list of all areas currently receiving EC assistance.

**Senator O'BRIEN**—Thank you for that. Can we get that information on a state-by-state basis, if possible, and also how long each area has been in receipt of assistance?

**Mr Koval**—Certainly.

**Senator O'BRIEN**—Is it possible to also get an update on the percentage of farmers within EC declared areas who receive assistance from the program?

**Mr Koval**—Certainly. The number of ECRP recipients as of 3 February is about 14.6 per cent nationwide. In terms of ECIRS, or interest rate subsidy, about 16.2 per cent currently receive that.

**Senator O'BRIEN**—Has the percentage changed at all since the Prime Minister announced changes to eligibility criteria last year?

**Mr Koval**—The percentage changes regularly—on a week-by-week basis, depending on the date chosen—but it certainly has increased. We have increased our expenditure quite dramatically since the announcement. We are now averaging about \$9.6 million a week, which is up from about \$4 million.

**Mr Thompson**—It also varies quite significantly between regions, depending on the nature of the industry and presumably the severity of the impact of the drought on those regions. The 14.6 per cent is an average, but there is quite a range.

**Senator O'BRIEN**—What is happening with the review of the EC declaration of the 25 areas that were well into their third year of EC declaration and were being considered for a fourth year top-up?

**Mr Koval**—For many of those areas, that review has been completed. Those areas were due to cease before Christmas. That has been completed for all of those areas and announcements have been made. Are they the 25 areas you are referring to?

**Senator O'BRIEN**—Yes. How many of those areas are going to go into their fourth year?

**Mr Koval**—The vast majority of them. I can provide you with the date it was first declared. There are 34 areas that were extended from the budget through to now, and that includes those in their second to third years as well as those in their third to fourth years.

**Senator O'BRIEN**—So only one or two have been—

**Mr Koval**—That is correct. They were extended for varied periods of time as well. Some of them were extended for a shorter period than others to match them up with seasonal conditions and things like that.

**Senator O'BRIEN**—Can you on notice provide the details of the areas and the extensions or nonextensions?

**Mr Koval**—Certainly.

**Senator O'BRIEN**—I want to ask some questions about the egg promotion levy, which is table 1.7 on page 16 of the PAES.

**Ms Hewitt**—We will try to answer your questions but we do not have quite the right group of colleagues here.

**Senator O'BRIEN**—Which group should that be?

**Ms Hewitt**—Food and agriculture.

**Senator O'BRIEN**—I will put those questions on notice.

**Ms Hewitt**—Thank you.

**Senator O'BRIEN**—Where is the levies branch based?

**Ms Hewitt**—That is in the management services division. That is a separate unit there. Normally the food and agriculture staff would be able to help you if it is a general policy question about the levy. If we get forensically into the detail of levy collection and so on, we might need the management services staff.

**Senator O'BRIEN**—I think I will put those questions on notice too. I was going to ask about wine grapes and levies, but clearly we have missed the opportunity to get direct answers from the appropriate officers.

[7.46 pm]

**ACTING CHAIR**—We now move to fisheries and forestry. Are there any questions?

**Senator STERLE**—It has been well established that the existing Navy and Customs patrol vessels intercept a minute fraction of illegal fishing vessels that are plundering the Australian fishing zone. As such, I will focus my questions on that small percentage of illegal foreign fishing vessels that the Navy and Customs patrols actually intercept. Can the department or AFMA inform the committee what the penalties are for illegal fishing?

**Mr McLoughlin**—The penalties are determined by the courts in all cases but they range up to a maximum of \$625,000 in the Fisheries Management Act. The range of penalties we see mostly for Indonesian fishers are significantly less than that. We do have some data here on the range of penalties that are typically applied and that would be experienced through the courts for a working Indonesian fisherman.

**Mr P. Murphy**—In the last calendar year we have had 384 people charged. Penalties ranged from good behaviour bonds of \$750 to fines of up to \$130,000.

**Senator STERLE**—That calendar year, I take it, is 2005-06?

**Mr P. Murphy**—From January to December 2005. In total, 384 persons were charged.

**Senator STERLE**—Could you provide a copy of that data to the committee?

**Mr P. Murphy**—I could do that on notice.

**Senator STERLE**—Do those penalties apply to the crew, the skipper and/or the owner of the vessels?

**Mr McLoughlin**—For Indonesian vessels we typically charge the skipper. If it has a fishing master on board, we will try and determine who the fishing master is and charge them both; but typically it is just the skipper who is charged. The crews in many instances barely know where they are, let alone what is happening to them, but we have charged crew. If we can determine that the crew in particular are recidivist offenders and that we have caught them for the second or more times, we will charge them automatically as recidivist offenders, quite often because they owe fines from the previous offence. There were 182 crew charged and 202 masters charged of that total of 384. For example, the skipper of a boat, a master guilty of a second offence, was fined \$90,000 in January 2005. We do where possible try and identify recidivists and they are charged whether they are the skipper or not.

**Senator STERLE**—I hear there was a \$90,000 fine. What chances are there of the illegal fishermen paying that fine?

**Mr McLoughlin**—Given the circumstances they come from, there is very little chance they will pay it. That is the reality for us.

**Senator STERLE**—What steps are being taken to prevent crews from reoffending?

**Mr McLoughlin**—In terms of actions that we can take in Indonesia to stop them reoffending, very little. The reality is, if the crews are on these vessels coming out of some of the ports in eastern Indonesia, then the skippers will be determining where they fish. They will have very little say about that. These are in most cases village fishermen who sign on to a crew, sometimes pay money to get on the boat to take a share of the catch if they get back successfully; but the crews themselves will have very little option about where they go fishing.

**Senator STERLE**—Have there been any large fines for any crews?

**Mr McLoughlin**—I would have to take that one on notice. We tend to look at the skippers in particular. Skippers would be the sorts of people that we target for significant offences, but the courts tend to determine relative guilt between skippers and crews.

**Senator STERLE**—I understand, Mr McLoughlin. That is why I asked about the crews. What steps are being taken to stop them reoffending? On your answer there I note that the masters certainly get a large fine thrown at them, whether they are able to pay that or not. But what is the deterrent for the crew?

**Mr McLoughlin**—The deterrent for the crew is essentially that they get a short period in detention and then they get sent back to Indonesia and they end up back at their village with no money; and quite possibly the loss of the vessel, particularly if there is shared ownership of a vessel. They might have shares in a vessel. But essentially it is a monetary penalty that in fact we do not apply but they end up wearing anyway, because they get back to their village with nothing.

**Senator STERLE**—So it is not much of a deterrent. They can certainly come into our waters in the next couple of days on another ship, can't they?

**Mr McLoughlin**—I think that is the operational reality for us. The other approach that we are taking in conjunction with colleagues from DAFF and other agencies is really what is going to be the longer term and more difficult, in some respects, approach: which is the education, communication and Indonesian government support for trying to stop these people coming to Australia to fish in the first place. That is a really longer term investment and approach.

**Senator STERLE**—What is the purpose of the automatic forfeiture provisions of section 106A of the Fisheries Management Act of 1991?

**Mr P. Murphy**—The automatic forfeiture enables the seizure of vessels, gear or catch. We often report apprehensions in one category and legislative forfeitures in another. When we are doing that we are referring to circumstances where we confiscate gear and catch and send the vessels home. There is a range of reasons we do that, including where we have multiple targets and want to take some action against a vessel, and then move on to the next one.

**Senator STERLE**—Mr Murphy, for the purposes of explaining that one step further for the committee, what is the difference between automatic forfeiture and apprehension? Can you explain that very clearly.

**Mr P. Murphy**—Vessels can be seized under the Fisheries Management Act, as can catches and gear. That equipment is seized for 30 days, where the owners have a right to appeal against the seizure. If they do not appeal then it is automatically forfeited to the Commonwealth. We can use those provisions with discretion so that we can either seize the vessel, catch and gear, or just the catch and gear.

**Senator STERLE**—Have you done that? Have you used those provisions?

**Mr P. Murphy**—Yes.

**Senator STERLE**—Would it be possible for the committee to find out on how many occasions?

**Mr P. Murphy**—Yes. I have the figures for the last calendar year. For 2005, in Northern Australia, there were 280 apprehensions of vessels and there were 327 forfeitures of gear and catch only.

**Senator STERLE**—Of those 327 forfeitures, it is quite possible to accept that these Indonesian fishermen could have returned in other boats with more gear at another time.

**Mr P. Murphy**—That is true.

**Senator STERLE**—In the year 2005-06, the numbers you just gave me for the illegal foreign fishing vessels that were slapped on the wrist and sent away, that is the 327?

**Mr P. Murphy**—Just to clarify, Senator, they are for the calendar year.

**Senator STERLE**—Would you have the figures for 2005-06.

**Mr P. Murphy**—I have the figures up to date to 2006.

**Senator STERLE**—To date.

**Mr P. Murphy**—As of today, for 2006, there have been 39 apprehensions of vessels and 20 legislative forfeitures of gear and catch.

**Senator STERLE**—Just to make that clear, calendar year 2006.

**Mr P. Murphy**—Very clear, yes.

**Senator STERLE**—And 20, did you say, Mr Murphy?

**Mr P. Murphy**—20 legislative forfeitures.

**Mr Quinlivan**—It is probably worth adding that the administrative seizures are often the most sensible thing to do in a particular situation. You described it as a ‘slap on the wrist’, but often they are not the main target. If Customs or the Navy are heading for a particular target, which might be a bigger vessel or some vessel that is of particular attraction, and they encounter vessels on the way, they may do administrative seizures, but it is not a substitute for an apprehension, it is just an incidental thing which it adds to the overall enforcement capacity.

**Senator STERLE**—Thank you for that explanation, but I was very keen to hear how many crews were reoffending. I find it difficult to see what the deterrent is.

**Mr Quinlivan**—It is also used in bad weather where it is not safe to do other kinds of enforcement activity.

**Senator STERLE**—Thank you. Would it be fair to say with the way it is going, the number of automatic forfeitures are far in excess of the number of apprehensions and prosecutions?

**Mr McLoughlin**—I can add a bit more detail to Mr Quinlivan’s answer. One of the trends we have seen in the last couple of years is the appearance of larger numbers of what are called bodhis. They are smaller Indonesian boats and they travel fast, about 20 knots or so. They mainly operate out of an area north, north-west of Darwin. Probolinggo and Roti are the two

main ports. These small vessels only carry two to three crew and typically might only fish for a couple of days because they do not have the range to stay out wide from where they are in Australian waters.

The operational reality for us is that if there is a Customs vessel or a Navy patrol boat in the area and we see a larger target, such as a large iceboat or type 3 shark boats and the like and two or three of these bodhis also in the same area, we will attempt to interdict all of them. If there is only one response patrol boat available, on all occasions we will say, 'Apprehend the large boat, because that is almost certainly doing more damage, but if it is not possible to apprehend the smaller boats, get a legislative forfeiture on them.' These small boats that spend four or five days at sea will go back with nothing. That means we make best use of the response asset—the patrol boat. We interdict all the possible vessels that we can get to, but we do not tie up a patrol boat then for days just trying to round up all these smaller boats. The goal is to maximise the use of the asset by implementing an apprehension on something that is worth a lot of money back in Indonesia, in relative terms.

**Senator STERLE**—I appreciate that, Mr McLoughlin, but the picture that has been painted for us every time we open a newspaper, or hear about illegal fishermen, is that it is just not deterring them. If we are just having the forfeitures that is fine, but on the numbers I am interested to see in terms of reoffenders, it would be fair to probably assume that a lot of them, after a forfeiture, would just turn around and go back into our waters again in a very short time.

**Mr McLoughlin**—I think the view of the newspapers is a very immediate one, but if we look at what has happened over the last 10 years or so, we are approaching 1,500 of these larger Indonesian fishing vessels that have been apprehended. That is over the last decade or so, and we are upping the ante. We caught more last year than ever and not only did we apprehend 280 last year, but we interdicted another 325 or so.

I have no doubt that, in fact, declining fish stocks in Indonesia will mean that we see some continued pressure for some time, but there are large numbers of fishing vessels in Indonesia and we are only seeing—in comparison with the total number of fishing vessels in Indonesia that we are aware of—a small proportion. At the end of the day we cannot but be having an effect because we are starting to see avoidance of detection behaviours and resistance to apprehensions, which seems to suggest to us that in fact we are having an impact. They do not want to be apprehended. They used to be very passive about being apprehended, and now they are not.

**Senator STERLE**—Mr McLoughlin, I would like to examine that answer of yours a little bit further. I would see the opposite happening. I would say that we are having far more apprehensions because there are far more incursions. Up to late October last year I think the number was some 8,000. I think nine vessels in the last few days have been captured and the latest one is a massive 75 metres. That says to me—and I do not know about the rest of this committee—that they are actually snubbing their noses at us. I do not see it as successful and I do not see it as having an impact.

**Mr McLoughlin**—I did not say it was successful. We are as concerned about those numbers as anyone because we do this stuff every day. But we are having, in our view, an

impact because we have seen a change in behaviour in the last two years or so as we have increased the efforts in the north. I am not saying it is a picture we like at all. This is chewing up an enormous amount of time and resources for a range of Commonwealth agencies, but behaviours have changed and that is starting to give us an indication that we are having an impact. But the numbers are still not particularly encouraging.

**Senator STERLE**—I want to go a bit further and talk about the vessels that I say are being ‘slapped on the wrist’. You did explain to me that the Navy or Customs will target a bigger one, but why are they being slapped on the wrist and turned away, given the seriousness of the illegal fishing problem?

**Mr McLoughlin**—It is about the best use of the available resources. In conjunction with Customs, Defence and ourselves it is about judgments being made on a daily basis about the best use of the available response assets and where we can apply those resources to get the biggest impact on the illegal fishing. Given the area involved, ranging from approximately North West Cape right through to the top of the Great Barrier Reef, we do make judgments generally every day about what will be the best use of those resources, including the chartering of additional resources if we need them.

**Senator STERLE**—I do appreciate your honesty in that answer. Would it be fair to say that it is the case that the Navy and Customs have not been given enough resources by the government to deal with the pillage and plunder of Australia’s fishing resources?

**Mr Quinlivan**—It is true, as you say, there has been an increased incidence of fishing by particularly Indonesian fishermen in Australian waters in recent years. You have probably seen the diagram mapping the sightings, although the 8,000 number you mentioned does not measure the number of vessels. It measures the number of sightings, which includes multiple sightings and vessels engaged in innocent passage and so on. Nevertheless, the trend you describe is right. Over the last few years the government has injected a lot more resources into this problem. We have tracked it through discussions with this committee repeatedly; there has been a lot more money invested and it is more and more a focus of the activity of our Customs and Navy vessels in the north. As the people-smuggling threat has waned, it has become more of a focus of their work.

The government has also been looking at a range of other measures, including issues that were discussed with the Indonesian foreign minister and fisheries minister before Christmas, to try and do more in Indonesia to raise awareness of the problem that this is for Australia and our views about it, and the risks of coming here, and encouraging the Indonesian government to take more measures within Indonesia to stem the flow. There are a whole range of things under way and all of them have been ramped up over the last couple of years, so it is certainly not true to say that there has not been an attempt to meet the increased threat through increased resources. That has certainly happened.

**Senator STERLE**—From my short view of what has been happening in the last 24 hours, it is not only the Indonesians. We now have very large Chinese vessels. All I am trying to say is that, for the government to put in resources—and I acknowledge that there has been a shift—it is going to take a darned lot more than what is available now, because it is not the Indonesians in little sampies that are probably about 10-feet long with two or three people on

them. We are talking big business out there, where it has progressed past Indonesia, where they see Australian waters as easy pickings. I would still say that there is a long way to go and, with the measures that the government has in place now, I will sit back and watch with interest for the next couple of months to see how that goes.

**Mr Quinlivan**—I would not disagree that there is a long way to go. On your point about larger vessels, there have always been occasional incursions by large vessels of Chinese, Taiwanese or Korean origin, and we have made occasional apprehensions over the years, and, because we have had one in the last 24 hours, that is not evidence of a trend; it is a consistent thing that we have seen, and we have apprehended one every so often.

**Senator STERLE**—Is there a difference between a large vessel or a sister ship; iceboat—whatever they call it?

**Mr Hurry**—The mother ship is a large steel transport vessel. The iceboat is a wooden fishing vessel with styrene holds in it that can hold ice in there for mainly reef fish or redfish, not shark fin. It is a different type of fishing activity.

**Senator STERLE**—Let us talk about the mother ship. The one that was apprehended off the coast yesterday was a mother ship. I am trying to get a line here, Mr Quinlivan. You say it is quite regular for big ships, or it is not unusual—

**Mr Quinlivan**—I did not say ‘regular’. I said there are occasional visits of vessels like this, and we have caught them in the past.

**Senator STERLE**—Mother ships?

**Mr Quinlivan**—I am not sure about mother ships, but we have certainly had large Chinese trawlers and that sort of thing in our waters—industrial-scale fishing, if I can describe it in that way.

**Senator STERLE**—Sure. But we have found a new terminology ‘mother ship’ that has been picked up and rolls off the tongue like ‘illegal fishermen’. ‘Mother ship’ is becoming a pretty popular term. In your statement earlier, Mr Quinlivan, about these large ships that occasionally come down, they were not called mother ships, were they?

**Mr Quinlivan**—I am not sure offhand. Paul or Richard might be able to help.

**Mr McLoughlin**—It is a commonly used term—support vessels, mother ships—but it is not a surprise because, as Mr Quinlivan has said, we have seen these vessels before. We apprehended a vessel from Thailand that was transiting through Australia’s fishing zone in Northern Australia last year. It had over 100 tonnes of fish on board. We brought it in and investigated that incident carefully, and it was clear that it was transiting through the AFZ. We did not proceed with any offences against the Fisheries Management Act, and we let that vessel go.

This latest vessel was boarded inside the Australian fishing zone and had fish on board. Part of that catch could not be accounted for on the paperwork that was on the vessel, so we requested the Australian Navy to bring that vessel in for further investigations. That is where it sits at the present time.

**Senator STERLE**—Are those investigations still continuing?

**Mr McLoughlin**—The vessel has not arrived in Darwin yet. We have a Fisheries officer out there. A tug has also been dispatched to assist in bringing the vessel back in. That has been arranged in conjunction with Coastwatch. As soon as the vessel arrives, I have a number of officers in Darwin ready to board the vessel and investigate. We are doing things like downloading the vessel's GPS navigation system to see where it has been, what it has been doing. That will run over four or five days.

**Senator STERLE**—Thank you. Can you explain why every foreign fishing vessel is not apprehended and destroyed?

**Mr McLoughlin**—It is a matter, in some respects, of the number, the distances involved—travelling potentially hundreds of nautical miles to effect an interdiction with a vessel—and the priorities that are given to anything that starts to get close to the Australian coast, particularly in places like Torres Strait where the distances involved are quite close to get down through to the Gulf of Carpentaria and Cape York. In fact, we see those as high-risk vessels. Also the distance from the boundary of the Australian fishing zone—for example, to the Wessel Islands north of Arnhem Land; those are literally nine- to 10-hour trips. For vessels to come down that close is really an overnight trip, so we deal with those high-risk areas and apply all the other assets that we can to all the other targets as the risks and the availability of patrol vessels allow. Those are the judgment issues that I talked about before—applying the response assets that we have available collectively to those vessels in locations of potentially highest risk to the Australian mainland, islands and the like. That is a combination of Fisheries risk, Quarantine, Customs and the like.

**Senator STERLE**—The high-risk areas are close to islands and shores, I take it. What about off the west coast?

**Mr McLoughlin**—Navy and Customs run a significant set of patrols off the west coast. We run four centres where we deal with apprehended vessels—Broome, Darwin, Gove and Thursday Island—and, in conjunction with Customs and Defence, we run operations out of each of those areas, apprehending those vessels that represent the highest risk or the greatest impact amongst the targets that we would see out there.

**Senator STERLE**—When we talk about 'high risk', how far from the shoreline would be high risk?

**Mr McLoughlin**—Anything that would come within the territorial sea of Australia; 12 nautical miles would be regarded as a very important target to apprehend. That is the approach that Customs, Coastwatch and Defence take as well. We would deal with the Fisheries side of those apprehensions and targeting, and other agencies such as AQIS would deal with other issues.

**Senator STERLE**—If illegal fishermen were caught 150 nautical miles from land, would that be enough of a risk to destroy a boat out there?

**Mr McLoughlin**—If it was a large vessel that had significant fishing capacity or was clearly capable of catching a lot of fish and we had a patrol boat in the vicinity, we would certainly recommend apprehensions every time.

**Senator STERLE**—But not destruction. What about the bodhis?

**Mr McLoughlin**—If the vessel was apprehended and brought back to port—a timber vessel, in particular—we would destroy that vessel.

**Senator STERLE**—But not at sea?

**Mr McLoughlin**—No, we would not deliberately destroy it at sea. Sometimes they are destroyed at sea because they are unsafe to tow or there is some other issue associated with getting it back.

**Mr P. Murphy**—After apprehension, the owners of the vessel have a right, under our legislation and under international law, to bond the vessel back. There is a 30-day period where, if we can maintain the vessel—depending on seaworthiness and quarantine issues—we will do that and give the owners that opportunity.

**Senator STERLE**—Answers to previous questions show that there really is a problem with the resources that are supplied to Customs and Navy, and it gets down to the fact that you are only interested in bringing in the bigger boats. Would that be a fair assumption, from your earlier answers, where you give them a forfeiture?

**Mr McLoughlin**—I cannot comment on the resources made available to Customs and Defence. In terms of the bigger boats, if they represent either a greater impact from an apprehension because of the value of the vessel or whether we would deem it as potentially high risk because they have approached the boat and there is livestock on board, for example, and potentially it would be a quarantine risk if it came any closer to shore, we would certainly be recommending apprehensions, and we always do, in fact. But there might be some debate between ourselves, Customs and Defence over relative priorities for apprehensions, depending on whether there are multiple targets in an area.

**Senator STERLE**—I am trying to picture you out past the Rowley Shoals or way out in a Customs vessel or a Navy vessel and there are four or five and they start shooting in all directions. I could not see the Navy and Customs rounding them up in a hurry, then towing these little boats back to shore or back to Broome.

**Mr McLoughlin**—Our experience is that they tend to try to get as many as they can. If they cannot tow the bodhis—and often they can't, particularly in rough conditions—they will put the crews on the patrol boat. They will transfer the crews onto the patrol boat and the vessels are either destroyed at sea or quite often the experience is that they will break up under tow anyway.

**Senator STERLE**—So you do destroy them at sea?

**Mr McLoughlin**—No. Sometimes there is destruction at sea if they cannot be towed, because they are not built to be towed. These things are timber vessels that quite often, if you put on a tow rope and try to tow them, break up. To avoid navigation hazards in some places they might be destroyed at sea but there is a judgment made by the skipper of the patrol boat about that.

**Senator STERLE**—Do you have a number of how many have been destroyed at sea?

**Mr Hurry**—There is the London convention which covers dumping at sea and there are provisions in that where countries are not supposed to regularly destroy and dump vessels at sea, so we try to bring them in when we get them and actually destroy them in land based

facilities, not dump them at sea unless we can destroy them properly. Or, as Richard said, they break up under tow and then it is unavoidable that they are then destroyed at sea. It is not a process that a country can do on a regular basis.

**Senator STERLE**—Sure, but do you have some figures of how many have been destroyed at sea?

**Mr P. Murphy**—In the calendar year of 2005, in Northern Australia there were 65 vessels destroyed at sea.

**Senator STERLE**—Thanks, Mr Murphy.

**Mr McLoughlin**—Out of the number that we have mentioned, 280 or so.

**Senator STERLE**—Yes, thank you. What is the Commonwealth government's prosecution policy with respect to illegal foreign fishermen?

**Mr McLoughlin**—Senator, the general approach at the present time is that skippers and fishing masters are charged; and recidivist offenders, if we can identify them.

**Senator STERLE**—Would it be fair to say that not all illegal fishermen are charged?

**Mr McLoughlin**—That is correct. We do not have, for northern compliance operations as yet—although we have been funded to do it and we are implementing that this year—a positive ID system such as iris scanning or fingerprinting for Indonesian fishermen. That is being rolled out in the second half of this year. That may improve the rate at which we can identify recidivist offenders but the Australian courts still require a relatively high level of evidence for prosecutions of these people and, if they are pleading not guilty to a recidivist offence, it comes down to whether we can positively identify them, and this is an as yet evolving process. But, as I said earlier, the policy at this stage is recidivist offenders, skippers and fishing masters.

**Senator STERLE**—How far away is that policy?

**Mr McLoughlin**—The policy is in place for who we charge. From the start of next financial year, we have been funded for the technical equipment to be able to positively identify Indonesian fishermen in locations like Gove and Thursday Island, as a routine matter, and we will be rolling that out as soon as possible thereafter.

**Senator STERLE**—Mr McLoughlin, can you explain to me, if you could, why it is that the West Australian court system is chock-a-block with illegal fishermen? They are not all masters; the majority of them are crew. How is it different in the state of WA than it is federally?

**Mr McLoughlin**—For many of the people that have been charged in Western Australia in the last five or six months or so, they were apprehended by a Western Australian Fisheries patrol boat inside Western Australian or territorial state waters, inside 12 miles. In that respect it is the Western Australian government who has the legal power to apprehend and charge those people under their state laws because they are in the territorial sea and it is their policy, obviously, to charge all of the crew. We work with Western Australian officers at times to provide support and information for that, but largely it is a Western Australian government decision to grab those boats and to charge all the crews.

**Senator Abetz**—Can you just bear with us.

**Mr McLoughlin**—Sorry, Senator, three-mile state waters; 12-mile territorial—

**Senator Abetz**—Yes. I think 12 miles was accidentally mentioned.

**Mr McLoughlin**—That is correct, my mistake.

**Senator STERLE**—I could not help but think if we had a Team Australia approach we could probably find that there would be a greater deterrent to illegal fishermen or Indonesians.

**Mr McLoughlin**—Under international law, territorial waters go out to 12-miles; the exclusive economic zone runs out to a 200-mile or wherever the boundary is between countries that are closer than that. If we apprehend fishing vessels inside the 200-mile zone, as Mr Murphy said earlier, we have to bond those vessels and we cannot gaol those people but we can certainly do it inside the 12-mile zone. We may need some legislative amendments to make that very clear. That is under consideration, but between 12 miles and 200 miles, under the UN Convention on the Law of the Sea, we cannot jail people for fisheries offences.

**Senator STERLE**—I am sure the next round of estimates might be asking the same questions but there might be some different answers, hopefully.

**Senator Abetz**—We hope so. Might that be an appropriate time for me to intervene? I have not been minister long so I accept that a little knowledge is a dangerous thing and I preface my comments on that basis. If the point you are making, Senator Sterle, is that what we are witnessing around our coast is unacceptable, I would agree with you; plus, if we were to have, instead of these mother boats or rice boats, cattle trains coming in from overseas and individual people on horseback rounding up cattle, putting them on these trucks and then shipping them off from Australia, I think there would be a huge outcry. I do not see that there is much difference with what is actually happening in our waters by these illegal incursions.

I take this very seriously. I think what we are witnessing is unacceptable. I think we need a more holistic approach to it, and by that I think there could be better cooperation between the various arms of government. Having said that, I also think there needs to be more resources and I am arguing for that within government. I also think there needs to be a greater deterrent by way of penalties. I am arguing for that as well within government and hopefully there will be some movement in relation to this general area relatively soon. The problem that you are outlining is one that hit me very quickly on trying to get my feet under the table. I think it hit me before my feet even got under the table and, the more that I have been reading and hearing about it, the more concerned I am.

Coming from Western Australia, I read about what you and Senator Webber say in the media and that is fine. I also know what Senator Adams says to me; Senator Ellison; Barry Haase, member for Kalgoorlie. It would be fair to say, irrespective of one's party political persuasion from Western Australia and the Northern Territory—but especially from Western Australia—the message that I have been getting loud and clear is that we need to cooperate. In relation to cooperation, I have proactively rung John Ford, your state minister, to indicate to him that I thought there needed to be better cooperation between state and Commonwealth, and that is what I wanted to do, and that I did not want to speak to him through press releases; that God had invented telephones and if we had things to say to each other we should actually

talk to each other personally rather than by a media release. I said the same to Kon Vatskalis, the minister in the Northern Territory, and Tim Mulherin in Queensland.

That is what I have been doing. I hope that gives you an indication of the seriousness with which I am treating this matter. I think you asked AFMA as to why they did not apprehend every vessel. That is a bit like why every speedster or every drink-driver is not apprehended. It is highly unlikely that you will ever catch everyone, but what you need is a huge deterrent to ensure that the incursions are a lot more limited than they are now.

I suppose it is a bit like my drug policy and the government's drug policy, which is zero tolerance. But you live with the reality that chances are you will never stamp it out, although that is your goal, but you do try to limit it substantially. Without having taken up too much of the committee's time I hope, I thought I should give you a bit of the flavour that I am seeking to pursue in this area.

**Senator WEBBER**—Before my colleague continues with his questioning, personally I say that it is a refreshing change in approach. I think there have been misunderstandings on both sides of the argument, so it is good that we have the opportunity to start again. Whilst I accept that we are not going to apprehend every vessel, we should always have it as our aim that we will.

**Senator Abetz**—Absolutely. That is what I said, and I will re-emphasise the point, whether it is a zero tolerance on drugs or whatever. It is the same with unemployment. Our aim has to be zero unemployment. Whether we are ever going to get there, I do not know, but that should be our aim. Similarly, that should be our aim with illegal fishing, although we realise that there will be the odd one or two that slip through the net, if I can use that term. We are going to try and increase our efforts and achievements by ensuring that there are the appropriate deterrents.

**Senator STERLE**—Thank you, Minister. Under your stewardship, if only one or two get through, I will be the first one to sing your praises. It was refreshing to hear that response, and I thank you for that. I also let it be known that in the Senate the other day—and it is in *Hansard*—I actually said that I looked forward to your approach; the new change of guard.

**Senator Abetz**—What happened? That's not you!

**Senator WEBBER**—There has been an outbreak of niceness!

**Senator Abetz**—Yes.

**CHAIR**—Calm down everybody!

**Senator WEBBER**—That's all right, Senator Heffernan is here now to make sure that we don't continue with that niceness!

**Senator Abetz**—It was a shock! I think I'd better get it out in the *Hansard*.

**Senator STERLE**—Thank you, Minister, for that response. As not only a parochial Western Australian but also a fisherman, who has a son who loves fishing, I hope there is something for the next generation.

**Senator Abetz**—Senator Sterle, without taking too much time, I think that there is a real issue of national interest here. Whilst you might say, 'Well, the fishery is "only" worth X

dollars,' if a disease were to come to Australia courtesy of one of these boats, the national interest could really be at stake, as a result of which I think we need a holistic approach to this. It is more than just the fishery—that is why they are here—because there are consequences even for security. I do not want to be too melodramatic on that, and there is no evidence about terrorism, or that security from that point of view is at stake, but potentially it could be.

There are not only environmental biodiversity concerns about the risk of disease and epidemics coming into Australia but also of course the risk of human diseases et cetera. I understand that on these wooden boats from time to time they even find mosquitoes, with the potential for causing disease. We want to protect our Australian way of life—let us put it that way—and that is why I think we need a more whole-of-government approach. I think we are heading in the right direction but we need to do more.

**ACTING CHAIR**—I have to leave. Senator Adams will take the chair.

**Senator STERLE**—I have a couple of other questions, Mr McLoughlin, that I would like to get into *Hansard*.

**Senator Abetz**—This is for the press release, is it?

**Senator STERLE**—It's already gone out, Minister, but I'm going to have to change it after your response, because you let me down—you tricked me! I still reckon you've been reading my notes. Mr McLoughlin, is there any evidence to suggest that automatic forfeiture is working as a deterrent strategy?

**Mr McLoughlin**—Solid evidence, no.

**Senator STERLE**—Is it possible that, if a vessel was intercepted by an Australian patrol vessel and was subjected to automatic forfeiture—they would have all their fishing gear confiscated—they could simply return to their home port, take on new equipment and come straight back?

**Mr McLoughlin**—There is that possibility, yes.

**Senator STERLE**—Do we have any information on anyone who was caught reoffending doing that? You can take that on notice.

**Mr McLoughlin**—I think we should do that.

**Senator SIEWERT**—I apologise for not being here earlier, and if I ask a question that has already been asked just tell me. What are you doing in terms of a regional management approach to fisheries? I appreciate the requirement for deterrence and that sort of thing but I also believe that we need, as much as we can, to be looking at some sort of rehabilitation approach, working cooperatively with the Indonesians.

**Mr McLoughlin**—I am pleased to be able to advise you that at the end of October last year I travelled to Jakarta and met with my counterpart from the ministry of marine affairs and fisheries. Over two days, we agreed both the principles and the main headings of a shared stock management plan between Australia and Indonesia for the red snapper fisheries, which include saddletails, emperors and a bunch of other very high-value commercial species in Northern Australia targeted by Australian fishermen.

We agreed not only on the content of the management plan but also the headings, and that Australia's policy approach to sustainable fisheries would feature in that management plan rather than Indonesia's approach. The response from Indonesia was that they wanted to learn how we manage fisheries in Australia. Clearly, they are struggling in many areas. More importantly, from the point of view of the fisheries officials in Jakarta, they saw a shared stock management plan with Australia as an opportunity for them to have a greater impact with their own fisheries management in their regional areas.

That is going quite positively. I have appointed a person half-time to draft and fill in the detail of the management plan. Indonesian officials are coming to Canberra—that is planned for April at this stage—to do further work on the plan before presenting it to our respective ministers for consideration.

**Senator SIEWERT**—What species are involved? You talked about red snapper.

**Mr McLoughlin**—There are half a dozen species collectively titled 'red snapper', found largely in the Arafura Sea. They exist from the north of Darwin right through to Torres Strait, the top end of the Barrier Reef and up into Indonesian waters, so it is a very wide range. I would be happy to provide you with more details of the species and their range.

**Senator SIEWERT**—Is there some sort of regional arrangement being considered for sharks?

**Mr McLoughlin**—I have specifically raised the issue of shark management, because we are concerned about the targeting of shark fin by many of the Indonesian vessels. I got a very firm response from Indonesian officials that they did not believe they were in a position to do anything about sharks and they explicitly refused to talk about a shared management plan on shark stocks. I did raise the issue of using the work we are doing on the red snapper fisheries as a template for potential future work on sharks, because they are shared stocks as well, and they have agreed to consider that once the red snapper plan is done. It is not off the agenda, but they certainly do not want to deal with it at the present time.

**Senator SIEWERT**—I appreciate all that you have said about shared stock management, but what about looking specifically at rehabilitation of reefs and things like that in Indonesian waters as a method of stock management as well?

**Mr McLoughlin**—I am not particularly aware of what measures they have in place for rehabilitation of reefs and the like. It is somewhat outside of my sphere of responsibility. I do know that they have declared a range of marine protected areas in Indonesia, but they have very severe problems with enforcing the boundaries of those areas.

**Senator SIEWERT**—I have been looking at the Philippines, where significant rehabilitation work has been going on and where they have been putting in no-take areas and so on. I was looking at that to see if they can do a similar sort of thing in Indonesia, if Australia provided some help and expertise.

**Mr Hurry**—There has been a program under way, based on Timor, for quite a number of years—I think it is COREMAP—which has been involved in looking at the rehabilitation of coral reefs. I am not sure where that program is at. It is not run by our department; it is run by Environment Australia. We could get you some information on that.

There is some activity on coral reefs, I understand, in Indonesian waters through some of the NGOs. The other program that Australia has been involved in, but not at an official level so far, has been the Arafura-Timor Sea regional forum, which is a program that is looking for global environment funding to look at some initiatives to rebuild fisheries. Again, I could get you some additional information on that.

**Senator SIEWERT**—That would be appreciated. I have a specific question. It is a bit different; it is not to do with this. Do I ask it later? It is on fish, but it is not on this specific bit of fish. I can ask it later.

**ACTING CHAIR**—Senator Webber.

**Senator WEBBER**—I promised Senator O'Brien that we will try and finish fish by nine o'clock.

**Senator STERLE**—Just yes and no answers!

**Senator WEBBER**—You will appreciate I am not going to be too difficult—especially with this outbreak of agreement! Last time we met, and under the previous, less than helpful relationship between the two governments—and, as I say, I am prepared to accept that there is some fault on both sides—we used to have a disagreement about the size of the illegal fish take in our northern fisheries. Has anyone got any up-to-date accurate information on that?

**Mr McLoughlin**—Anything that we told you would be an educated guess at best, because we just do not know.

**Senator WEBBER**—Short of counting each and every one of them.

**Mr McLoughlin**—That is correct.

**Senator WEBBER**—I understand that.

**Mr McLoughlin**—We do have some information about, for example, the boats that we do apprehend. What have they got on board? We do try and make some educated guesses there, but it is the subject of a number of research projects that we have funded and are still running to try and get better estimates of that.

**Senator WEBBER**—Can I have a best guess, though? I appreciate all the caution required. Can you take that on notice and come back to me with a best guess?

**Mr McLoughlin**—I would rather come back to you with a best guess. What I can do is talk about the level of catch that we find on the apprehended vessels, which is hard numbers. I am sure you understand our reluctance to make guesses here at estimates.

**Senator WEBBER**—Yes.

**Mr McLoughlin**—We have engaged the CSIRO, the Australian Institute of Marine Science and researchers in the Northern Territory, for example, to start work on identifying species. There are hundreds of species involved, and determining the impacts of this fishing is our interest, and part of that is not only the amount of fish caught but what species are being caught. I would take that one on notice if I could.

**Senator WEBBER**—That is fine. From the additional estimates statements I notice that AFMA's budget will increase by \$1.82 million for the purpose of additional funding for border protection. Can you explain to me what that means in real terms?

**Mr P. Murphy**—There are two components. One is the increase in capital items of \$1.1 million, which relates to the increased cost of establishing the Horn Island facility, which is a transitory facility that we are going to use to move fishermen out of the Torres Strait onto the Immigration facility being made operational in Darwin. The other item is an operating expense of \$0.689 million and it is mainly to do with the extra expense of vessel destruction. As we apprehend more and more vessels, the cost of destruction has gone up. It has also gone up because we catch more iceboats.

**Senator WEBBER**—When we last met, we had a conversation about the suitability or otherwise of the use of the Willie Creek centre. I notice that that has been temporarily reopened because of the increased activity up in the north-west. Can you tell me how long it is planned that we will be using that?

**Mr P. Murphy**—In October the government made a range of announcements to improve activity in Northern Australia for responses to illegal fishing and one of those responses was to transfer the responsibility for the initial detention from AFMA to Customs, with the exception of Horn Island. So Customs, I believe, are now using the Willie Creek facility, but I cannot talk for them about how long they want to keep it operational.

**Senator WEBBER**—And they tell me I have to talk to you. I am very confused here.

**Mr P. Murphy**—Customs' role now is that they will take fishermen from the point of apprehension and deliver them to an Immigration detention facility.

**Senator WEBBER**—Back on the issue that the minister touched on before, it is of great concern and I know it is one of Senator Sterle's personal interests—the issue of marine pests and other pests that may come into Australian waters and onto Australian land. Could you comment on the issue of marine pests carried by illegal fishing vessels, specifically the striped mussel.

**Mr McLoughlin**—I am happy to answer that question. It is a great concern and it is part of the general quarantine concern that we have about these vessels coming into our waters. What we do undertake, in conjunction with mainly the state authorities, is the hull inspection of these vessels using divers, particularly in Darwin. We inspect the hulls of all the vessels on arrival and then they are inspected again, not at regular intervals but at least once before we move to either bond them back, which is now an almost unheard of occurrence, or before we bring them up onshore to burn them. We are concerned about it. Certainly our colleagues at the state and territory agencies are concerned. We do undertake inspections of hulls and the like.

**Senator WEBBER**—As we were discussing before, when you apprehend these vessels you do actually bring them onto shore to destroy them rather than out at sea. Is it possible, then, that detained vessels which are infested with marine pests would be towed through the prime pearling areas of the Kimberley on their way to being destroyed?

**Mr McLoughlin**—It is always possible that that might occur before they get to a point at which they can be inspected outside Broome or, indeed, Darwin. That is the risk that we are facing and why there is so much effort going into trying to deter and apprehend these vessels. The officers, particularly if there are Fisheries officers on board, tend to have a look to see if there is much growing on the hull, and if there is they might make some judgments about, ‘Is this safe to bring in? If it isn’t, then what are we going to do, given our obligations under the convention on sea dumping and the like?’ There is a very pragmatic group of people in Northern Australia at operational level.

**Senator WEBBER**—There are very pragmatic people in all of Western Australia.

**Mr McLoughlin**—And in all of Northern Australia! We do watch that.

**Mr Hurry**—Senator, I think with pearling leases, too, given the location of them closer towards the coast and the fact that they are marked, it would be unlikely that you would actually tow a boat through one. You might tow it somewhere in the vicinity of one but I think it would be unlikely that you would try and tow through one.

**Senator WEBBER**—There would be the sensitivity to try and avoid that. It is a very important industry to the good people of Broome and further.

**Mr Hurry**—I think you would try and avoid it for a number of reasons. I think it would be dangerous to tow through it because of the lines and the marker buoys that are involved in it, so I just think it would be unlikely that you would have that interaction.

**Senator WEBBER**—What risks are there in towing illegal vessels through our waters, particularly, say, to our shore based fisheries and the pearling industry?

**Mr McLoughlin**—There is the impact on the fish stocks from illegal fishing. There is the potential for foreign pests. There is a great deal of concern and effort put into trying to moderate or minimise those risks, through regular inspections and the like. There are a range of efforts from a range of agencies that add up to the set of responses in Northern Australia, where Defence and Customs deal with apprehending the vessels, Fisheries with investigating and charging, AQIS with checking to see if there are any livestock or pests or diseases on board, environment agencies checking for marine pests. There is a very substantial effort going on from a range of agencies. There is a lot of cooperation on the ground between officers.

**Senator WEBBER**—Is there one agency that is coordinating all that activity?

**Mr Quinlivan**—Senator, if your question is about what security risks are posed by the towing activity—I think that is literally what your question asks—I think the answer is, ‘Very little,’ for the reasons Glenn mentioned. The pearling industry is avoided, and the risk tends to be part of—

**Senator WEBBER**—But surely if we got those little beasties going through our waters—

**Mr Quinlivan**—They are not a problem generally in open waters; it is only when you bring them in closer to shore. But that is not a threat to pearling or fish stocks; it is a different kind of threat. As Mr McLoughlin was saying, the agencies and AQIS and so on have a lot of measures in place to try to control that quarantine risk.

**Senator WEBBER**—So we are doing a lot more. Going back to what you were saying, Mr McLoughlin, is there an agency that is coordinating all of this activity? If there is, who is it?

**Mr McLoughlin**—The primary source of coordination at the start is Coastwatch, which is coordinating both ourselves and the response assets and which port they come into. Fisheries takes over at the point where the boats are brought into port, and then we will work essentially as a coordinating agency for local environment agencies and AQIS, because we are in the DAFF portfolio. Because the officers work closer together on the ground they ensure there are quarantine inspections and the like and there is regular dialogue there. The point at which the crews then transfer into DIMIA is a matter for legislation, but there is a substantive protocol there and fisheries—AFMA in this case—basically handles the destruction of the vessel, the charging of the skippers and the like. It is Coastwatch initially, in terms of which boats and the discussion around what the primary targets are, or the priority targets, and then AFMA from that point once they are brought to shore.

**Senator WEBBER**—Are we happy with the way that coordination and cooperation is working at the moment? I know there is always room to improve, particularly as we are expanding our effort.

**Mr McLoughlin**—The second part of what you said there is quite right: there is always room to improve. The challenge has been the increasing numbers of both apprehended vessels and sightings in recent years and the scaling up of the response to that and the development of new systems for that cooperation. That has evolved as well. There is no single point which controls all levels and all parts of the chain.

**Senator WEBBER**—Have you received any reports about pearl leasers having their operations being interfered with by illegal fishermen? You can take that on notice and check it.

**Mr P. Murphy**—Not to my knowledge. I will take it on notice.

**ACTING CHAIR**—Minister, I am very pleased with your approach to the problem in Western Australia and the North Territory. I think it is wonderful. Thank you very much for including our Western Australian state people because, as you can imagine, with the amount of publicity, in Western Australia it does not matter where you go, illegal fishing is brought up. I am a farmer and our farming people are absolutely petrified that some of the pests will come in. Foot and mouth, of course, is our biggest problem.

**Senator Abetz**—Senator Adams, can I interrupt you and indicate that I, in fact, overlooked people such as Michael Keenan and Stuart Henry, members for Stirling and Hasluck, who have raised the issue with me as well. I would have thought in general terms in their electorates it would not necessarily be something front of mind, but they tell me yes, it is.

**Senator WEBBER**—The electorate of Stirling has a lot of seafood processing facilities in it, Minister.

**Senator Abetz**—Does it? I am happy to learn that. Thank you for that.

**Senator WEBBER**—So it would be in front of mind for Mr Keenan.

**Senator Abetz**—Yes. A lot of Western Australians have been wearing out the carpet and telephone lines.

**ACTING CHAIR**—That is good, because there are the illegal landings and there is also quite a lot of concern about violence—I will not say with whoever coming on board—and different things happening that seem to be occurring more and more, even though it has not been proven. I do have a lot of connections in the Kimberley and in Broome and these are stories that are coming back. The self-protection side could become a little less amiable if it keeps going. A question I have been asked all the time is: what happens to the illegal catch? When you confiscate the catch, what happens to it?

**Mr P. Murphy**—It is disposed of usually at sea.

**ACTING CHAIR**—Even with these big ships? Just to give an example, the mother ship did not worry me because where I come from in New Zealand I can remember going out on the mother ship into Cook Strait to bring the whales in, so that is a term that has been used for a long time. We will not go there. The whaling station has been extinct for a long time.

**Senator Abetz**—I am meeting with my people tomorrow, so can I put a question on notice to them for tomorrow. Why is it that when we have what I would image is a fairly valuable product, do we destroy it or dump it at sea and not seek to make some money out of it? Undoubtedly there are ethical and all sorts of other reasons and we do not necessarily—if you have an answer now—I have noticed in my brief that they are destroyed.

**Mr McLoughlin**—I can answer that, and I am happy to do so.

**Senator Abetz**—It is not for me to ask questions but I am still on a steep learning curve.

**Mr McLoughlin**—The vessels that we apprehend in Northern Australia are Indonesian timber boats. They catch and hold the fish. I will separate out shark fin from fish in this response. For the fish side of it there is just no chance under any circumstances that the fish has been caught and held and processed in a manner that would meet any Australian food standard. We just do not want that product appearing in Australian shops and competing with locally caught product by Australian fishermen, and so it is destroyed. The last thing I image your Western Australian fishermen would want is illegal Indonesian product turning up in the shops.

**ACTING CHAIR**—Absolutely.

**Mr McLoughlin**—And so it is destroyed, for a whole range of reasons. These boats have always got cockroaches and all sorts of things on them. For the shark fin, for the Southern Ocean vessels that have Patagonian toothfish and other southern species on board, generally the nature of the operations down there is that these are big boats with professional crews and where product has been snap-frozen to minus 50 and handled for markets like the US, China and Europe and the like, so it is a pretty good product.

As long as the fish does not come on to the domestic market and compete with domestic fishermen, we have in the past—and, in fact, on the most recently apprehended toothfish pirate vessel—offered that fish for tender for removal out of Australia, for sale in export markets. There are rules around who can buy it because we certainly do not want to sell it to the toothfish pirate companies. We are hoping that an Australian company will tender for it

and export it into lucrative export markets. If they wanted to bring it into Australia—because it is held in a bond store in Hobart at the present time, awaiting the results of the tender—it would still have to pass Australian quarantine and food standards before it could be brought into Australia formally. It is in bond at the moment.

With the apprehended shark fin we used to bring it in and then offer it for sale. What we observed over a couple of years was that in fact that shark fin was starting to underpin a local domestic demand and supply chain for shark fin, at a time when we did not want Australian fisherman starting to target sharks for their fins alone. In fact, it is illegal. The people who were buying it were Chinese merchants in Australia and it was going straight back to Hong Kong. We occasionally have to grind our teeth because we have a potentially valuable product, and we did not want it to be underpinning an illegal shark fin trade in Australia, and we certainly did not want to be supporting a shark fin market in Hong Kong using apprehended material at all. With some regret that product is destroyed as well but, again, it would not meet any Australian food standards.

**ACTING CHAIR**—With this next catch coming in, and en route to Darwin at the moment, I guess you will have to look at that and make a decision on it.

**Mr McLoughlin**—Indeed. We do that with our AQIS colleagues, once we investigate where that fish has come from. That is the key question we will have over the next week.

**Senator Abetz**—And they will do a cockroach count as well!

**ACTING CHAIR**—The Northern Prawn Fishery: has there been any reduction of licences as yet with that? Can someone help me with that one?

**Mr Hurry**—No, there has not. The adjustment program is only just starting. We have not put the tenders out yet. At the point they are out we will look at whether there is an adjustment program to be run up there or not.

**ACTING CHAIR**—I should have probably asked that question first. Thank you.

**Senator SIEWERT**—Again, I apologise if someone has asked this question. How far along are you in implementing the \$120 million package?

**Mr Talbot**—We are progressing well in terms of developing the tender documents and we expect it to be finalised shortly.

**Senator SIEWERT**—When is shortly?

**Mr Talbot**—There are a number of complexities to the package but I expect it to be finalised about mid to late March.

**Senator SIEWERT**—And that is when it will go out publicly?

**Senator Abetz**—We are going to do our best but we are not going to set ourselves self-imposed deadlines so that good senators such as yourself can then say we are failing because we have not done it by a particular date in March.

**Senator SIEWERT**—I do appreciate the sensitivities of this program. If you are buying people out, what are you doing about the issue that has been raised—I presume publicly; it has certainly been raised with me—of fishers moving into another fishery and picking up latent effort in another fishery. Is that being considered in the approach that you are taking?

**Mr James**—It certainly has been taken into account. We have spoken to a number of state government agencies about how we can make sure that the sorts of things you have happening do not happen, like Commonwealth fishers being displaced into state fisheries. We have had constructive discussions with New South Wales on that front. The other point to note is that the structural adjustment package is not by itself a fisheries management measure. It is a measure to remove capacity from the fisheries.

It is incumbent upon the Commonwealth through AFMA to make sure that there are management arrangements in place so that other Commonwealth managed fisheries do not have that potential problem. What I mean is that there needs to be appropriate measures in place to manage the total allowable catch in all of the Commonwealth fisheries. That has been the logic behind the direction to AFMA and the work that AFMA has been doing recently: to make sure that, on the one hand, we are removing capacity from the fisheries but, on the other hand, we have management measures in place so that the sorts of problems you are talking about cannot happen.

**Senator SIEWERT**—They will be in place when the tender documents—

**Mr James**—In a sense we are ahead of the game there with the management measures. AFMA responded very quickly last year when a direction was made to them to address a number of management issues to prevent overfishing. They responded within a couple of days, setting out a plan for how they were going to make sure that fisheries were managed sustainably. I understand the board is meeting later this week and is going to have a more detailed go at the plan that they are going to implement.

**ACTING CHAIR**—We will take our break now.

#### **Proceedings suspended from 8.59 pm to 9.16 pm**

**Senator O'BRIEN**—We will go ahead without the responsible minister for a moment, and see if we can encourage him to come back. On page 20 of the PAES, at table 1.10, there is a \$49,000 reduction in administered expenses for fisheries research. Can you tell me what that reduction is about?

**Mr Hurry**—That is just the adjustment on the estimates. It is done on a three-year estimate at the beginning of the financial year and this is just the adjustment on the balance.

**Senator O'BRIEN**—So it is a re-estimate of an estimate, is it?

**Mr Hurry**—Yes.

**Senator O'BRIEN**—An appropriate question for tonight, then. I want to take some time on the fisheries structural adjustment package. I refer to the \$220 million Securing our Fishing Future package announced late last year by the former minister, whose press release of 14 December said:

Since announcing the Securing our Fishing Future package three weeks ago, my department and I have been meeting industry and State representatives to further develop its implementation arrangements.

Can you provide details of these meetings?

**Mr Talbot**—We have certainly met with a number of states and a range of industry associations. I do not have the dates of those meetings with me but I can provide that information.

**Senator O'BRIEN**—Yes, provide that on notice. It is not all states, is it?

**Mr Talbot**—No, it was primarily four states—New South Wales, Victoria, Tasmania and South Australia.

**Senator O'BRIEN**—Have there been meetings with the Tasmanian and Victorian governments about this?

**Mr Talbot**—There have been meetings with officials from departments.

**Senator O'BRIEN**—I see it is proposed to spend around half of the total amount—\$109.978 million—in this financial year. Can you provide me with a break-up of this figure by the various elements of the package? I am looking at page 30.

**Mr Talbot**—The intention was to spend the money primarily on two components in this financial year. The first one was the business exit tender, which was basically buying concessions from fishers. That was planned for an amount of \$104 million approximately. There was another amount of \$5 million which was designed for business planning assistance, to assist fishers to be able to make decisions whether to stay in the fishery or exit the fishery. That was money made available for financial assistance.

**Senator O'BRIEN**—I note that it is proposed to use a tender process to allocate funds from the \$150 million fishing concession buyout element of the package. Can you take the committee through the detail of how this tender process will work?

**Mr James**—The final shape of the tender process has not yet been agreed by the minister. We have undertaken quite a lot of consultation, as Mr Talbot mentioned, with stakeholders and state governments. We have also sought a range of expert advice. It is still a matter for the minister to decide the final shape of the tender process.

**Senator O'BRIEN**—You have four months to get that shape worked out and seek tenders if the \$104 million is to be expended this year.

**Mr Hurry**—A lot of the initial work has been done and, as I think Mr Talbot said earlier, there have been some fairly complex issues that we have had to try and get on top of in developing the structure for the tendering. We are just working those through with our legal advisers and others at the moment. As we said, we hope to get it out in March.

**Senator O'BRIEN**—It is strange that detail was not worked out before the announcement was made. It is a Commonwealth initiative, isn't it? It is not a state initiative. Do you have to negotiate with the states about it?

**Mr Hurry**—No. It is more an issue of just working the process through. We have put a team together since the announcement and that team has been largely responsible for developing this program and actually rolling it out.

**Senator O'BRIEN**—What are the issues with the tender?

**Mr Talbot**—Even though we are still finalising it, one of the complexities is that each fishery has different fisheries concessions. Other complexities to the package are integrating

policy components in terms of the different fisheries concessions, in terms of the structural adjustment, and the to-be-released MPAs that are also part of the structural adjustment package.

**Senator O'BRIEN**—Marine protected areas?

**Mr Talbot**—Yes.

**Senator O'BRIEN**—That is not in this portfolio, is it?

**Mr Talbot**—No, it is not. I should have been more expansive. This adjustment package is integrating policy from this department and also from the Department of the Environment and Heritage.

**Mr Hurry**—But the development of the marine protected areas is the responsibility of the Department of the Environment and Heritage.

**Senator O'BRIEN**—It sounds like the minister has to work cooperatively with the department as well as the Western Australian government.

**Mr Hurry**—Yes.

**Senator O'BRIEN**—It is surprising that port meetings explaining the process were supposed to begin this month. Did they?

**Mr Talbot**—No, they did not. We do not intend commencing port meetings until the tender has been approved and is out for fishers' consumption. We are having further meetings with key industry associations next week as well.

**Senator O'BRIEN**—Key industry associations here in Canberra or are you travelling around the states?

**Mr Talbot**—Primarily the meetings will be in Canberra because there are other meetings that some of these groups have, but we are still determining the venue for some of them. They may be in Sydney, Melbourne or Hobart.

**Senator O'BRIEN**—I take it the process of assessment of the tenders is not determined—or is it?

**Mr Talbot**—It is something we are still progressing at the moment.

**Senator O'BRIEN**—Will the minister attend the port meetings or will they be run by officers of the department only?

**Mr James**—That is not something we have particularly settled on.

**Senator O'BRIEN**—What has the minister settled on?

**Senator Abetz**—I have not.

**Senator O'BRIEN**—Do you think it would be a good thing that you attend the port meetings and discuss these issues with the industry members affected?

**Senator Abetz**—I will think about that and take advice. How many port meetings are there—18, 19 or something?

**Mr Talbot**—Our current intention is to probably have 17 or 18.

**Senator Abetz**—All right, 17 or 18. If I go along to one and not another, there will be all sorts of criticisms levelled, I would imagine. This is without taking advice on all of this, just basic political antennae stuff, whereas those that have to listen to all of them and make decisions et cetera, if those people are able to get themselves to each of the port meetings, that may be of greater benefit than me putting in guest appearances at two or three and then be accused of shunning the other 14.

**Senator O'BRIEN**—You could do better than two or three, surely?

**Senator Abetz**—Other people say that I should be going up to the northern prawn fishery or looking at illegal fishing in Western Australia or visiting the High Seas Task Force in Paris or something elsewhere—and that is only Fisheries—and then I have to do Forestry and Conservation as well. There are, unfortunately, time limits. I am willing to look at it and consider it but my gut reaction at this stage would be that the chances are not good, but we might pick one at random so I can see how these port meetings operate at first hand. I think it would be limited.

**Senator O'BRIEN**—I note that the fishers considering accessing the program will be eligible for a grant of \$1,500 to seek professional financial planning. How would that work? Would they seek the advice and send the bill to the department or would they have to get a letter of credit? Would you be selecting who could give the advice? Would they be selecting who could give the advice?

**Mr Talbot**—We are finalising those details at the moment.

**Senator O'BRIEN**—I note the proposed marine protected areas are also out for public consultation, according to Senator Macdonald's press release. Is the timetable for that consultation still January and February?

**Mr Hurry**—That is an issue for Environment Australia.

**Senator O'BRIEN**—It is? I thought this department would know about that. It was mentioned in Minister Macdonald's press release, the former minister. That is why I thought you would know.

**Mr Hurry**—The papers are out with industry and industry have been consulting on them. I do not know what the level of consultation has been to date with Environment Australia.

**Mr James**—I could add to that. You would still need to check with Environment and Heritage but my understanding of the timetable is that they were hoping to wind up the consultation process with the stakeholders this month and have some advice to their minister and hopefully have a decision within a few weeks after that.

**Senator O'BRIEN**—Senator Macdonald's press release stated that fishers impacted by the MPAs will also be eligible for business exit assistance grants. Is that through this department or Environment and Heritage?

**Mr Talbot**—That payment is part of this adjustment package.

**Senator O'BRIEN**—How will those payments be structured? Do we know yet?

**Mr Talbot**—We are still finalising the details on that.

**Mr Hurry**—Senator, the department depends on the final decision as to where the marine protected areas are actually located. The initial areas are out for discussion with industry at the moment and what is finally agreed may be different to what was put out in draft form so we have to wait for those to come back. Once we have some idea of where the impact is, then we can look at what is needed by way of adjustment.

**Senator O'BRIEN**—Is there a fixed pool of funds or are you going to adjust the pool depending on how many fishers are affected?

**Mr Hurry**—There is \$150 million of this package that is available in the business exit arrangements and, more broadly, we have four fisheries that we are largely interested in but that is the cap on the business exit arrangement.

**Senator O'BRIEN**—The \$50 million proposed to be the onshore assistance part of the package: the unknown figure is the business restructuring grant part, is it? We do not know how much will be available there?

**Mr Talbot**—There is \$30 million that has been set aside in this package for onshore businesses. That \$30 million also includes the amount for business planning advice and an allowance for skippers and crew.

**Senator O'BRIEN**—There is up to \$20 million to be available for fishing community grants programs to work with local business partners to find projects capable of generating local economic activity and opportunities in communities that have been affected by the reduction in fishing activity.

**Mr Talbot**—That is correct. There is another \$20 million for community assistance.

**Senator O'BRIEN**—Is that for programs such as the Eden Regional Adjustment Package?

**Mr Hurry**—It is designed to assist those ports that are most affected by fishermen exiting the industry and where there are not sufficient jobs in the port to absorb those people who have come out of the fishing industry. This will probably not be activated until about October when we get some idea of where the actual reductions in employment and activity have occurred.

**Senator O'BRIEN**—You will pick the ports, effectively, and you will allocate money to particular ports?

**Mr Hurry**—Depending on just where the actual program bites, when we work out where the adjustment takes effect and I guess where the most businesses have decided to exit out of the industry and where there is a subsequent level of employment. Some of the biggest cities may well have other avenues for employment that can rapidly absorb the people who have left the fishing industries; others may not have. It is just a matter of how it is allocated.

**Senator O'BRIEN**—That is saying something. These programs have been allocated in all sorts of ways but there is no thinking; it is just a bucket of money at this stage.

**Mr Hurry**—That is correct.

**Senator O'BRIEN**—You do not know where it will impact.

**Mr Hurry**—No, I do not.

**Senator O'BRIEN**—You do not know how it will be spread. You do not know what sort of capping there will be on projects.

**Mr Quinlivan**—In a way it will be self-selecting because we do not know quite what the pattern of response is going to be to the tender for exit packages so it will be an after-the-fact assessment of the problem where the impact is going to fall on the communities around the coast and the program will be tailored accordingly.

**Senator O'BRIEN**—That is why I mentioned the Eden package which was administered by this department. You are nodding, Mr Hurry, saying that is a comparison with what this will be.

**Mr Hurry**—The Eden adjustment package was one that was put in place for a forestry arrangement. I do not know how this one will work out but that is, I guess, a similar arrangement where there were job creation schemes put in place. I cannot sit here and say to you it will look anything like the Eden adjustment program because I do not know how the adjustment is going to occur at the end of the day.

**Senator O'BRIEN**—That will be an interesting matter to investigate. You do not know who will be assessing applications for these business grants?

**Mr Talbot**—The details still have to be worked out.

**Senator O'BRIEN**—Will the minister make the final decision? Is that your intention, Minister? This is your portfolio.

**Mr Quinlivan**—Probably the best way to describe the state of play is that the government has laid down some general principles for these programs but we have been working out the detail on how they are to be structured and set up. We have been negotiating with each individual fishery to find the best way of managing, because the currency varies from fishery to fishery. When we have the whole picture sorted out in a way that we think is going to work, the minister will then be settling the final detail. When he has done that, the tender documents will be released.

**Senator O'BRIEN**—Can you take me through the thinking on how the grants will work for skippers and crew members who lose their jobs. Who will decide if a skipper or crew member is eligible for a grant?

**Mr Hurry**—That is part of the overall package that we are still trying to work through at the moment. There will be a decision-making framework put in place over both the grant of the business exit package and the funding to the fishermen. Once we get the structure for the package and the sign-off, we will then have some information that we can talk through with you.

**Senator O'BRIEN**—The minister put out a release which has some detail in it, so I am exploring how much is behind that in terms of real detail.

**Mr Quinlivan**—The principles are quite straightforward. It is like the communities program that we were just discussing: some businesses will choose to exit, some will not, and those that choose to exit will have employment implications for skippers and crew, in which case those individuals will be eligible for access to the programs. Some businesses obviously will see themselves as having a viable future, so their employees will not be eligible for

accessing the program. It is impossible for us to say at the moment who exactly will be eligible and where they will be located geographically.

**Senator O'BRIEN**—Have you thought about whether the grants for skippers and crew members will be available to boats other than those from successful tenderers—for example, people who want to leave the industry vacating positions on boats that are not leaving the industry for those who are on boats that are leaving the industry?

**Mr Hurry**—The plan was that it be for those who are involved in businesses that are exiting the fishing industry.

**Senator O'BRIEN**—You do not think that there will be a position almost like a voluntary exit for crew members and skippers, allowing others on boats that have no future to find employment in the industry?

**Mr Hurry**—That is not something that we have considered in any detail. But it is an issue that, if it is raised in the port visits, may well be one that we do consider.

**Senator O'BRIEN**—Are these flat amounts—\$5,000 and \$3,000—or is it a figure of up to \$5,000 and up to \$3,000?

**Mr Talbot**—They are flat amounts of \$5,000 and \$3,000.

**Senator O'BRIEN**—Will they just be payments, with no requirement for acquittal?

**Mr Hurry**—We would need to know that they had exited; that they were impacted by the adjustment program in the fishery and they were exiting the fishery. We intend to apply some rigour to this process and make sure that there are some checks and balances on it.

**Senator O'BRIEN**—Will they be prevented from crewing in the industry for a period if they take the money?

**Mr Quinlivan**—Not necessarily. The objective is to solve the problem of overfishing and also improve the structure of the fishing industry and provide people who are currently struggling with a dignified way of leaving the fishery. In this particular case, there is a skill shortage and labour shortage in the industry—in some places at least—so obviously it would not be sensible to force people out of the industry through the mechanism that you are describing when there is a shortage of skippers in other areas. We will have to find a practical way around that.

**Senator O'BRIEN**—The \$20 million fishing communities program seems to envisage that grants will focus on local businesses rather than community projects. Is that how we should understand that passage in the former minister's release?

**Mr Talbot**—As we said, the detail is still being worked out. The idea was that they would be community assistance programs. As I mentioned earlier in relation to the \$30 million, we talked about assisting onshore businesses which had the flow-on effects from the business exit tender.

**Mr James**—We were certainly hoping that the regional grants would be something that would help stimulate economic activity to replace that lost by the fishery's adjustment. We are not talking about parks and things like that; we are talking about things that would hopefully employ a few people and add some economic value to the community.

**Senator O'BRIEN**—Whilst I note that all Commonwealth fisheries may be involved, it seems that the target fisheries are southern and eastern scalefish and shark fishery, the eastern tuna and billfish fishery and the Bass Strait central zone scallop fishery. Is that because of marine protected areas or because of effort reduction needs?

**Mr James**—That was directly to do with those fisheries having species assessed as being overfished in them. There has been a decision that in those fisheries those particular species have had their allowable catch for next season and for the future quite significantly reduced. The other fishery that is a target for the package is the northern prawn fishery. It is included on the basis of a fishery that has been very close to being overfished in recent times. In that fishery, our particular objective is to move from an arrangement of what are called input controls to an arrangement of output controls or quota management, which will be, we think, a much more effective way of managing that fishery within sustainable limits.

**Senator O'BRIEN**—The sustainability work has been done and you are now using this package to try and tailor the fleets to the available resource.

**Mr McLoughlin**—There is no question that the first three fisheries that you mentioned—the scallops, eastern tuna and the southern scalefish and shark fisheries—have suffered from overcapitalisation for probably more than 20 years; the eastern tuna fishery more so in the last 10 to 15 years. As we learn more about the fish stocks that those fisheries target and move increasingly to put constraints on catches in those fisheries, it is exposing overcapitalisation and an ageing infrastructure supporting those fleets. We are dealing with that through the policy instrument of the ministerial direction to AFMA about the formal approach to dealing with overfishing. But as a fishery manager, there is no question that the structural adjustment program will assist the adjustment that needs to occur in those three fisheries to better link the capital that is applied to fishing with the sustainability of the stocks there.

**Senator O'BRIEN**—It is work in progress rather than completed work, is it?

**Mr McLoughlin**—Indeed. The work in progress for those fisheries, particularly for some of the longer lived species—because we are dealing with biological systems—will take, for some species, a number of years to work through, but the key issue now is that we have the range of policy instruments and approaches available to us to essentially set up decision rule sets and within a policy context that enables us to deal with the overfishing problems. In exposing the overcapitalisation, the structural adjustment program will ease the path for that.

**Senator O'BRIEN**—It sounds as though you are going to have arguments in some fisheries about whether the proposal to reduce effort is required. I know there has already been an argument in some of the scallop fisheries in Tasmania.

**Mr McLoughlin**—That is almost the nature of the business that we are in—arguments about the status of the stocks—but we apply the best possible science that we can. We make decisions on that, but it is an ongoing process.

**Senator O'BRIEN**—So no actual targets have been set for each of these fisheries in terms of how many operators would ideally be left in each of them, or is that wrong?

**Mr James**—That is right. We have done our own back-of-the-envelope calculations about how many we would like to get out, but those are certainly not hard targets that we are seeking.

**Senator O'BRIEN**—What are the back-of-the-envelope calculations?

**Mr James**—I would not want to share those with you.

**Senator O'BRIEN**—Where is the envelope?

**Mr Quinlivan**—The envelope is 150 million.

**Senator O'BRIEN**—That is dollars, not fish.

**Mr Quinlivan**—We are seeking to achieve as much change as we can for that \$150 million, and we will be looking across the fisheries to get the best value for money and the best outcomes we can.

**Mr James**—The logic of the program is that we have the management instruments in place to get the outcomes in terms of sustainability for the fisheries, but the money is there, in a sense, as Mr McLoughlin was saying, to match the capacity of the fisheries.

**Senator O'BRIEN**—It is a bit like a *Deal or No Deal* game, is it? You put the money up there, and there might be so much in the box, but if you stay you never know how much you will get out of the fishery. Is that how you are going to play it?

**Mr Quinlivan**—It is a voluntary process.

**Senator O'BRIEN**—Yes, exactly.

**Mr Quinlivan**—It is a free country and people can participate in the program or not, as they choose.

**Mr McLoughlin**—We are trying to be as fair as possible to the fishermen so that they can make an informed decision about whether to stay in the fishery or offer the business up as part of the tender and buy-out process. That is the work that was previously described as starting to paint the landscape of what these fisheries look like and what they will look like in the future under the sorts of management strategies that we are looking to put in place and why we have started to project out quotas—for example, in the south-eastern and southern shark fishery out to 2007—so that fishermen have a clear idea about what the likely catch levels are going to be at least out to two years and the sorts of management strategies that will be applied and they can make informed business decisions.

**Senator O'BRIEN**—I am sorry, I was distracted by Senator Joyce.

**Mr McLoughlin**—Do you want me to repeat that?

**Senator O'BRIEN**—Yes, if you could just repeat the last bit.

**Mr McLoughlin**—It is part of ensuring that fishermen, in considering the structural adjustment program, make informed decisions on the fisheries management side of this whole program. We have been trying to show what the management landscape will look like for the fishing industry, including projected quotas for some 24 species in the south-east in 2007, so they have a two-year look forward at what the catch levels are likely to be and, as well, what some of the additional management rules will be to ensure that we end overfishing.

There is an integrated process here, which is that on the fisheries management side we have a very clear understanding in the fishing industry about what the future looks like and on the structural adjustment side they make decisions about the structural adjustment program on the basis of what the business environment will look like.

**Ms Hewitt**—It is an acknowledgment that what we are seeing right now is a very significant adjustment in terms of catch numbers—sort of a one-off significant shift to put us on a path to what we hope we can confidently see as a sustainable future.

**Senator O'BRIEN**—Is it getting bit late to spend the \$105.4 million this financial year, given the work that is still to be done, and the fact that you are going to ask people to make substantial decisions in a short period of time.

**Mr Hurry**—It will be difficult to spend all that money this year. The plan is to get this program right and to genuinely make a difference in these fisheries. If we have to delay it a bit then we will delay it a bit.

**Senator O'BRIEN**—You talked about the northern prawn fishery, which the former minister mentioned in his press release, saying that assistance would also be available to that fishery 'with a transition to output controls should the industry choose to do so'. Can you explain that to me.

**Mr Hurry**—It is to move the fishery from an input controlled fishery that is currently based on unit lengths of a year to a fishery that is based on quota; if they are interested in moving to a quota based fishery—and all of the northern prawn fishery is supportive of that—then providing some adjustment to move them over to that as part of this program.

**Senator O'BRIEN**—I take it that AFMA is of the view that that is needed for that fishery?

**Mr Quinlivan**—That is correct, and so is the department.

**Senator O'BRIEN**—Currently the northern prawn fishery is not being fished sustainably?

**Mr McLoughlin**—The fishery is being fished sustainably within the knowledge that we have of the stocks, but that is not a very efficient form of management. We regulate for the length of nets that fishermen can use as a surrogate to trying to land a particular tonnage of prawns, and it is an inefficient way to do business. I think industry understands that, but there are some who are of the view that this has not been in prawn fisheries very often elsewhere in the world, 'So why should we do it?'

Given the level of knowledge we have in the fishery, we think we can set some realistic and scientifically defensible catch limits based on the total weight of prawns to be landed. But the thing about input control fisheries worldwide, not only here in Australia, is that when you control these surrogates for catch, such as the amount of net they can use or the size of the boats they can use, the industries typically just adjust for that with unregulated inputs and keep catching the same amount of prawns or fish.

The way that industry can start to adjust autonomously in this fishery is to think about what they are allowed to catch as opposed to how much they can catch with the gear they have. There is quite a significant subtlety difference there, and I think the industry is coming around to that point of view too. That fishery is another one that is very significantly overcapitalised.

Given the cost of running large trawlers in Northern Australia, they cannot afford to keep maintaining that capital in the face of imports and the cost of doing business, particularly fuel.

**Senator O'BRIEN**—So there has been a study which establishes that there is a sustainability problem in the northern prawn fishery and there have been discussions with the fishery operators about a shift to output controls, as they are described. That has happened already?

**Mr McLoughlin**—Indeed. The sustainability issues have largely been dealt with by regulating for ever-decreasing amounts of gear available to the fleet, closed areas, limits on seasons and the like. By doing it that way, we are dealing with management by inefficiency. There has been some excellent work done by ABARE to show that by using different methods of management—output controls or quota management—the fleet can rationally start to consider the capital required to catch a particular load of prawns, the goal here being about dealing with economic sustainability rather than biological so much.

**Senator O'BRIEN**—Is there unused quota in this fishery that had originally been set aside for PNG fishers?

**Mr Hurry**—That is the Torres Strait fishery. It is not part of the northern prawn fishery; it is a separate fishery.

**Senator O'BRIEN**—That is not affected by this package then?

**Mr Hurry**—No.

**ACTING CHAIR**—Senator O'Brien, would you like to let Senator Joyce ask a few questions?

**Senator O'BRIEN**—The last time he did that, we carried over!

**Senator JOYCE**—Thank you, Senator O'Brien. I have a couple of questions in relation to North Queensland. Does it make any sense to you that there would be, in the yellow zones, a restriction, especially with regard to mud crabbing? I know this is particular, and if it is too particular tell me. In the commercial mud crabbing industry you are allowed four licences. Why is there a restriction of four apparatus licences in the yellow zones when there is no restriction for recreational—

**Senator Abetz**—That is not in whatever OCS stands for—

**Mr Hurry**—No, it is not an offshore constitutional settlement. It is a Queensland state fishery.

**Senator Abetz**—Mud crabs would suggest to me that it would be within the three-mile zone—and Minister Campbell's MPAs, I have just been advised. Yes, DEH. He is at a meeting next-door, I think.

**Senator JOYCE**—I have actually been in there.

**Senator O'BRIEN**—Did they send you here?

**Senator JOYCE**—No. I will get an answer somewhere around the joint.

**Senator Abetz**—Keep asking, but I am not sure that we will be able to assist, that is all.

**Senator JOYCE**—I will go to a more general form, then. What is the extent of closure in the fishing industry in the Great Barrier Reef Marine Park over the last 10 years? Would you have any figures of the extent of the reduction in the catch, if that has been attributable to the environmental concerns in that industry?

**Mr James**—That would be a question better directed to the Department of the Environment and Heritage, who are managing the GBR structural adjustment package. We do not have any figures on that.

**Senator JOYCE**—On a more general note, do you think it would be a fair argument that, if it could be proved that any fishing ground had a sustainable fishing program, it should be open to be fished to the extent of its sustainability?

**Mr Quinlivan**—Governments, Commonwealth and state, in addition to regulating and looking after the commercial fishing industry, have also got policies of protecting other marine values and they have chosen to do that through the creation of marine protected areas, some of which allow limited kinds of fishing, some of which allow no fishing. The Commonwealth and states all have that policy and they are committed to having a representative area of marine protected zones. Your question is one that has already been considered by all those governments and they have committed to having this system of MPAs nationally, and all the governments are working through just where they will be and what values will be protected. We were talking earlier about the Commonwealth creating MPAs in south-eastern Australia.

**Senator JOYCE**—What is your knowledge of the history of the eastern coast trawl plan around the Great Barrier Reef and to what extent do you think that trawl plan has been effected over the Great Barrier Reef—that is, how much of the Great Barrier Reef do you think is now open to trawl fishing?

**Mr Quinlivan**—That is about the interaction between a Queensland fishery and the regulation by the Great Barrier Reef Marine Park Authority, so it is a question for the other portfolio.

**Senator JOYCE**—I accept that. That is it on fishing.

**Senator O'BRIEN**—On 16 December, the former fisheries minister issued a press release headed 'Marine parks open for discussion'. I want to know what role has been played by this department in the process of determining marine park boundaries, or is it entirely a matter for the Department of the Environment and Heritage?

**Mr James**—Prior to the announcement of the draft marine protected areas we were certainly consulted by the Department of the Environment and Heritage, as was AFMA, and from our—or more particularly AFMA's—knowledge of the Commonwealth fisheries, we discussed some of the design elements of those fisheries, because our interest is obviously in having a credible system of marine parks but one which also has a minimal impact on industry, particularly the fishing industry. So prior to that announcement we certainly had some discussions with DEH.

**Senator O'BRIEN**—That consultation is over. Is that what you are telling us?

**Mr James**—No, it is not over. We have been involved in a process that is going on now—led by other stakeholders but we have certainly engaged in it—to look at how the design that was put on the table late last year could be modified, with that particular aim of reducing impacts on industry. I think it is fair to say that when that initial proposal was put out the Commonwealth did not hold very good information about the impacts of the proposal on the state fisheries, and that has certainly been a focus of this work that is under way at the moment. Those discussions are ongoing.

**Mr Hurry**—Those discussions involve the states, the Department of the Environment and Heritage and also industry.

**Senator O'BRIEN**—And DAFF?

**Mr Hurry**—Yes.

**Senator O'BRIEN**—I take it that from the Commonwealth's point of view Environment and Heritage is the lead agency.

**Mr Hurry**—They are for marine protected areas, but we have a fishing industry we would like to see continue to fish as well.

**Senator O'BRIEN**—I have some questions I was going to ask about illegal fishing. I think many of them have been answered already, so we will just review, if we can, the *Hansard* before the end of the week and any that have not been answered we will put on notice.

**Senator Abetz**—Senator Sterle trawled widely, if I can use that expression.

**Senator O'BRIEN**—The committee was told in November that the department is moving away from using state based contracted Fisheries officers to undertake foreign compliance work. Is that process now complete?

**Mr McLoughlin**—The process is nearing completion. We are well advanced on the process of fitting out a new Darwin based office for AFMA which will be the focus of all of our foreign compliance efforts both in the north and in Southern Ocean waters. We are well advanced on the process of employing 21 additional Fisheries officers, with three managers and a couple of admin support staff. We have employed those additional 21 staff in batches because of the need to train them and get them up to all the equivalent standards of training, particularly with recent legislative amendments about personal search powers and the like. Eleven have been recruited so far, with most of them through the training, and many of them are currently deployed at sea. There are five completing their training. We have four contracted South Australian officers, who are very experienced officers, still working for us, and that is to maintain a relatively high level of experience in the field while we are getting all these new staff on board. We are hopeful that the additional staff and the new office will be fully operational by the end of March, at which stage we will start to phase out the use of the South Australian officers, next financial year.

**Senator O'BRIEN**—It is the intention not to use any state Fisheries officers for this compliance work. Is that how we should understand that?

**Mr McLoughlin**—We would where there was a need to put a local patrol boat out, say. The most recent example is the Indonesian vessels that were discovered in the top end of the Great Barrier Reef in the last week or so. We chartered the Queensland police vessel which

was nearby and put a contracted state officer on board to get out there rather than muck around with trying to get the Commonwealth officers there, so the immediate response was the priority. We did that via chartering and the employment of local officers.

**Senator O'BRIEN**—It is sort of an event based usage

**Mr McLoughlin**—Indeed, yes.

**Senator O'BRIEN**—In the estimates hearings in November, Mr Quinlivan told the committee that Australia and Indonesia had agreed to do some work together on shared stocks. Where is that work up to? You may have touched on it earlier; I am not sure.

**Mr Quinlivan**—Richard McLoughlin gave quite a comprehensive answer to that question earlier.

**Senator O'BRIEN**—Did you deal with the agreement for compliance people to work together?

**Mr McLoughlin**—No. I do not believe exclusively we have had that—

**Senator O'BRIEN**—I understand there was also an agreement for compliance people from each nation to work together. Is that happening?

**Mr Hurry**—Yes. There was a discussion on that, and it has not happened as yet, but we do expect to have a meeting in the first part of this year with our Indonesian partner agencies to work out what we might be able to do about it.

**Mr Quinlivan**—There has also been an agreement for our surveillance agencies to begin working together, and the head of Coastwatch, Rear Admiral Russ Crane, is organising a meeting with his counterpart in Indonesia, again in the first couple of months of this year, to map out a way for our surveillance agencies to cooperate. Also, in discussions between Ministers Downer and Macdonald and their counterparts in Indonesia just before Christmas, it was agreed that we would be looking at cooperation on enforcement measures.

**Senator O'BRIEN**—So you have certain levels of agreement but no actual cooperation at this stage.

**Mr Quinlivan**—Commitments at a political level have been made and the operational agencies are talking about ways and means of making it happen.

**Senator O'BRIEN**—The position was about the same last November.

**Mr Quinlivan**—No, I would say there have been very significant advances on quite a number of things. The level of interest that was evident from the Indonesian government in our talks just before Christmas was really something we had not seen before, with our foreign ministers talking directly and also Minister Macdonald meeting with both those Indonesian ministers in discussing these things. It had not been raised at that level before in Indonesia.

**Senator O'BRIEN**—In answer to a question on notice—FFO5 from the supplementary estimates—we are told that the bilateral fisheries forum that was to have taken place in December 2005 will now take place before June 2006. Has a firm date yet been established for that bilateral fisheries forum?

**Mr Quinlivan**—Not to my knowledge, but it is quite likely—as we have just been discussing—that there will be a series of fairly important bilateral meetings on specific issues over the next few months.

**Senator O'BRIEN**—Is it possible to find out from Coastwatch if there is a firm date?

**Mr Hurry**—A firm date has not been established yet, Senator.

**Senator O'BRIEN**—Okay. I was just exploring the 'not to my knowledge' part of your answer.

**Mr Quinlivan**—I might add, just to complete the story, that there were a couple of other quite important things that were agreed to be done in those meetings before Christmas. Australia and Indonesia are going to cooperate in a joint study of illegal fishing in the region, because Indonesia has a serious problem with illegal fishing, just as we do. The two foreign ministers talked about that and agreed to do this study, and I think our embassy in Jakarta is currently looking at commissioning that work. It was also agreed that we would cooperate in an education campaign in the most relevant parts of regional Indonesia. Again, our embassy is looking at ways and means of implementing that program.

**Senator O'BRIEN**—Do we have any idea of who would attend the bilateral fisheries forum?

**Mr Quinlivan**—It would be the full suite of agencies on both sides. I think last time we counted up about a dozen Commonwealth agencies and as many on the other side.

**Senator O'BRIEN**—There was no reason given for the delay in the bilateral fishing surveillance forum. Can you give us a reason for the delay?

**Mr Quinlivan**—I think the situation evolved a bit, but in the end the visit by Minister Downer and then by Minister Macdonald was a substitute for that. We thought it was more important to get the political commitment in Indonesia for which we have been searching for a while, so the task this year is to build on that and make these things happen that we have been discussing.

**Senator O'BRIEN**—In a media release dated 11 January, the former minister stated:

Our assault on illegal fishing will involve:

Increased cooperation with Indonesia

Joint Australia/Indonesian combined operations

... ..

Targeted AusAID projects for Indonesian villages to provide alternative livelihoods

A joint Indonesian/Australian Communications Campaign in the Indonesian Fishing Villages

A joint investigative study into all aspects of the illegal fishing trade

Exploring opportunities for cooperative policing work to help in the arrest of illegal fishers

Continuing diplomatic work to better regulate the MOU Box

I am sure you have touched on some of those in your evidence, or other officers may have, but I wanted to get a sense of whether this department is involved in each of these or whether other departments will be conducting the work in some of these areas.

**Mr Quinlivan**—It is a whole-of-government program and some of those initiatives involve principally one agency. In some cases it is us; in others it is principally another agency—the Department of Foreign Affairs and Trade and AusAID—but it is a collective thing. The list you have read out is the content of the discussions between the two governments over the last few months. We are looking through this budget process to resource those activities, and our colleagues in Indonesia have made a commitment to do the same. We are hoping that the conditions for progress over the next 12 months will be much better than they have been in recent times.

**Senator O'BRIEN**—So these initiatives, in essence, will start from the next budget?

**Mr Quinlivan**—No. Some of them are already under way in various forms—and I have mentioned a few of them today—but others will get new impetus when there is an injection of resources.

**Senator JOYCE**—In consideration of fishing areas and the reduction in fishing areas, noting that the domestic consumption of fish would remain basically the same and therefore the fish that we took from our own fishing areas would become important, was any consideration given to the effect on fisheries in other countries by the reduction of the fishing capacity in Australia—that is, basically in unregulated fisheries in Thailand and areas like that who participate in strip fishing? This is not for you but for the *Hansard*, you understand. If we stop a sustainable amount of fishing in our fishing areas, such as the Great Barrier Reef, all we are doing is moving the problem overseas where they strip fish and completely decimate their fishing grounds.

**Mr Hurry**—There is a general problem with a shortage of wild caught fish on the world market anyway. It is not an issue for Australia, as such. Aquaculture in Asian is beginning to fill quite a bit of that gap. We import about \$1 billion worth of seafood into Australia at the moment to feed the Australian domestic market. A lot of that is imported prawns out of Asia and catfish and Nile perch fillets out of Vietnam and Kenya, and I do not think that will change. The world seafood market will change and you will see more and more product probably come out of aquaculture, and probably low-value aquaculture. You will probably see less catch out of some of the wild catch fisheries but it will probably be of higher value because it is a better quality product. I do not think this is necessarily an issue for Australia; it is more an issue of just how the world market in fish works.

**Senator JOYCE**—In the acknowledgment of aquaculture overseas, is there also an acknowledgment, especially in South-East Asian markets, that obviously some of that aquaculture has to be fed fish and generally it is fed—what is it—by-kill?

**Mr Hurry**—Yes. A lot of the marine aquaculture is fed with fish and a high content of fishmeal in the prepared feed. In some Asian aquaculture, particularly the marine aquaculture, you tend to see the use of trash fish and waste fish as part of the feed. In others you see a lot of grain based meal—that is, sort of wet mash diets for fish, particularly catfish and things—in pond farms in Asia. There is a mix of different feeds depending on the species.

**Senator O'BRIEN**—Who will be involved in the joint investigation study into all aspects of the illegal fishing trade?

**Mr Quinlivan**—That is the study I mentioned earlier that the two foreign ministers agreed to conduct, as I understand it. We are not leading on this so much. The embassy in Jakarta is looking, with the Indonesian government. It is a joint study. It is to be paid for jointly. They are looking to commission somebody who is able to analyse this question of South-East Asia generally, so the idea from our part at least is to increase the awareness in Indonesia that this is a shared problem, not just an Australian problem.

**Senator O'BRIEN**—So that is DFAT.

**Mr Quinlivan**—Principally, yes.

**Senator O'BRIEN**—Is this department involved?

**Mr Quinlivan**—Yes, we are involved. We will be helping in providing technical assistance but the idea is to do it in Indonesia and have a very high level of Indonesian involvement. Obviously, our post in Jakarta is best placed to do that.

**Senator O'BRIEN**—Has the Darwin detention facility become operational?

**Mr McLoughlin**—No, it has not. That is due for full operation mid-year, as I understand it. We take advice on that from DIMA, of course.

**Senator O'BRIEN**—Do you know if it is on schedule?

**Mr McLoughlin**—I have no advice to the contrary but I cannot answer that directly.

**Senator O'BRIEN**—I now have some questions relating to the Eden Regional Adjustment Package. Given the fisheries package proposal, it would be appropriate that we deal with that because I think it is a salutary lesson.

**Senator Abetz**—Do you have those questions in typed form? The reason I ask is that it has just been indicated to me that those issues date back a bit, I understand, therefore a lot of them may well have to be taken on notice in any event.

**Senator O'BRIEN**—We did raise them at the supplementary estimates as well.

**Senator Abetz**—Yes. At this stage, Chair, are we thinking of completing tonight?

**ACTING CHAIR**—Yes, we are. We have another group to go.

**Senator O'BRIEN**—We should complete. In November last year, the committee heard that there was no formal evaluation of the Eden Regional Adjustment Package which had been completed but one is planned for this financial year. Has this evaluation been started?

**Mr G. Grant**—The evaluation is progressing.

**Senator O'BRIEN**—It has started?

**Mr G. Grant**—Yes, it has commenced.

**Senator O'BRIEN**—When did it start?

**Mr G. Grant**—We have the scoping terms of reference. We have advertised for an independent consultant to conduct the evaluation.

**Senator O'BRIEN**—So it has not actually started? You have started the process of engaging someone to start it.

**Mr G. Grant**—Yes, the process is under way.

**Senator O'BRIEN**—In June last year, one of the projects funded, Matilda's Bakery, closed after 3½ years of unsuccessful trading, after being awarded \$967,000 in December 2000. In November last year, this committee heard that, despite the ATO taking action against Matilda's Bakery for failing to pay GST and group tax, no thought had been given to recovering any of the funds sunk into the failed business. Has any of that \$967,000 been recovered?

**Senator Abetz**—As I understand it, it reached all of the benchmarks under which it was given the money. Then if it goes bust after that—I was droll enough to suggest it was the bakery that made no dough during the briefings, but it is far too late at night for that; but I questioned that and was told that it met the benchmarks that are accepted for the payment, as a result of which the payment did not have to be reimbursed to the taxpayer. What it does show in general terms is the difficulty in trying to establish alternative employment in some of these areas, even with the best will in the world and government assistance.

**Senator O'BRIEN**—It is very interesting you say that. The grant was made to Pieman from Snowy River Pty Ltd for a new bakery in Eden under the Eden Regional Adjustment Package. That bakery was to generate 46 new jobs in its first year of operation. The company that received the grant did not employ the bakery staff. A separate company was established for this purpose, so the company that received the grant did not employ anyone. So I do not know how they could have met the target. Matilda's Bakery was open—

**Senator Abetz**—We may have to take that on notice and just go through the structure, but it would not necessarily be surprising, if a company were seeking to launch out in another venture, to ensure its base company—that one assumed had traded profitably for some time—would not be prejudiced by launching out into a satellite, it therefore established a separate company for that satellite. That is pure supposition on my part; but let us see if we can get that detail.

**Mr Hurry**—My understanding is that Matilda's was a trading name for this business.

**Senator O'BRIEN**—It certainly was the operator of the business. It did not receive the grant money. It employed the staff. The local member, Mr Nairn, opened the bakery premises, or the business, in December 2001. He was a member of the advisory committee that made the grant, so he must have known who the recipient of the grant was. The bakery was placed in voluntary administration in June 2004 with debts of over \$1.2 million, including a debt of \$164,000 owed to the Australian Taxation Office.

On 8 June last year, Chris Adams, who was the grant recipient or the principal of the company that was the grant recipient, told staff there was 37c in the account used to pay wages. On 24 June, the bakery closed and Adams told the ABC the business had not made a cent in 3½ years of operation. On 25 July 2005, Mr Nairn met with bakery staff and told the Eden *Magnet* newspaper they could be owed thousands of dollars in back pay, superannuation and annual leave. On 3 August 2005, Adams told staff he could not pay entitlements including superannuation from as early as August 2004.

In January this year, ex-employees advised Mr Crean, the member for Hotham, that holiday pay, wages in lieu of notice and superannuation remain unpaid and the Department of

Employment and Workplace Relations has refused access to GEERS because Adams has reclaimed books and records and they have been unable to obtain information from him. Isn't it fundamental that, if a grant is paid to a company and the condition of the grant is that they employ people, that company actually does the employing?

**Senator Abetz**—Can I just intervene? It has just been indicated to me, and it is no criticism of you for not necessarily knowing, that a lot of these questions, or the details you are seeking, are in fact in the answers that were provided on Monday or Tuesday.

**Ms Hewitt**—That is right. If I can just clarify, the questions on notice from last time I understand tracked over quite a bit of this information. I think you will find a lot of it is provided in the written answers to questions on notice which, regrettably, were late but have now been received.

**Senator O'BRIEN**—Were they received today, or yesterday?

**Senator Abetz**—There is no criticism of you. We accept the answers were late, but what I am suggesting is that to save time, potentially, if you were to take yourself through those questions and if there is any information still outstanding then put a few questions on notice. It could save time, that is all.

**Senator O'BRIEN**—I am happy to do that, if the answers are there.

**Senator Abetz**—I do not know. I am told by the departmental officials that they are.

**ACTING CHAIR**—I am told there is another group to come.

**Senator O'BRIEN**—We have plenty of time to deal with them. Don't worry.

**ACTING CHAIR**—Are you able to put the rest of your questions on notice for this group?

**Senator O'BRIEN**—I only have a few more and they may be on notice. They may have been answered in the same way. They are about Boydtown Pty Ltd.

**Senator Abetz**—Are there any questions on natural resource management?

**Senator O'BRIEN**—Yes, there are.

**Mr Quinlivan**—Senator, last time we went through quite a number of the individual projects and the answers that Joanna has just talked about cover each of those individual ones. We do have an update on Boydtown. The hotel is still not open.

**Senator O'BRIEN**—They received \$451,000 in December 2000.

**Mr Quinlivan**—Yes, they have been fitting out a kitchen and other things and we understand that—

**Senator O'BRIEN**—It might take them a long time for this renovation, but not as long—

**Mr Quinlivan**—they will be open for business at Easter, or before Easter.

**Senator O'BRIEN**—Right, so the grand opening will be at or before Easter. Is that right?

**Mr Quinlivan**—That is our latest advice.

**Senator O'BRIEN**—I am tempted to ask what the real value is of the \$451,000 paid in December 2000 by the time this place opens. You are reliably informed that there will be an opening and it will be no later than Easter.

**Mr Quinlivan**—We are informed that that is the case.

**Senator O'BRIEN**—You are promised, are you?

**Mr Quinlivan**—I think we have had a few promises previously, but that is the latest one.

**Senator O'BRIEN**—I am sure we will revisit this matter in May.

**Mr Quinlivan**—It sounds like it.

**Senator O'BRIEN**—We will not keep you to that promise.

**Ms Hewitt**—We did note the comments from the committee chair at the beginning of the session this morning about the delay in getting the written answers to you, and we do regret that. We will make a major effort to be more timely on the next occasion.

**Senator O'BRIEN**—Was it the department's fault or the minister's fault? Have they been ready for ages?

**Ms Hewitt**—It was a combination of factors.

**Senator O'BRIEN**—You were both at fault.

**Ms Hewitt**—Including holiday breaks and absences and the need to check some complex information. But we will certainly undertake to do better next time.

**Senator O'BRIEN**—Will you actually meet the 6 April deadline? Do I have that commitment?

**Ms Hewitt**—We will do our very best.

**Senator O'BRIEN**—That is what you are supposed to do all the time. Senator Adams has been agitating for us to start natural resource management, so we will start it now.

[10.32 pm]

**ACTING CHAIR**—Senator Joyce, do you have some questions?

**Senator JOYCE**—Yes, I have. Has the department been instructed in any way, shape or form to launch any investigation into the water licensing conditions and water extraction methods of the Lower Balonne-Condamine?

**Mr Aldred**—I am not aware of any requests of that nature.

**Senator JOYCE**—Noting that water is a states rights issue, would that be a fair comment—that it remains with the states?

**Senator Abetz**—That is potentially a political question as to whether it is a states rights issue. We try to protect departmental officials as much as possible from making those sorts of comments, but it would be fair to say that they are, to a certain extent, within state jurisdiction, but I dare say we have some interest as well in the other portfolio.

**Senator JOYCE**—I acknowledge that. I will rephrase it. Do you have any interest in the water rights issues of water extraction or water policy in Queensland?

**Mr Smalley**—We do obviously have an interest in water matters across the Murray-Darling Basin, as part of our responsibilities with other jurisdictions in the Murray-Darling Basin agreement. In relation to the Condamine-Balonne, we have not specifically been asked,

to our knowledge, about licences in that area. Nonetheless, we have been interested in looking at the resources in that area to get a sense of the cross-border flow provisions for the Lower Balonne flood plain. That is a study that was announced in April 2004. We are expecting the consultants' reports from that study to be with us within the next few months.

**Senator JOYCE**—On receipt of those reports, what is your intended action?

**Mr Dalton**—The reports are being conducted on behalf of a steering committee involving representatives from Queensland and New South Wales communities and governments. The steering committee will be looking at the reports and making a judgment about their content and conclusions, and possible next steps.

**Senator JOYCE**—Can you give me an example of that? When you say 'next steps', you must have some things in mind. What possibly might they involve?

**Mr Dalton**—We have not seen the final version of the reports yet so it is a bit hard to say exactly what those steps would be, but they might have recommendations for further studies, or reference to issues that might be of interest to the Murray-Darling Basin Commission. But, as I say, we have not seen the final report so it is a bit hard to make a judgment about what the specific items in any next steps might be.

**Senator JOYCE**—As it currently stands, are there any other specific consequences for the people who hold those licences in Queensland?

**Mr Dalton**—My understanding of the study was that it was not designed to have a direct relationship to any licensing allocation activity on behalf of the Queensland licence-holders.

**Senator JOYCE**—When you are looking at ideas about cross-border flows, what are the benchmarks or the parameters of that investigation? Is it in comparison to other states, other valleys? What are your benchmarks of analysis?

**Mr Smalley**—We do not have any benchmarks on those matters, I do not think. The Murray-Darling Basin Commission, which we work cooperatively with—Queensland, New South Wales, the ACT, South Australia and Victoria—does give consideration to these matters, but it is done in a cooperative and collaborative framework. In particular, in relation to the Condamine-Balonne system, however, it is predominantly a matter between New South Wales and Queensland and, as it does not impact particularly on other jurisdictions or their shared resources, it is largely a matter that has been left to those jurisdictions.

**Senator JOYCE**—What you are saying is that it is predominantly a state matter between New South Wales and Queensland?

**Mr Smalley**—That is correct.

**Senator JOYCE**—Do your studies so far encompass the pulsing of flows between the top of the valley, say at Warwick, to Murray Bridge, and has there been any scientific analysis of what happens to the range of flows and how they affect the system?

**Mr Dalton**—I would have to refer to the terms of reference study, but I think the quick answer to your question is that, no, it was more an examination of the information that was available on the hydrology of the Lower Balonne flood plain and not necessarily looking at the flows right through the system. There is some information that was provided in response

to questions on notice that Senator Heffernan raised at the last Senate estimates, which is in the information that I understand is part of the questions on notice that have been provided to the committee recently, which does show the peak flows at various points along the Murray and the Darling. There is some information which has been provided in questions on notice which might go to answering part of your question, but it is not my understanding that the study has been looking at either benchmarks or modelling of the river flows.

**Senator JOYCE**—For the record, I imagine your hydrology study was on the macroinvertebrates, including such things as the ecological effects on the river. There was no benchmarking against other what would be known as pristine systems, such as the Paroo Valley?

**Mr Dalton**—I would have to check each of the studies. One was around hydrology. One was about some of the environmental values of the Lower Balonne. I am not familiar with all of the details of the study but, in the case of the environmental assets, once again it was about establishing what was the nature of the information that had already been collected and available data sources. I am not aware that there has been an assessment, for example, of macroinvertebrates in that part of the river system compared with another part. I would have to check, Senator.

**Senator JOYCE**—The main point I am trying to express is that there is no comparative analysis. It is basically looking at the Lower Balonne in an ‘as is’ scenario rather than in a comparative analysis with another like system. Does your study take into account the economic usage of the water and a comparative analysis to other usages should there be a change in the licensing structure?

**Mr Dalton**—There has been some work but once again I am not familiar with the full detail of that. I need to check that for you. There is a basic assessment of the value of various flood plain and irrigation activities which I understand has been handed out.

**Senator JOYCE**—As a comparative analysis to—

**Mr Dalton**—Another region perhaps, yes.

**Senator JOYCE**—Is there a comparative analysis done on the social impact studies on certain areas with the change in water allocation policy or the possible change in water allocation policy?

**Mr Dalton**—I have not seen the final details of those. There has been work done on, once again, the collecting of basic information. Each of the studies which has been undertaken—and we have traversed through those—has been very much about establishing what is the current information that is available in relation to that system.

**Senator JOYCE**—Have there been representations made from the different Indigenous communities in the different areas as to what the impacts are?

**Mr Dalton**—There may well have been discussions between the consultants and various Indigenous interests. That is a matter of detail which unfortunately I am not able to tell you at this time.

**Senator JOYCE**—When is the expected finalisation of this report?

**Mr Dalton**—I think we would be expecting it in the next few months. My understanding is that consultants have completed work and the project team that I mentioned earlier, involving state and community interests, is developing its final report based on its assessment of the various studies.

**Senator JOYCE**—And just for the purpose of the *Hansard*, when that report is completed to whom will it be handed and for what purpose?

**Mr Dalton**—The project was initiated by the former Minister for Agriculture, Fisheries and Forestry, Warren Truss. He established a project steering committee which contains the people that I have mentioned. I would expect that the report would be made available to the minister and it would be a matter for him to then make a judgment as to what he wants to do with it.

**Senator JOYCE**—Thank you very much, Mr Dalton.

**Senator O'BRIEN**—Taking some details from the PAES, in table 1.9 on page 19, 'Estimates and special account flows', I note the estimates for the Natural Resources Management Account have been considerably revised. The figure for estimated receipts has been revised down by some \$2.4 million. The figure for payments has been revised upwards by \$5.2 million, leaving a balance of \$683,000 down from \$6.7 million that was in the budget papers. Could you explain what is happening here and what the likely impact of the running down of the account balance, if any, will be.

**Mr Aldred**—The particular account is established under the NRM Act and it is an account that is used to fund the National Landcare Program. The reduction in receipts is a move of \$2 million from bill No. 3 to bill No. 4, so moving national Landcare funds at the national program level to payments to states, and that \$2 million is reflected in the change to—

**Senator O'BRIEN**—The amounts paid to states.

**Mr Aldred**—The change to receipts, yes, so this pays for the national activities. The payments revision I believe would refer to a number of additional projects that are likely to be funded across the rest of this year.

**Senator O'BRIEN**—In the same table, the balance in the National Action Plan for Salinity and Water Quality national activities special account will now be run down to zero at the end of the year, instead of having \$2.958 million as stated at budget time. Could you explain that for me as well, please.

**Mr Aldred**—Could you give me the reference?

**Senator O'BRIEN**—Page 19.

**Mr Aldred**—I have that one. That particular account relates to payments for market based instruments pilots. Essentially, it is a special account that holds funds contributed from the Commonwealth, in terms of national action plan funds, and also from states. The increase in that amount and then the running down of the account is balancing off against an additional call for market based instruments projects that has gone out. It is, essentially, a holding account for funds contributed by both states and Commonwealth.

**Senator O'BRIEN**—It is a money-in and money-out account. It does not have any ongoing purpose?

**Mr Aldred**—That is right.

**Senator O'BRIEN**—On page 20, table 1.10, there is a reduction of \$2 million under the item 'National Landcare Program'. Is that part of the \$2.4 million referred to on page 19 that you were talking about earlier?

**Mr Aldred**—Yes. The funds are appropriated into bill No. 3 and then, under the NRM legislation, they are placed into that special account.

**Senator O'BRIEN**—Thank you for that. Table 1.11, on 22, shows that administered expenses for the Tasmanian water infrastructure have increased from \$1.1 million, from the budget estimate, to \$3.2 million. I am not sure where the additional \$2.1 million is coming from.

**Mr Aldred**—That was a rephrasing from the 2004-05 year.

**Senator O'BRIEN**—Why was it rephrased? Is that the subject of agreement with the state or is it a project?

**Mr Aldred**—It is the Meander Dam project in Tasmania.

**Senator O'BRIEN**—Will that now be paid? I understand the dam is going ahead.

**Mr Aldred**—We expect to make a significant payment from that allocation this year. As you would probably be aware, the project has been somewhat delayed but it is under way and certainly significant progress has been made recently. We would expect to make payment of the bulk of those funds this year.

**Senator O'BRIEN**—This financial year?

**Mr Aldred**—Yes.

**Senator O'BRIEN**—Thank you very much.

**ACTING CHAIR**—Thank you all very much. We will close the meeting.

**Committee adjourned at 10.50 pm**