



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## SENATE

RURAL AFFAIRS AND TRANSPORT LEGISLATION  
COMMITTEE

**Estimates**

MONDAY, 23 MAY 2011

CANBERRA

BY AUTHORITY OF THE SENATE

## **INTERNET**

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

The internet address is:

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

To search the parliamentary database, go to:

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

**SENATE**  
**RURAL AFFAIRS AND TRANSPORT LEGISLATION COMMITTEE**  
**Monday, 23 May 2011**

**Senators in attendance:** Senators Back, Bilyk, Bishop, Bob Brown, Colbeck, Heffernan, Hutchins, Joyce, Macdonald, Milne, Nash, O'Brien, Siewert, Sterle and Xenophon.



**AGRICULTURE, FISHERIES AND FORESTRY****In Attendance**

Senator Ludwig, Minister for Agriculture, Fisheries and Forestry

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

Dr Conall O'Connell, Secretary

Ms Rona Mellor, Deputy Secretary, Biosecurity Services Group

Dr Rhondda Dickson, Deputy Secretary

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

**Corporate Finance/Corporate Policy/Corporate Services**

Ms Fran Freeman, Executive Manager, Corporate Policy Division

Ms Elizabeth Bie, General Manager, Ministerial and Parliamentary Branch

Mr Matthew Dadswell, General Manager, Portfolio Strategy and Coordination Branch

Ms Jenny Barbour, General Manager, Corporate Communications Branch

Mr Darren Schaeffer, Chief Finance Officer

Ms Vanessa Berry, Deputy Chief Finance Officer, Budget and Management Accounting

Ms Amy Fox, Deputy Chief Finance Officer, Accounting and Operations

Ms Lisa Hind, Acting General Manager, Levies Revenue Service

Ms Alana Foster, General Manager, Investment Strategies Branch

Ms Anne Hazell, Chief Operating Officer, Corporate Services Division

Mr Bill Withers, General Manager, Governance, Contracts and Services Branch

Ms Karen Nagle, General Manager, Audit and Evaluation Branch

Ms Jacquie Walton, Acting General Manager, Human Resources Branch

Mr Steven Foley, Chief Information Officer, Information Services Branch

**Climate Change**

Mr David Mortimer, Executive Manager, Climate Change Division

Mr Mark Gibbs, General Manager, Climate Change Policy Branch

Mr Andrew McDonald, General Manager, Farm Support and Adaptability

Mr Tom Aldred, Executive Manager, Forestry

Mr John Talbot, General Manager, Forestry

**Australian Bureau of Agricultural and Resource Economics and Sciences**

Mr Paul Morris, Deputy Executive Director

Dr Terry Sheales, Chief Economist

Dr Kim Ritman, Chief Scientist

Dr Jammie Penm, Chief Commodity Analyst

Dr Helal Ahammad, Chief Analyst

Mr Peter Gooday, General Manager, Productivity, Water and Social Sciences

Mr Bruce Bowen, General Manager, Agriculture and Food Branch

Ms Jane Melanie, General Manager, Resources, Energy and Trade Branch

Dr Gavin Begg, Acting General Manager, Fisheries and Risk Analysis Branch

Dr Tim Clancy, Acting General Manager, Climate Change, Land and Forests Branch

Ms Annette Blyton, General Manager, Business Strategy and Systems

**Sustainable Resource Management**

Mr Ian Thompson, Executive Manager, Sustainable Resource Management

Mr Gordon Neil, General Manager, Fisheries Branch

Ms Michelle Lauder, General Manager, Landcare and Regional Delivery Improvement Branch

Mr Paul McNamara, General Manager, Grants and Sustainable Agriculture Branch

Mr Barry Longstaff, Acting General Manager, Communications and Reporting Branch

**Australian Fisheries Management Authority**

Dr James Findlay, Chief Executive Officer

Dr Sally Troy, Acting Executive Manager Fisheries

Mr John Bridge, General Manager Corporate Governance

Mr Mark Farrell, General Manager Fisheries Information Services

Mr Peter Venslovas, General Manager Operations

Mr David Simmons, Acting Chief Finance Officer

**Australian Pesticides and Veterinary Medicines Authority**

Dr Eva Bennet-Jenkins, Chief Executive Officer

Mr Tony de la Fosse, Program Manager Corporate Services

Dr Raj Bhula, Program Manager Pesticides

Mr Allen Bryce, Program Manager Veterinary Medicines

Mr Dan Webb, Manager Finance

**Wine Australia**

Mr Andreas Clark, General Counsel

**Trade and Market Access**

Ms Jo Evans, Executive Manager, Trade and Market Access Division

Mr Chris Parker, General Manager, Multilateral Trade Branch

Ms Paula Svarcas, Acting General Manager, Bilateral Trade (North Asia, Europe, Middle East and Africa)

Mr Tom Black, Acting General Manager, Bilateral Trade (Americas, South East Asia, NZ, Sub-continent and the Pacific)

**Biosecurity Services Group (includes Australian Quarantine and Inspection Service, Biosecurity Australia, Product Integrity, Animal and Plant Health, and the Australian Plague Locust Commission)**

Mr Greg Read, Executive Manager, Biosecurity Food Division

Dr Narelle Clegg, General Manager, Residues and Food Safety Branch

Dr Mark Schipp, General Manager, Food Exports Branch

Dr Ann McDonald, General Manager, Export Reform Branch

Mr Dean Merrilees, General Manager, Export Standards Branch

Ms Lynne O'Brien, Executive Manager, BSG Regional and Business Services Division

Ms Jenny Cupit, Acting Executive Manager, Biosecurity Animal Division

Dr Bob Biddle, General Manager, Animal Health Programs

Dr Peter Black, Acting Chief Veterinary Officer, Office of the Chief Veterinary Officer

Dr Mike Nunn, Principal Scientist—Animal

Dr Andrew Cupit, Acting General Manager, Animal Biosecurity

Ms Lee Cale, General Manager, Animal Quarantine and Export Operations

Dr Rob Williams, Acting General Manager, Biological Quarantine Operations and Marine Pests

Mr Russell Phillips, Acting Executive Manager, BSG Strategic Projects Division

Dr Robyn Martin, General Manager, Partnerships Branch

Mr Robert Murphy, General Manager, Biosecurity Risk Framework Branch

Ms Louise Clarke, General Manager, Sustainable Biosecurity Funding Branch

Ms Deb Langford, Acting General Manager, Legislation Branch

Dr Colin Grant, Executive Manager, BSG—Plant Division and Chief Executive of Biosecurity Australia

Dr Vanessa Findlay, General Manager, Plant Biosecurity (Horticulture) Branch

Mr Bill Magee, General Manager, Plant Biosecurity (Grains and Forestry) Branch

Dr Mikael Hirsch, Acting Chief Plant Protection Officer, Office of the Chief Plant Protection Officer

Ms Louise van Meurs, General Manager, Plant Quarantine Operations Branch

Ms Kylie Calhoun, Acting General Manager, Plant Export Operations Branch

Mr Heath McRae, Operations Officer, Australian Plague Locust Commission

Mr Tim Chapman, Executive Manager, Quarantine Operations Division

Mr Jonathan Taylor, Acting General Manager, Co-Regulation and Support Branch

Mr Jonathan Benyei, General Manager, Cargo Branch

Mr Dennis Way, Acting General Manager, Cargo Branch

Mr Peter Moore, Acting General Manager, Operational Resourcing and Infrastructure

Ms Tina Hutchison, General Manager, Passengers and Mail Branch

**Rural Industries Research and Development Corporation**

Mr Craig Burns, Managing Director

Professor Daniela Stehlik, Chair

Mr Andrew Baker, General Manager, Corporate

Ms Anwen Lovett, Executive Manager

**Agricultural Productivity**

Mr Simon Murnane, General Manager, Livestock Industries and Animal Welfare Branch

Mr Greg Williamson, General Manager, Ag Vet Chemicals and Farm Leadership Programs Branch

Mr Richard Souness, General Manager, Food Branch

Mr Matthew Worrell, General Manager, Research and Development and Food Security Branch

Mr Peter Ottesen, General Manager, Crops, Horticulture and Wine Branch

**Wheat Exports Australia**

Mr Ted Woodley, Chair

Mr Peter Woods, Chief Executive Officer

**Australian Wool Innovation**

Mr Wal Merriman, Chairman

Mr Stuart McCullough, Chief Executive Officer

**Grains Research and Development Corporation**

Mr John Harvey, Managing Director

Mr Keith Perrett, Chairman

**Meat and Livestock Australia**

Mr David Palmer, Managing Director

**Committee met at 09:00**

**CHAIR (Senator Sterle):** I open this public hearing of the Senate Rural Affairs and Transport Legislation Committee. The Senate has referred to the committee the particulars of proposed expenditure for 2011-2012 and related documents for the Agriculture, Fisheries and Forestry portfolio. The committee is due to report to the Senate on 21 June 2011 and has fixed Tuesday, 26 July 2011 as the date for the return of answers to questions taken on notice.

Senators, a reminder that any written questions on notice should be provided to the committee secretariat by close of business Friday, 10 June 2011. Under standing order 26, the committee must take all evidence in public session. This includes answers to questions on notice. Officers and senators are familiar with the rules of the Senate governing estimates hearings. If you need assistance, the secretariat has a copy of the rules.

I particularly draw the attention of witnesses to an order of the Senate of 13 May 2009 specifying the process by which a claim of public interest immunity should be raised and which I now incorporate in Hansard.

*The extract read as follows—*

**Public interest immunity claims**

That the Senate—

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

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

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

(1) If:

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

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

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

(3) If a minister, on a reference by an officer under paragraph (2), concludes that it would not be in the public interest to disclose the information or document to the committee, the minister shall provide to the committee a statement of the ground for that conclusion, specifying the harm to the public interest that could result from the disclosure of the information or document.

(4) A minister, in a statement under paragraph (3), shall indicate whether the harm to the public interest that could result from the disclosure of the information or document to the committee could result only from the publication of the information or document by the committee, or could result, equally or in part, from the disclosure of the information or document to the committee as in camera evidence.

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

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

(7) A statement that information or a document is not published, or is confidential, or consists of advice to, or internal deliberations of, government, in the absence of specification of the harm to the public interest that could result from the disclosure of the information or document, is not a statement that meets the requirements of paragraph (1) or (4).

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

(Extract, Senate Standing Orders, pp 124-125)

**CHAIR:** Officers called upon for the first time to answer a question should state their full name and position for the Hansard record and witnesses should speak clearly into the microphone. Could I please remind everyone present to switch off their mobile phones or render them inaudible.

As agreed, I propose to call on the estimates in the order shown on the printed program. We will take a break for morning tea at 10.30 am. Other breaks are listed in the program. I now welcome Senator the Honourable Joe Ludwig, Minister for Agriculture, Fisheries and Forestry; Dr Conall O'Connell, Secretary of the Department of Agriculture, Fisheries and Forestry; and officers of the department. Minister, do you or Dr O'Connell wish to make a brief opening statement?

**Senator LUDWIG:** No, thank you, chair.

**CHAIR:** We will go straight to questions.

**Senator COLBECK:** Welcome, everybody. We might start with the efficiency dividend. The figures relating to that are in the budget. Can you give us a sense of what impact you are expecting to see from the dividend?

**Mr Schaeffer:** The efficiency dividend was increased by a quarter of a per cent, which is for us \$11 million over four years. In most years we take those up in our corporate efficiencies and departmental efficiencies. We do not expect a major organisational shift in our cost savings with that efficiency dividend, given it is only a small component of the budget.

**Senator COLBECK:** So 2011-12 is an extra 1.45 over what was budgeted for previously. Is that correct?

**Mr Schaeffer:** A quarter of a per cent, 0.25.

**Senator COLBECK:** But \$1.45million, \$2 million is the budget figure. Is that right?

**Mr Schaeffer:** That is right, over four years.

**Senator COLBECK:** No, that is just for 2011-12. According to the PBS, you have got \$1.45 million this year, \$2.52 million next year, \$3.2 million the following year and \$3.8 after that. That adds up to that accumulative \$11 million.

**Mr Schaeffer:** Yes, that is right. They are correct.

**Senator COLBECK:** We go through this all the time. What are you looking to do to achieve the efficiency dividend? What specific areas are you targeting to do that? How are you making your priorities?

**Dr O'Connell:** We do not do anything specifically to chase that increase in the efficiency dividend but, rather, we take our overall budget and make an assessment of how we will manage our overall budget. The overall budget result is what we will look at. We do expect that over the period of the forward estimates we will look to increase efficiencies largely in

the corporate servicing areas. That is the target area that we will look at. The changes that we will need to make in terms of the budgetary effect are mainly after the next financial year so we have good time to go through a process which manages that. The first year effect is relatively minor and is just manageable within the normal budget settings that we would do every year. Beyond that, we will be looking for specific changes to the corporate service functions in order to increase efficiencies into the out years.

**Senator COLBECK:** Have you been given any specific directions from the minister as to particular areas that he wants to prioritise?

**Dr O'Connell:** No, not at the moment. We are in the business of looking at forward budget planning now that we have the numbers in terms of how we manage those years. We will be looking at ensuring that all our services are aligned to be as efficient as possible. As I say, I do not expect to see any decrease in external services as a result of the changes to the budget. They are quite handleable, I think.

**Senator COLBECK:** At previous budget estimates and additional estimates, in response to question on notice No. 24, you indicated to us there that you were going to achieve efficiencies by prioritising some activities, by some restructuring and by reducing costs such as contractors and travel. I think at that point in time the 2011-12 estimate was \$3.58 million, to which you have to add another \$1.4 million, so you are looking at taking \$5.2 million out of the budget for 2011-12. Can you give us some sense of where the specific reductions to contractors referred to have been made?

**Dr O'Connell:** I would have to take that on notice and look at the contract numbers that we have.

**Senator COLBECK:** You do not have any of that information with you?

**Dr O'Connell:** I do not. We could probably get that before the day is done. I do not have it on the table.

**Senator COLBECK:** You also referred to specific reductions in travel. How has your travel budget varied over the last 12 months?

**Dr O'Connell:** Again, I would have to get those numbers for you during the day, if that is okay.

**Senator COLBECK:** You do not have a consolidated travel figure for the portfolio?

**Mr Schaeffer:** We do, we just do not have that level of detail with us.

**Dr O'Connell:** We can get that.

**Senator COLBECK:** They are questions that we have asked before.

**Dr O'Connell:** Many questions get asked a lot.

**Senator COLBECK:** We have been through this efficiency dividend stuff every year.

**Dr O'Connell:** We can provide it to you today, I am sure.

**Senator COLBECK:** We just keep on getting palmed off to some time later in the day. Can you give me a sense of what restructuring has occurred within the department to meet the efficiency dividend?

**Dr O'Connell:** I can give you some indication of travel. I have just been given some figures which might help. We can go back to the travel numbers, if that would help?

**Senator COLBECK:** Certainly.

**Dr O'Connell:** This is air travel data and we can provide the numbers to you directly, but just to give you a sense of their scale, in 2008-09 the total cost of travel was \$20,979,795. In 2009-10 it was \$22,816,000-odd, and this current year to April it is \$18,846,000. When you go to international travel in 2008-09, it was \$7 million-odd, and 1 July 2010 to April this year is \$5 million-odd. We can see a holding or reduction in the level of travel there. Domestic travel last year, for example, was \$17,475,000 and this year to April is \$13,600,000.

**Senator COLBECK:** The 20, the 22 and the 18 that you gave me—are they gross figures?

**Dr O'Connell:** They are given to me here as total cost of air travel.

**Senator COLBECK:** Total cost?

**Dr O'Connell:** Yes.

**Senator COLBECK:** Where does the \$7 million fit into the 20?

**Dr O'Connell:** Sorry, the 20 is the total cost. The \$7 million is international, the \$13 million was domestic; so we have got it broken into total domestic and international. We can provide you with these figures.

**Senator COLBECK:** In 2008-09, the total travel was almost \$21 million.

**Dr O'Connell:** \$21 million, roughly, rounded.

**Senator COLBECK:** The international was \$7 million.

**Dr O'Connell:** Yes.

**Senator COLBECK:** And the domestic was 13 to 14.

**Dr O'Connell:** Yes. In 2009-10 it was rounded to 23, 17½ and five and a bit; so, total—23, rounded; domestic—17 ½ and international, five and a bit. To the end of April this year, which is as close as we have, it is 18.8 total; that is roughly 13½ domestic and five-ish international. As I said, we can get the precise figures. That of course will include a large quantity of cost-recovered travel related to our border quarantine business and others.

**Senator COLBECK:** How do you mean 'cost-recovered'?

**Mr Schaeffer:** That is basically paid for by industry for activities that get applied to them under the legislation, under the Quarantine Act. It is difficult to do apples-to-apples comparisons when you are just talking about travel in its own right, because there are some embedded reductions in our travel, in our funded areas, but there will be an increase in some parts of our travel budget due to increases in activity that are cost-recovered.

**Dr O'Connell:** The cost-recovery component overall of our budget is roughly 60 per cent, so it has a major impact upon the travel and it is probably more than that of the travel component, I think, because of the level of effort that is undertaken to do inspections and that sort of thing. We can give to you these numbers more precisely, if that is useful to you.

**Senator COLBECK:** Yes. You talk about an \$18 million—close to 19, 18.8 so far to April. You have still got May and June to go. What sort of budget reduction were you looking for out of travel as far as that particular area is concerned, over and above 2009-10?

**Mr Schaeffer:** The reductions are about 10 per cent but you cannot see it in the numbers because of the increases in activity that are cost-recovered. There is a netting-off in all that, so that is why we need to go back and get you those numbers.

**Dr O'Connell:** We can provide those broken down into cost-recovered and appropriation.

**Senator COLBECK:** You talked about quarantine, for example, as far as cost-recovered.

**Mr Schaeffer:** Sea-cargo inspections, where people have to travel to get to the port.

**Senator COLBECK:** What about the current process that you are going through in respect of reviewing all of the AQIS fees and charges? There has been a considerable amount of travel engaged in that. Is that an activity that would be cost recovered?

**Mr Schaeffer:** We would have to take that on notice.

**Ms Mellor:** Good morning, Senator. I am sorry, I did not hear the question down the back, in specifics.

**Senator COLBECK:** We are talking about departmental travel and the indication that we have had is that about 60 per cent of that is cost-recovered. I am trying to get a sense of what—

**Dr O'Connell:** Sorry, Senator, I would not want to hold to that number. Roughly 60 per cent of the overall budget is cost-recovered and I was taking a stab at the level of—we would have to get you those numbers to be precise.

**Senator COLBECK:** If you do not want me to use a number, do not give it to me, because otherwise I will. That is all I have got to go on so far. The question was we are trying to determine what type of travel would be cost-recovered. We have had the example of someone going to inspect a cargo coming in, which I presume would need an inspection out-of-country before it arrives.

**Ms Mellor:** I might just give you some really simple examples.

**Senator COLBECK:** No. The specific question I want to get to is: there has been a lot of travel around the review of the fees and charges for export certification leading up to the removal of the 40 per cent rebate on 30 June. Would that be a category of travel that would be cost-recovered?

**Ms Mellor:** The work that is being done at the moment on the fees and charges models for the Export Certification Reform Program is not cost-recovered work. That is being funded out of the work of the ministerial taskforce that is looking at each commodity chain.

**Dr O'Connell:** There was a particular appropriation for that whole reform process.

**Senator COLBECK:** I might come back to that. Let us have the examples that you are talk of.

**Ms Mellor:** The sort of examples would be if we do not have staff located in a port, to do a sea-vessel inspection or a cargo inspection, they will travel to that port; they might travel offshore, to do inspections of various commodities offshore, and fumigation offshore, inspect the fumigation process. We do audits that are cost recovered of quarantine-approved premises. We would go offshore, for example, to have a look at the way horses are managed before they come to Australia to make sure they meet the pre-export quarantine rules; a whole variety of inspections and audits that we do, if you like, on the road.

**Senator COLBECK:** Is there a seasonal cycle to this spending?

**Ms Mellor:** I am not sure that it is seasonal—in horses, it depends on the racing season or the breeding season. We do horticultural inspections around the season, if you like; so you will be in certain places of Australia more doing things at certain times of the year, but it is spread across Australia and across the world, depending on what is happening.

**Senator COLBECK:** I am looking at the numbers to get a sense of whether or not we are looking for any reductions in travel overall in this current financial year compared to the previous one, given that the efficiency dividend target was \$2.2 million for the last 12 months.

**Dr O'Connell:** Without the breakdown between appropriation and cost recovery, though, this is not going to be very useful.

**Senator COLBECK:** You are getting too nervous, Dr O'Connell.

**Dr O'Connell:** The cost-recovery side of the business may well have increased because of the increase in economic activity. When you get a significant increase in economic activity, we get a significant increase in our activity to manage approvals and that in turn leads to the potential for increases in travel. As the economy moves forward, we tend to have more business.

**Senator COLBECK:** How do you achieve the costs savings within travel, given that is one of the areas that you have designated as an area to save some money?

**Dr Dickson:** One of the examples we are using is the greater use of teleconferences and telecommunications; we use the TelePresence facility in Parliament House, and we also use video conferencing. That is one of the key ways we can reduce our domestic travel.

**Senator COLBECK:** Yes, but I am trying to get back to the raw numbers. You are looking to save real dollars, and I understand that, by not going places—that mitigates that—but what are the mechanisms within the travel budget, within the travel figures, that you end up saving money? The previous year, and I know we do not have the details of the numbers, from 2008-09, you have had a \$2 million increase, gross, in figures.

**Dr O'Connell:** As I say, I would want to give you the appropriation funded—this will not be useful as a gross number because we need to have the appropriation component. Otherwise, for example in 2008-09 there was certainly some impact upon trade with the state of the global economy and that has changed significantly. The balance of cost recovered against appropriation, I would rather get you the appropriation numbers and then we are not talking hypotheticals.

**Senator COLBECK:** Yes, but I am trying to get a sense of how you plan what you are going to do. You say that you do not plan it, you work your way through it as you go through the year and effectively muddle through.

**Dr O'Connell:** It is very clear in terms of how we have managed our travel that we have placed constraints on business travel, for example. Over this period we have moved to have anything under three hours as no business travel. That is a clear change in practice, that sort of thing. We certainly have increased the use of video conferencing and TelePresence, for example. The majority of discussions between the minister and me are held these days by TelePresence, and neither of us has to travel to do that, so we save significant costs.

**Senator COLBECK:** What about the other side of it with the cost recovery? Has there been any change to the policy in respect of cost recovery?

**Dr O'Connell:** The policies are the same across the travel, so we are not expecting the cost-recovered areas to pay more than the appropriation areas, if that is what you—

**Senator COLBECK:** You do not attempt to recover more than you have in the past?

**Dr O'Connell:** We run our cost recovery policy very tightly, according to Department of Finance guidelines, and they are continually under scrutiny from the industry areas that are affected. I think we can be very confident that we are cost recovering properly according to the guidelines.

**Senator COLBECK:** I am presuming that cost recovery goes back to industry that requires particular services.

**Dr O'Connell:** Yes.

**Senator COLBECK:** That would be a fair assessment of where those sorts of things would go to, so someone who requires an assessment, whether it be within Australia or outside of Australia, they would be cost recovered back to industry.

**Dr O'Connell:** Yes.

**Senator COLBECK:** There are no changes to the cost recovery policies in relation to what industry should pay for or what the department should pay for as part of this process?

**Mr Schaeffer:** No.

**Dr O'Connell:** No.

**Senator COLBECK:** How do we manage that process? I am using an estimated number, and you are talking 60 per cent of your \$18 million or \$20 million is being cost recovered. How do you manage that within this budget, that relationship? You do not set the guidelines, they are all set by the Department of Finance?

**Dr O'Connell:** The Department of Finance sets the overall policy and we implement the policy within our department, and we do that in terms of the different services we provide through the biosecurity area, we do that in close consultation with the relevant industry bodies.

**Senator COLBECK:** Which area of the agency is incurring most of the \$20 million-odd that you spend a year on travel?

**Mr Schaeffer:** The travel is applicable to every business unit.

**Senator COLBECK:** Surely you must have a sense. I can understand biosecurity taking up a large chunk by virtue of the sorts of things that it does.

**Dr O'Connell:** It does take up a large chunk. Biosecurity overall is the largest part, generic if you like, of our budget. In terms of the cost recovery activities, there is a large amount of travel in order to provide those services, so that without a doubt it is a bit of our travel.

**Senator COLBECK:** We have had the examples out of biosecurity that have been recovered; what other examples would you have that are cost recovered?

**Dr O'Connell:** Out of cost recovered?

**Senator COLBECK:** Yes.

**Dr O'Connell:** Or non-cost-recovered. Probably levies works.

**Mr Schaeffer:** The Levies Revenue Service. There are 20-odd people in the regional areas in Australia that do like a tax office compliance checking process where they go out and audit levy payers' returns, so they travel to those areas throughout the country.

**Senator COLBECK:** That is one.

**Dr O'Connell:** That is more or less it in terms of the cost recovery side of the business, it is overwhelmingly the biosecurity business. The biosecurity business is not all cost recovered, by any stretch of the imagination. A large part of the rest of the travel would also be in the biosecurity business. For example, thinking of the international—

**Senator COLBECK:** What proportion of your biosecurity budget would be cost recovered?

**Ms Mellor:** It would be in the order of 60 to 65 per cent. The appropriation-funded activities are airports, technical science advice and Northern Australian Quarantine Strategy. For example, travel that is associated with the Northern Australian Quarantine Strategy, would come out of the appropriation budget not out of cost-recovered budget.

**Senator COLBECK:** I will be interested in seeing some more detailed information on this.

**Mr Schaeffer:** If it is useful, we could provide on notice for you travel by program, if you like.

**Senator COLBECK:** Yes, and month so that I can get a sense of the cycles and the movement in the cycles.

**Mr Schaeffer:** Travel is only one input to the whole budget and we manage the whole budget on an outcomes basis, so it is the activities that we are managing rather than the inputs to those—

**Senator COLBECK:** If one area blows out for a reason of activity, what do you do there? You have to make changes somewhere else?

**Mr Schaeffer:** That is right, and we balance the organisation across its functions.

**Senator COLBECK:** Three years ago we went through the process of we axed the graduate program, for a year.

**Dr O'Connell:** Paused, I think, rather than axed. Axed would suggest it was terminal.

**Senator COLBECK:** It is all in the interpretation, in the language. Do you have any specific areas that you are looking to deal with in relation to the efficiency dividend? You could not have been expecting this because there was a process where it was increased on the government coming into power three years ago and then it was going to return back to its previous levels.

**Dr O'Connell:** The additional 0.25 per cent for two years, which is what we have to deal with, in the scheme of the changes to our budget is not something that stands out as a single issue that we will need to specifically accommodate, rather, we put that into the budget and then assess how to manage the budget. The overall point I make is that we are going to go through a process of reassessing top to bottom our corporate supporting enabling functions

and how they are managed across our department in order to make those more efficient. For example, we are going through a process of looking at all our internal red tape and assessing how much of that is essential and how much of that is discretionary and what can we make more efficient. What I would hope to be able to do is to provide significant efficiencies into the department overall by essentially managing down unnecessary red tape and streamlining it in order to then both relieve people of that task and allow them to focus on the core business which is the external services.

**Senator COLBECK:** To quote a mangled phrase, I am starting to get a sense of *deja vu* all over again, because I am pretty sure we have had this conversation before. When the efficiency dividend came in the first time there was a top to bottom review of the agency and how you were doing things and restructuring and realigning departments.

**Dr O'Connell:** It is a continual improvement process, I think. Running a large organisation, if you do not continue to maintain pressure on costs and red tape, they will inevitably start to move out.

**Senator COLBECK:** No, I am not disputing that, but it seems it is a continuous process of reviewing.

**Dr O'Connell:** For example, at the moment we are going through an end to end analysis of our complete travel system so that we want to be able to provide efficiencies in that travel system. So that is the approvals—

**Senator COLBECK:** As well as being a target in last year's budget, it's a target again.

**Dr O'Connell:** Because it is a significant chunk of the potential discretionary area of expenditure, it is always going to be a target, so we would always expect to see significant pressure come down on travel. It is also an area where technological advances should be able to allow you to move out of physical travel into TelePresence, teleconferencing, use of electronic means. I think it is one of those areas where, if you do not continue to press on it, you are going to have a blow-out. I would see it as always something you would chase. This particular year we are going through an end-to-end complete re-engineering of our travel approach and I would expect that to show efficiencies. We will be doing end-to-end assessments of a whole range of our supporting functions in order to try to drive efficiencies into them.

**Senator COLBECK:** What about contractors? Has there been a reduction in the spending on contractors so far this year?

**Mr Schaeffer:** Once again, it is applicable to the relevant business unit so. If there is a need for contractors to increase due to the business activity increasing, that is allowed, but there is an overall objective to keep the contractors to a minimum. There is one area where we have reduced contractors or will be reducing contractors, which is in our IT area, under the Gershon policy that the government has set.

**Senator COLBECK:** How is that going to work?

**Mr Schaeffer:** The contractors come down there and then they will be replaced by employees, effectively.

**Dr O'Connell:** There will be some in-sourcing of skills. I do not have contractor numbers here but we can provide those to you, if you want, over the similar three-year period.

**Senator COLBECK:** Yes. It is only a saving, though, if you spend less on internal employees than you do on the contractors.

**Dr O'Connell:** I think part of what Gershon was pointing to was that the Commonwealth government overall, the agencies, had got in the position of relying on contractors, which were more expensive on the whole than in-house.

**Senator COLBECK:** Private sector is no longer as efficient as public sector.

**Dr O'Connell:** No, I think in some areas it can be quite expensive to run contractors. Contractors will be more or less expensive, depending on the supply side, and IT is a challenging area, as you know.

**Senator COLBECK:** Have your staffing numbers been affected at all by the efficiency dividend?

**Dr O'Connell:** Our staffing numbers have been affected but the overall net—

**Mr Schaeffer:** Our overall staffing numbers go up by 46 ASL.

**Dr O'Connell:** We have had an increase in a couple of areas and decreases in other areas. We are expecting post-entry quarantine staffing to go up by about 10 staff; we are expecting—because of the demand from the economy—some of the cost-recovered line work, such as sea cargo, for example, to go up, and we are looking at possibly up to 60 staff there. We have the export reforms which are looking at managing the meat-inspector changes and that will have a reduction of somewhere around 60 to 70. We have some small other things. We had a set of vacant positions which we have not been filling, pending outcomes, and we will fill those. As you mentioned, the graduates will now come on for a full year; we had a half-year effect last year, so that is an additional 40. Then, we are targeting out of the corporate efficiencies around about 40. That total nets off to about 46.

**Senator COLBECK:** ASL is average staffing level?

**Mr Schaeffer:** That is correct.

**Senator COLBECK:** It is not actual staffing level.

**Mr Schaeffer:** No, and these are our expectations in the budget so they may or may not realise over time.

**Senator COLBECK:** The meat inspector stuff I understand.

**Dr O'Connell:** I mentioned before, the shifts in the cost-recovered area really depend on demand from through-putting the—

**Senator COLBECK:** How does an increase in 46 relate to the agency effectively having to make a saving of over \$5 million? Where are the savings really going to come from?

**Mr Schaeffer:** The 40-odd staff in our corporate areas will be rationalised and they may be redeployed into higher-priority areas, such as the vacant positions or the biosecurity areas.

**Dr O'Connell:** This estimate fits our budget; that was the point I was making. When you look at a budget, if you look at the ons and offs, you will think yourself as taking something away and putting something on, but a budget does not work that way; when you look at an efficiency dividend, it goes across the departmental and—

**Senator COLBECK:** I understand that. I am trying to get a sense of what you are doing and where.

**Dr O'Connell:** That is our assessment of what we can manage in order to handle the budget and, as I say, when I go through those rough numbers, that is the effect of the overall global budget on what we expect to see in staffing.

**Senator COLBECK:** About 40 disappearing out of the corporate area, 70 in quarantine, 10 in post-entry, sea cargo or ports, plus 60.

**Dr O'Connell:** Roughly, yes.

**Senator COLBECK:** About 60 to 70 coming out of meat inspectors; we will deal with that tomorrow.

**Dr O'Connell:** Yes.

**Senator COLBECK:** There must be a few more there somewhere, because I have—

**Dr O'Connell:** I said there are a few others. There are the vacant positions; we have currently vacant positions.

**Senator COLBECK:** They are not going to be filled?

**Dr O'Connell:** They will be available to be filled now; under our current budgetary circumstances, we believe we can fill them if we need to. That is 33, and we have about 10 others, either funded for the National Food Plan or the WA drought reform pilot also has some positions funded for that. There are some specific funded areas but the bulk of those changes really relate to the pluses and minuses in the broad biosecurity business, either the cost recovered or the export meat inspectors, the graduates, vacant positions and corporate efficiencies. That effectively takes out the major changes.

**Senator COLBECK:** Let's try from a different angle then. In Budget Paper No. 2, page 86, you talk about 'achieve savings of \$32.8 million in the department, through the rationalisation of corporate functions'. What are the corporate functions that you are looking to rationalise?

**Dr O'Connell:** That is the ones where we have got that corporate rationalisation, we are looking at 40. As I was saying, we are going to go—

**Senator COLBECK:** No, I didn't say what people, I want to know what functions.

**Dr O'Connell:** The functions are right across the corporate functions. We will look at them all and assess—

**Senator COLBECK:** You have just plucked a number of 40 and you are just going to—

**Dr O'Connell:** We have provided a target—

**Senator COLBECK:** You must have some sense of where you are going to reduce your corporate functions.

**Dr O'Connell:** As I explained, we have a very significant set of realignments to look at it in terms of the department. Picking on the travel one, for example, an end to end—

**Senator COLBECK:** Travel is a result of corporate function. I am trying to get a sense of what—

**Dr O'Connell:** There are very significant corporate inputs into the travel process, so you need people who are doing approvals and checking all the way through; they are the people who are the corporate functions. You would have property.

**Senator COLBECK:** Dr O'Connell, you are giving me absolutely no sense of what you are doing; it is all just, 'We are looking at this and doing that.'

**Dr O'Connell:** No. I think I said we were—

**Senator COLBECK:** There is absolutely no substance to what you are telling me. It says that you are going to rationalise corporate functions. You must have some sense of what corporate functions you are going to rationalise.

**Dr O'Connell:** Corporate functions would include the finance area, so we will go through all our finance work. Can we pull together, for example, the different levies people, people who are managing levies, to improve the efficiencies. We will go right through that business and ensure that we are aligned in a way which will provide efficiencies.

**Senator NASH:** When you are talking about the levies, what are you talking about?

**Mr Schaeffer:** The people who are working with industry to set fees and charges across the portfolio.

**Senator NASH:** How is that going to save you money?

**Dr O'Connell:** I was going to say we will be reviewing that and making sure they are aligned with the rest of the corporate finance functions and, if we get efficiencies out of how we process that, then, there will be efficiencies and the departmental component will come through.

**Senator COLBECK:** In other words, if you can find a way to reduce people in that area, you will.

**Dr O'Connell:** About 70 per cent of our departmental costs are staffing costs. We need to manage our staffing to try to get the shift that we are looking at into the areas where we have the additional funding and try to provide corporate efficiencies in order to do that. Some of that will, over the length of the forward estimates, mean that we will shift staff from one thing to another. That is normal business. That is what you do if you are trying to provide efficiencies.

**Senator NASH:** You are saying reducing staff is a corporate function?

**Dr O'Connell:** No, not reducing staff.

**Senator NASH:** That is the question we are trying to understand in this statement where you are talking about rationalising—

**Dr O'Connell:** Corporate functions will be things like the IT services.

**Senator NASH:** Just one second. I am just asking where you are saying here very clearly that you are going to save \$32.8 million through the rationalisation of corporate functions, what we are trying to get an understanding of is exactly what those corporate functions are.

**Dr O'Connell:** The \$32.8 million are hits. Very little of that hits in the first financial year. That mostly is in the three out years. If you look at the budget papers—I cannot remember the exact figures—but 800,000 comes off next year and then we have got \$11 million-odd in each of the following years. Our task is to work through processes which allow us to look at our full ICT, our corporate services in terms of things like payroll, travel, fleet, audit, risk, right across those supporting functions. We have a significant size of corporate functions, whether in the corporate services division, corporate finance division, in the biosecurity divisions,

right across the board. We will go through a process of reassessing the work we are doing and ensuring that we are doing it efficiently. I use the example of the travel. At the moment we are doing an end to end re-engineering of our travel process. We will get efficiencies out of that. That will mean people will stop doing some things and be able to do others. That is what the business of managing those shifts is all about. We have, as I say, \$0.8 million to manage this coming financial year out of that 32.8 and the rest is spread over the following years. We also have time to go through the processes to be able to manage this. I am quite confident we can do this. The numbers we pick of course are driven in part by the ask, but they are also ones we think are doable given the scale and size of our overall corporate footprint.

On a course benchmark—and these things are extremely difficult to do—we think we have enough in our system to be able to make those changes.

**Senator COLBECK:** Does the work that you are doing this year inform what happens in the three subsequent years?

**Dr O'Connell:** Absolutely. We will go through a process, as I say, of trying to make sure all our corporate functions are well aligned and efficient. In doing that we will set ourselves up well to manage the targets for the out years.

**Senator COLBECK:** What, you have yourselves some benchmarks?

**Dr O'Connell:** Yes. For example—and just to pick on one—in the corporate finance area I think Mr Schaeffer has looked at benchmarking our services in terms of both public and private sector so we can just start to get some targeting of what it is we think we should be able to achieve given the nature of the organisation we are, given what is normal good practice. I will mention the red tape issue. A lot of corporate support functions either are driven by red tape or drive red tape. There is a very significant role for us to make sure that, when we are interpreting things such as the Financial Management Accountability Act, we are doing it precisely as is required, not adding layers and layers of bureaucracy. Every time you add an approval you add somebody's activity and that activity costs. That is what we will be doing right across the board. As I say, it is clear that we cannot say precisely now what is going to be the effect that will give the \$11 million in year 2, but I am very confident we will be able to get it and very confident I will be able to demonstrate it to you later in the piece.

**Senator COLBECK:** That is why I am asking the questions, so you say you are going to anticipate that I come back and ask you more about your planning process when we get to this time next year. Really, all I am trying to get a sense of is that you can demonstrate that you have got a plan to do this. The last two or three incarnations it has almost been, 'Okay, we have to try to make this fit and make this work.' These are fairly significant cuts to your budget. The planning work that occurred three years ago, okay, you reacted to it in a significant manner in one area by pausing the graduate program, which had an impact over a period of time, but those sorts of things are not necessarily the way to look at this in the longer term. You must have some way of assessing this within the process, even reporting to your minister, so that you can demonstrate that you are achieving some of the targets and the benchmarks that you set.

**Dr O'Connell:** We meet our budget. We have managed ourselves within our budget. In terms of what we are facing now, we have what is some reasonable luxury in terms of having some time to also plan this and do the sort of re-engineering work you want to do if you are

trying to make efficiency gains. Having an \$800,000 target for next year out of that \$32.8 million gives us quite a lot of planning and flexibility. We will not need to do anything which is a kneejerk response just to hit early savings. We are able to do a re-engineering process.

**Senator COLBECK:** In relation to the stated government intention of coordinating procurement—it looks like we came back to centralised procurement—it talks about stationery and office supplies across government being centralised. What savings are you expecting to make out of that for DAFF? Have you been given a budget?

**Ms Hazell:** The coordinated procurement arrangements that are being put in place are effectively a head contract that agencies can then use to procure goods off. While it is centralising the contracting, we then procure office supplies, whatever we want, off those contracts without having to go out to tender ourselves and go through that process. It should produce savings. They are just coming on board now, the office supplies coordinated panel. We are expecting some savings out of that. Until we actually see the details and our purchasing patterns, we will not know for sure how much.

**Senator COLBECK:** How do you manage that at the moment? At the moment you have your own tender process.

**Ms Hazell:** At the moment we have our own contracts in place that we have gone out to the market for and we have rolled them over waiting for the centralised contracts to come on board.

**Senator COLBECK:** When does the centralised contracting process commence?

**Ms Hazell:** I am not sure. I would have to take that on notice. I thought it was 1 July, but I may not be correct on that one.

**Senator COLBECK:** How do you know that you are going to get any savings out of it? What are your anticipated savings, apart from the fact that you are not going to have to run your own tenders?

**Ms Hazell:** I said before that until we see the exact prices and how much we use the services and the goods that are on those contracts, we will not know for sure what sort of savings, if any, we will achieve.

**Senator COLBECK:** You said how much you use the services. What discretion do you have in that respect?

**Ms Hazell:** It depends on what is on the contracts and what is available and who the suppliers are, whether they are goods that we would be looking to use. Office machines are things that we lease normally. We lease them for three or four years. We will not know until our leases come up and we move to that panel what sort of savings we can achieve.

**Senator COLBECK:** You may lose the discretion in the type of equipment that you get to use?

**Ms Hazell:** As I understand it, a number of suppliers will be on these panels. We are not anticipating losing discretion in the type of equipment that we can buy or the type of supplies, for example, Sharp or Sony or whatever. But until we see the detail we are not sure and, until our leases come up and we negotiate new lease prices, we are not sure what the savings will be.

**Senator COLBECK:** Is this being managed through the Department of Finance and Deregulation?

**Ms Hazell:** Yes, it is.

**Senator COLBECK:** Perhaps the best way to start looking at that. How many tenders do you have out for stationery and office supplies at the moment?

**Ms Hazell:** We have no tenders in the market at the moment; we have rolled over our current contracts awaiting the coordinated panel to come on board. I would need to take on notice how many actual contracts we have in the marketplace at the moment.

**Senator COLBECK:** Can you just repeat that for me, please? I am sorry.

**Ms Hazell:** Because the coordinated procurement is underway we do not have any tenders released in the market at the moment, but we do have a number of contracts which we have rolled over or extended awaiting that centralised procurement.

**Senator COLBECK:** You have ceased your own processes in anticipation of the centralised process and, to facilitate continued supply, you have rolled over existing contracts to maintain your supply?

**Ms Hazell:** That is correct.

**Senator COLBECK:** Is there to be a charge back to the agency for the service of managing centrally?

**Ms Hazell:** Yes, there is.

**Senator COLBECK:** Do you know what that is?

**Ms Hazell:** Not yet.

**Senator COLBECK:** How do you assess whether it is a cost saving to your budget or not?

**Ms Hazell:** That was the point I was making before, that we would not know until we saw some more of the detail what the savings would be. The premise of the coordinated procurement panels is because they are panels negotiated based on the purchasing of the whole of the Australian Public Service, the prices that they would be able to negotiate would be cheaper and therefore there would be savings. That is the logic of doing it; you have got greater purchasing power to do a coordinated—

**Senator COLBECK:** I understand the principle, yes. You do not really know the answer to the question yet?

**Ms Hazell:** Not yet.

**Senator COLBECK:** Hope you do not get any nasty—when are you likely to have that information?

**Ms Hazell:** Probably just before the panel is released or when it released to the public.

**Senator COLBECK:** What do you mean by 'the panel'?

**Ms Hazell:** The coordinated procurements normally do not lock you into one supplier, they normally have a panel of suppliers that you could choose from. It is when that is released and the details of the products and the pricing is released, so basically when finance finishes the process and announces it publicly, then we would know.

**Senator COLBECK:** Then you will know whether your actual supplies are going to cost less. At what point will you be told what the charge on the agency is?

**Ms Hazell:** At the time they sign the contracts and it is released.

**Senator COLBECK:** How is the charge on the agency levied? Is it based on a percentage of your sales, how does that work?

**Ms Hazell:** We understand that the Department of Finance is going to factor in as a charge the cost of their administration of the centralised arrangements.

**Dr O'Connell:** The specifics probably are best asked of the Department of Finance because they are the policy holders there. To go to the issue of savings or not, as Ms Hazell says, we cannot have an assessment of that until we get there.

**Senator COLBECK:** No, no.

**Dr O'Connell:** We have not factored any savings component into the budget as a result of that yet, we will wait to see how that plays through. As she also says, the obvious scale of purchasing power should at least have some effect on the overall Commonwealth budget.

**Senator COLBECK:** I understand that that is the objective of it; the question is whether it meets that objective at the end of the day. The agencies themselves are not small entities—

**Dr O'Connell:** No.

**Senator COLBECK:** and have significant purchasing power in their own right. I understand that is a philosophical difference between the current government and the way that the previous government operated, so that is not a problem for you to have to deal with. I am trying to get a sense of where you understand the mechanics of it are working rather than anything else at this stage.

**Mr Schaeffer:** I do not have the exact figures but what will be charged back to agencies will be the cost of running the Central Procurement Unit, and I believe that is a very minor component of the overall scheme of things.

**Senator COLBECK:** I am sure that you are hoping that it is very minor because you have an overall review of your costings and you do not want a nasty surprise to dent that process. Are there any specific requirements of DAFF that you have at this point in time that might be impacted by the process that do not fit within the current processes being undertaken by finance?

**Ms Hazell:** Do not think so.

**Senator COLBECK:** Nothing that you are aware of at this stage?

**Ms Hazell:** Nothing we are aware of.

**Senator COLBECK:** We have had a bit of a discussion about the graduate program; you said that the costs of the graduate program for 10-11 was \$172,000 up to 4 March. What is the cost for up to now?

**Ms Hazell:** The cost for marketing the 2012 graduate program is \$62,950. That is the costs of all the advertisements and going out to the careers fair for next year's program because you start this activity right now.

**Senator COLBECK:** Yes.

**Ms Hazell:** We expect the costs associated with the rest of the recruiting of those graduates to be in the vicinity of \$190,000.

**Senator COLBECK:** What is the cost of the current year's program to date? It was 172 at March. You have already indicated there will be a normal graduate program next year; that has not been modified in any way, Dr O'Connell?

**Dr O'Connell:** No, not at the moment.

**Senator COLBECK:** Subject to your review process.

**Dr O'Connell:** We will make an assessment of how many we need when we get through the recruitment process.

**Senator COLBECK:** How many do you have this year?

**Ms Hazell:** At the moment we are going out to all the divisions and areas seeking details of how many do we have now?

**Senator COLBECK:** Yes, we will come to that.

**Ms Hazell:** We recruited 64 graduates for this year, and 12 commenced with ABARES as well. A total of 76 graduates started this year.

**Senator COLBECK:** You were saying that you are going to ask each area to?

**Ms Hazell:** To confirm their graduate requirements in terms of both numbers and skill sets because we have only just closed applications at the end of April, so we are in the process of doing the exercise of recruiting for next year. We will not kick off our assessment centres until June.

**Senator COLBECK:** Your assessment centres will start in June so by that stage you would expect to have from each of the areas within the agency an assessment of what their requirement for it will be?

**Dr O'Connell:** Roughly that is right. We can plus or minus it very easily because the offers get made across quite a period of time, but we would not expect a significant shift from where we are, not on the face of it. It is quite flexible; we can manage it quite flexibly.

**Senator COLBECK:** It is a couple of years now since the pause occurred; what have been the flow-through effects from that?

**Dr O'Connell:** I would not like to say not discernable, but we have managed our business—when you do a pause like that, there is a cohort break which is unfortunate. We are also talking about here in an organisation of roughly 5000 people, so it is not going to send a shock through the system in any way; it is something that you manage. Quite well, I think. We are still recruiting very high quality graduates and we would expect to be able to do so yet again this year.

**Senator COLBECK:** I am not sure if we have had it before, and take it on notice, if you give us a breakdown of which areas within the agency the graduates, say for this current financial year, are working so I just get a sense of where they are all at.

**Ms Hazell:** I will take that on notice.

**Senator COLBECK:** That is fine. What is your proportion of turnover of graduates out of the department?

**Dr O'Connell:** During the graduate year?

**Senator COLBECK:** I am interested in the retention. You did give us a question on notice—you gave us the rough numbers of people that have come through from '07: 58 in '07; 57 on '08; 2009, 52; and 11, this year, was the 64 that you have just mentioned, plus the ABARE ones.

**Dr Dickson:** We will have to take that one on notice. We do not have that particular breakdown.

**Senator COLBECK:** That is fine. We talked at the last estimates of the percentage of the portfolio in respect of overall budget spending. The tables that were provided gave us total funding for DAFF of \$3.81 billion in 07-08, equating to 1.36 per cent of the general government sector, and decreasing over the forward estimates to 1.64, equating to 0.42 of the general government sector. Where does that leave the agency into the longer term? It appears that this agency continues to get run down—

**Senator Ludwig:** That is not the evidence that has been given so far. Can I reject that.

**Senator COLBECK:** This is what the numbers show.

**Senator Ludwig:** They do not show that at all. They do not show what you just described. If you want to know when it was run down, it was run down prior to 2007; certainly I would agree with that.

**Senator COLBECK:** I do not agree with you, minister. In fact, I just looked at—

**Senator Ludwig:** Since then there has been significant work

**CHAIR:** Just let the minister finish his answer and then you can certainly ask your question again. Minister?

**Senator Ludwig:** I have finished. I think he has got my point.

**Senator COLBECK:** No, I do not have your point. I had a look at two specific areas that I looked at, where there are effectively no programs running any more. If you look at fisheries and forestry, there are no programs at all being run out of those two elements of the agency. All the discretionary funding has basically disappeared.

**Mr Schaeffer:** That is administered funding. There is departmental funding for those.

**Senator Ludwig:** It is not discretionary funding, I just want to correct you.

**Senator COLBECK:** We will come to that at the appropriate time. You do not accept the fact that the DAFF has significantly reduced a portion of the general government sector funding? The figures show it coming from 1.36 to 0.42 per cent.

**Mr Schaeffer:** I think the figures show that they have been around that 0.4 per cent, when you take out all those one-off programs.

**Senator COLBECK:** Do the one-off programs not count?

**Mr Schaeffer:** Yes, but they deal with issues at the time, so they do not go to the ongoing funding—

**Senator COLBECK:** There are no issues for the department to deal with?

**Mr Schaeffer:** Of course, but—

**Dr O'Connell:** Probably the biggest fluctuation you will see in that is likely to be the drought payment, so that will be demand driven but, if you recall, around about 2007 we were

up around—the total, I think, was about \$700 million; I would have to check that. There were interest-rate subsidies and there were the—

**Senator COLBECK:** That might be right, Dr O'Connell.

**Dr O'Connell:** Yes, exceptional circumstances and drought measures in 06-07 was \$766 million; in 07-08, \$1.4 billion, in 08-09, \$1 billion; and 09-10 came down to 268. By far and away the largest shift has been the fact that we went into drought and we were making payments, we came out of drought and we stopped making payments.

**Senator COLBECK:** We are also told that a drought is not a budget line item so it is not included in the budget, is it? We do have the argument on an annual basis.

**Dr O'Connell:** The numbers that you are looking at though—and, I think, the point that Mr Schaeffer was making was that, if you take out those perturbations such as that, you will find that our overall base holds steady.

**CHAIR:** A change of topic.

**Senator COLBECK:** Yes, that is fine.

**CHAIR:** Senator Back.

**Senator BACK:** I want to ask you a couple of questions, if I may, in regard to the Inspector General of Biosecurity. I just wonder: is the Inspector General here to respond to any questions?

**Dr O'Connell:** My understanding is that the committee was provided with advice that he was unavailable. I think he may be overseas on an inspection but I am not sure. He is.

**Senator BACK:** Does he have a deputy that could respond to any questions?

**Dr O'Connell:** No, he does not. We will have to take those on notice for you, if that is okay. We could probably fill in some of the issues around it but, given the nature of it, we would want him to respond directly.

**Senator BACK:** Could I inquire, if he is overseas, is he overseas on government business or overseas on holiday?

**Ms Hazell:** Yes, he is overseas on government business.

**Senator BACK:** Could I inquire of the nature?

**Ms Hazell:** He is visiting the US and Canada to have meetings with his counterparts over there and to see the issues and how they undertake the similar roles to his in the US in the Canada.

**Senator BACK:** I would be interested during estimates, would he be following anything up on the import risk-analysis process, for example, with BSE?

**Ms Hazell:** That I would not have; I would have to take that on notice.

**Senator BACK:** The position, if I recall, was established as a result of the recommendations of Beale. Was that correct?

**Ms Hazell:** Correct.

**Senator BACK:** It started out as the inspector general for horse quarantine?

**Dr O'Connell:** Yes, originally, it came out of the recommendations of the Callinan Inquiry and the Inspector General of Horse Importation, and then that was translated, following the government response to Beale, into the Inspector General of Biosecurity.

**Senator BACK:** Was it at that point that the position was expanded beyond horse importations to a wider biosecurity role?

**Dr O'Connell:** I would have to get the exact dates, but that is right, it was, broadly speaking, after the Beale Review was provided to the government; the government responded at that stage.

**Senator BACK:** In terms of the overall organisation structure, I do not see where the position relates. Does it relate through to you as the secretary, Dr O'Connell?

**Ms Hazell:** The position of interim Inspector General of Biosecurity reports to the minister.

**Senator BACK:** Directly to the minister?

**Ms Hazell:** Yes.

**Senator BACK:** Is it a position or an interim position? I was not aware of the 'interim' bit.

**Ms Hazell:** We call it 'interim' because, until the legislation is passed through parliament, it is not a statutory position.

**Dr O'Connell:** The intention would be that it would be statutory and have that independence, that was the intention coming out of the Beale Review. At the time the decision of the minister, then, was to have an interim inspector general housed, if you like, in our corporate area in terms of the equivalent to our internal audit functions. We treat it equivalently to an internal audit function, but he provides his reports directly to the minister, not through—

**Senator BACK:** Is it established yet as a statutory position, or it is in limbo?

**Dr O'Connell:** No. We are going through the process at the moment of assessing what to do with the Quarantine Act and looking to develop changes to that. When that is finalised, this will be captured in that process.

**Senator BACK:** Can I ask what substantive position does this person occupy in terms of hierarchy?

**Ms Hazell:** He is a non-ongoing employee of the department on a part-time basis.

**Senator BACK:** The budget allocation is within the department or directly within your portfolio?

**Ms Hazell:** The budget allocation is within the department.

**Senator BACK:** Could you give me some indication as to what the allocation was, for example, in this current financial year and next financial year? When did the person commence? They have commenced of course?

**Ms Hazell:** They have commenced. They have been in the position for two years. They were appointed in July 2009 and reappointed for a further year for 10-11, so they have been in the position for two years. The budget for the interim Inspector General Biosecurity and the secretary that supports him is approximately \$765,000 per year.

**Senator BACK:** How many people are involved in the inspectorate?

**Ms Hazell:** Four people.

**Senator BACK:** Four full-time equivalents?

**Ms Hazell:** Four full-time equivalent people, yes.

**Senator BACK:** That is the Inspector General and three.

**Ms Hazell:** It is four people plus the interim Inspector General.

**Senator BACK:** Are they drawn from the department itself or have they been newly recruited to the task?

**Ms Hazell:** They are drawn from within the department.

**Dr O'Connell:** They are essentially secretariat support to him to do whatever he wants them to do.

**Senator BACK:** The position has been in place for almost two years, from late 2009 I think you said. Could I ask what reports has the Inspector General delivered to the minister, on what subjects?

**Dr O'Connell:** We would have to just take that on notice and we get that to you later today. I just do not recall them off—

**Senator Ludwig:** There is one I recall that I specifically asked for but I can get a list as to the issues that he has examined. You recall, I think at last estimates, we discussed the prawns issue. That was one I requested him to investigate. He plays an invaluable role in being able to support the work in biosecurity.

**Senator BACK:** I ask for my clarification: does the Inspector General act on your direction or does the Inspector General of his own volition inquire into matters that would fall within the remit of that position?

**Dr O'Connell:** He sets himself a program of inspection and audit; he does that himself. Then he will respond to requests from the minister for specific works. He sets his own program, it is not something he—

**Senator BACK:** If you as the secretary wanted him to investigate something, you would approach the minister. With the minister's agreement you would then request or direct him to do that?

**Dr O'Connell:** I have not done that to date at all. I recognise that he needs to be seen to be at arm's length and independent so I have not engaged with Dr Dunn on asking him to do specific tasks.

**Senator BACK:** That is the Inspector General's name, is it?

**Dr O'Connell:** Dr Kevin Dunn.

**Senator HEFFERNAN:** How do you know that he is not just dreaming time away? Is there some performance indicators, targets have to be met? What is the instruction to go to Canada? Is it to try to allow BSE beef in because we are friendly, we have got trade arrangements? Who sets the agenda? What is his agenda?

**Dr O'Connell:** I just mentioned that we do not interfere with his work program. We help him deliver his work program.

**Senator HEFFERNAN:** Are we not entitled to know what is in his head?

**Dr O'Connell:** No doubt he will be able to provide you with that. If you ask questions of him he will no doubt be able to respond to that.

**Senator HEFFERNAN:** When he comes back from his trip could we have a briefing from the Inspector General to this committee?

**Dr O'Connell:** I will ask him to have a briefing.

**Senator Ludwig:** It is a good idea. It is very helpful.

**Senator BACK:** Can I just proceed beyond prawns which, as you say, Minister, he—

**Senator HEFFERNAN:** Could we see the report on the prawns?

**Dr O'Connell:** His reports are on the website.

**Senator BACK:** Can I then ask beyond prawns, for example the issue associated with apples and apple blight, has the Inspector General directed his attention, either at his own volition or at your request, Minister, has he examined the matters associated with apple importation from New Zealand?

**Senator Ludwig:** I have not requested him to deal with that issue as yet.

**Senator BACK:** If he was proceeding to do so you would not know until such time as he presented you with a report?

**Senator Ludwig:** I am not aware of whether he is or he is not at this stage is the appropriate answer to that question.

**Senator BACK:** What about the Asian honeybee, has he had a look at those, do we know?

**Senator Ludwig:** He has not brought it to my attention whether he is or is not. That does not mean that he may not be doing it. That is why I think the department responded earlier.

**Senator HEFFERNAN:** This is beyond the loop.

**Senator Ludwig:** Let me finish answering the question. That is, the reports that are made available online are the issues that he has examined. Of course, you will have an opportunity of getting a briefing from him about other matters that may be ongoing.

**Senator BACK:** What, he gets up in the morning and says, 'Gees, I think today I might have a crack at,' whatever he feels like he wants to have a crack at.

**Dr O'Connell:** He has a work program which is—

**Senator HEFFERNAN:** Can we see the work program?

**Dr O'Connell:** Again, this is a question for the Inspector General. I do not see any reason why—

**Senator HEFFERNAN:** For God's sake, he has to be accountable to someone. That is what this process is all about. He is accountable to no one.

**Dr O'Connell:** I do not think that is right. He will be able to provide you with the same information that anybody else can.

**Senator HEFFERNAN:** He has been there for two years, he is interim. Why have you not had the courage to legislate his job? Is this a Mick Palmer secret service in the agriculture department? We have always wondered what Mick Palmer does.

**Senator Ludwig:** No, what we are doing is of course there is an exposure draft about Biosecurity legislation that should be available in late 2011. That will then deal with the

interim Inspector General Biosecurity. You can support the legislation that is implemented. They also establish the Biosecurity Advisory Council. It also goes through and develops some of the co-regulatory arrangements that will be necessary for the biosecurity reform agenda. All of that is in train. That, if you had had a look, was of course announced in the budget.

**Senator BACK:** It is quite possible then that the Inspector General in fact could be out there conducting an inquiry into something without your direction, Minister, and without the secretary knowing about it, and Dr O'Connell, you also, through your agency, could be directing your own departmental officers to be conducting an inquiry into the same matter, for example, quarantine facilities. I am trying to work the relationship in terms of effectiveness.

**Dr O'Connell:** There is a difference between ignorance and arm's length. We are quite aware of the program. He discusses the pulling together of the program with a whole range of people across our agency in order that the program deals with things that count. He makes the call in the end on what it is he wants to do because we set him up to be independent.

**Senator BACK:** Can he call upon your officers with your—

**Dr O'Connell:** Yes, absolutely in terms of if he needs access to anything or resources he has carte blanche.

**Senator BACK:** He would require your authorisation to have access to your resources.

**Dr O'Connell:** He essentially would get that if he needed it. He sets a program within the budget that he has and he is satisfied that he can do his job with. It is not a question of he runs off and we do not know what he is up to. That is absolutely an incorrect way of—

**Senator HEFFERNAN:** So what is he up to in Canada?

**Dr O'Connell:** He runs his program which is laid out in advance and that he is looking to achieve—

**Senator HEFFERNAN:** Could we see the program that he is on in America? You know what it is.

**Dr O'Connell:** I think we can provide you with information on what he is doing or what his current—

**Senator HEFFERNAN:** Do you know what he is doing?

**Dr O'Connell:** Do I know what he is doing today?

**Senator HEFFERNAN:** No, do you know what the program is in Canada and United States? I am asking you; do you know?

**Dr O'Connell:** I do not know. I do not know what he is doing today. I do know—

**Senator HEFFERNAN:** I am not asking what he is doing today.

**Dr O'Connell:** If you let me finish—

**Senator HEFFERNAN:** What is he over there doing?

**Dr O'Connell:** If you let me finish. Ms Hazell laid out what he was doing and I suggest you refer back to the answer.

**Senator HEFFERNAN:** So what is he doing?

**Dr O'Connell:** He is dealing with his opposite numbers in Canada and the US.

**Senator HEFFERNAN:** Looking at what, though?

**Dr O'Connell:** Looking at the systems, as I understand it.

**Senator HEFFERNAN:** Give us some detail of what he is looking at.

**Dr O'Connell:** We can give you detail—

**Senator HEFFERNAN:** No, give it now.

**Senator Ludwig:** Some of that, as we have said, we will take on notice. We will ensure the committee has got a full brief and of course we are only too pleased to be able to provide Dr Dunn to the committee to be examined.

**Senator HEFFERNAN:** You have no idea what he is doing.

**Senator Ludwig:** Unfortunately he could not be here during these estimates. This is budget estimates. He has important work to undertake and he is doing that as we speak.

**Senator HEFFERNAN:** Minister, do you know what he is doing?

**Senator Ludwig:** I have answered the question.

**Senator BACK:** You have been given the answer, Senator. Can I ask the position I think you have mentioned is an interim position, what is its life cycle? Is it intended that it actually be transferred subject to legislation to a permanent position?

**Dr O'Connell:** Assuming the legislation passes through, it would be a statutory independent position, then an appointment would be made. It would just be through a normal statutory appointment process.

**Senator NASH:** Why has the legislation not been (*inaudible*) two years is interim and you are just waiting on the legislation.

**Senator HEFFERNAN:** Because they do not know what they are doing.

**Dr O'Connell:** The legislation—

**CHAIR:** Sorry, Dr O'Connell. With the greatest respect, if you want a free-for-all take it out the back. Senator Back has the call. If you want to interrupt anyone or come across a question, at least have the decency to ask your colleague if he minds through the chair if you can ask. Now, Senator Nash, you do not normally go down this line but all of a sudden you have had one. Senator Heffernan cannot help himself. Senator Back has the call. I would ask you to continue until you want to pass to one of your colleagues, Senator Back.

**Senator BACK:** If you want to conclude that, Senator Nash, and I will just get back to it.

**Senator NASH:** Thank you. The question was: if it has been interim for two years and it is just reliant on a piece of legislation coming through to make it permanent, why has that not occurred as yet?

**Dr O'Connell:** The minister set out just before that we are going through a process of a complete review of the Quarantine Act. That is a 108-year-old act, plus amendments along the way, in order to bring it up to date is part of that process. That is not a trivial exercise. That is a very large statutory exercise he will see—

**Senator NASH:** That is part of the overall changes. Thank you, Senator Back.

**Senator BACK:** I do now want to go to, if I may, the position which I understood he originally was appointed for and that was for horse inspections. I ask if this gentleman Dr Dunn has had any involvement at all in the quarantine facilities now and into the future,

Spotswood, Eastern Creek, and, if so, what advice he may be giving you, Minister, in terms of our future quarantine resourcing and facilities?

**Senator Ludwig:** You mean the one that you sold?

**Senator BACK:** I was not around to sell them, Minister.

**Senator Ludwig:** You did.

**Senator BACK:** If you could just answer the question for me: where are we with Eastern Creek, Spotswood?

**Senator Ludwig:** They are no longer government owned. As you recall, the Howard Government sold them. We leased them back.

**Senator BACK:** The allocation of I think \$19 million in the budget for future post-entry quarantine arrangements, the initial worth 13.7, I am just interested in knowing what role, if any, the Inspector General is having in advising you on these aspects?

**Senator HEFFERNAN:** You can read it out if you want to.

**Senator Ludwig:** We can take that on notice as to whether or not the Inspector General is providing any advice in relation to those. This is part of the Biosecurity reform agenda. With the post-entry quarantine facilities, I am happy to take you through those. If you recall, as I mentioned, they were sold by the previous government. That left us in a circumstance where we have been leasing these PEQs since that time. What that has meant is that some of them of course are no longer modern facilities, if you could appreciate that.

We now have to work through what we do about some of those facilities. What we have been able to do in this budget, and I think as you correctly identified, is we have allocated \$13.7 million in new spending for urgent capital works in post-entry quarantine facilities which will allow the Australian primary producers to continue to be able to aspect those services that they provide. In addition to that, we have allocated \$4.2 million in new to address the ICT.

**Senator BACK:** This is a role the Inspector General has been able to have in terms of advising you and the department—

**Senator Ludwig:** No, this is what the department is doing post the sale of those post-entry quarantine facilities.

**Senator BACK:** The department has not needed his expertise?

**Senator Ludwig:** What we have had to do is lease them back. Those leases are now four or five years old, which means—

**Dr O'Connell:** They run out between 2015 and 2018, I think. We have now some capital works we need to do to manage their current condition.

**Senator BACK:** I am sure during estimates we will have an opportunity to discuss these in more detail. I am just particularly interested in the Inspector General's role as to whether he has been able to assist this process and has he—

**Senator Ludwig:** He has done a number of reports in horse importations, if that is what you are also interested in, and the department can take you through those.

**Dr O'Connell:** This is clear there in the 09-10 annual report, going back there:

Quarantine surveillance arrangement for pregnant mare and foals, equine import health certificates for stallions, management of quarantine waste for international sea vessels, the Australian veterinary emergency plan, pre-export quarantine procedures for horses to be imported from Singapore, import conditions for horses at Sandown post-arrival, quarantine facilities.

I do know that he has looked at the stations as well because he looked at those in his capacity as Inspector General horse importation at this time.

**Senator BACK:** Would he then have been asked to advise you, Minister, going back to the question with equine influenza, the horse industry signing up to EADRA, the different options that were put to the industry originally? Is this an area that the Inspector General would have given advice to the minister or had discussions with the department?

**Ms Mellor:** That was not a specific area of advice by the interim inspector.

**Senator BACK:** It was not?

**Ms Mellor:** No. That was managed by the department with the assistance of Animal Health Australia.

**Dr O'Connell:** Animal Health Australia are the appropriate body who would be trying to work through that. That is the body which we run the deeds. Joining the deeds was what was relevant to the horse industry, joining the animal health deed at the time.

**Senator BACK:** If I can conclude his role: in the event that the Inspector General of his own volition or with the minister's direction wanted to exercise his mind, for example, on import of New Zealand apples into Australia, what is the process by which the Inspector General would allocate those resources and then provide advice to government, and has he?

**Dr O'Connell:** It is my understanding he sets up his work program in consultation with people across the department and others and then decides what he wants to target, and then work through the sequencing of those things. If he wanted to do that he would be able to do that.

**Senator BACK:** Ms Hazell, can I ask you if in fact the Inspector General did go through that process with that importation study?

**Dr O'Connell:** In terms of New Zealand apples, not to my knowledge, he has not done anything on New Zealand apples.

**Ms Hazell:** Not to my knowledge.

**Senator BACK:** It is not an area you have directed him to address his expertise to?

**Senator Ludwig:** Not at this time, no.

**Senator BACK:** It is getting a bit late, isn't it?

**Senator HEFFERNAN:** I hope you do.

**Senator BACK:** Thank you, chair.

**CHAIR:** Senator Milne.

**Senator HEFFERNAN:** I have got follow-on questions from Senator Back.

**CHAIR:** That is all right. You have had a turn. You interrupted. Senator Milne asked me long before you came in the room she had a question. Now she has not. Now I will ask if any other senators have any questions.

**Senator NASH:** The audit work program for the Inspector General for 09-10. There are two activities, the horse health certifications:

The object of this audit was to assess and check compliance of import health certification with the requirements for importing horses to Australia. It focused on certification for a number of consignments of stallions.

The second one, the Sandown audit review:

To independently assess the outcomes of the internal audit undertaken by the AQIS of the Sandown PEQ facility.

There are only those two activities that are listed here. How do you determine value for money? I think you said around 700,000 to run the—

**Dr O'Connell:** The list of 09-10 is considerably longer than that of his audit functions.

**Senator NASH:** Why is that not on the website then?

**Dr O'Connell:** I do not know. I will have to take that on notice. I read through them just a minute ago.

**Senator NASH:** Which is why I am raising why on earth would that not be noted then on the website?

**Dr O'Connell:** I cannot tell you at the moment, but there were six assurance reviews or audits that were completed in 2009-10.

**Senator NASH:** How do you determine the value for money that has been spent?

**Dr O'Connell:** The annual report is on the website so it is available.

**Senator NASH:** My question is, though, how do you determine value for money?

**Senator Ludwig:** They are an independent statutory body.

**Senator NASH:** I understand that, Minister, but if we are spending three-quarters of a million dollars on the Inspector General and the supporting staff, how do you, as minister, or secretary of the department, determine whether that funding is being—

**Senator Ludwig:** There are two different ways. If you are talking about value for money, the value is in having the role. It is an extraordinarily valuable role—not to mention it again but, for example, where there was a prawn issue. Of course you need an independent statutory person to be able to investigate that; they are there and available to undertake that work. The value is in having that role, as Beale outlined as to why he made that recommendation. We accepted in principle the Beale recommendations, as the coalition did. We all agree that they play a valuable role in having someone there to independently do that work. They have done work around the AUSVET, veterinary emergency, plan; they have done work around the assessment of the BSG internal audit of the Sandown post-arrival quarantine facility. Why? It was to ensure the integrity of our biosecurity continuum. They have done work on the surveillance following post-arrival quarantine for a specific horse after importation to Australia. Why? If you go back and look at the Callinan report, it was to avoid the recurrence of that situation, it is invaluable that they are there to do that work to ensure that we do not have another outbreak. If you look at all of that work that they are doing, which is the audit work, it is invaluable work. As to whether or not you then want to subscribe to whether it is value for money, I say it is good value for the money that we spend. The assessment and judgment, though, I could also leave to you, given that you also accept the position.

**CHAIR:** Thank you, Minister. Senator Nash on continuation, we will come straight back to you.

**Proceedings suspended from 10:32 to 10:46**

**CHAIR:** We will take questions from Senator Heffernan.

**Senator HEFFERNAN:** Could you, from the department's point of view, run us through your input into biosecurity arrangements coming out of the closer economic arrangements we have with New Zealand? In other words, what are your drivers?

**Dr O'Connell:** The biosecurity issues are being handled tomorrow, so we would need to—

**Senator HEFFERNAN:** The closer economic arrangements we have with New Zealand: could you describe them for me?

**Dr O'Connell:** I am not exactly sure what you mean, if you could be more precise? Is it around biosecurity?

**Senator HEFFERNAN:** You are aware we have a closer economic arrangement?

**Dr O'Connell:** Yes, I am aware of that. It is a question of what it is precisely around biosecurity.

**Senator HEFFERNAN:** When it refers to agriculture, what are the main lines of interaction between a closer economic arrangement and your department? What things does it influence?

**Dr O'Connell:** Our department, with its relationship?

**Senator HEFFERNAN:** Yes, DAFF.

**Dr O'Connell:** I am not sure that it—

**Senator HEFFERNAN:** What input did you have into the arrangements behind the closer economic arrangement?

**Dr O'Connell:** Well, the arrangements, that would be—

**Senator HEFFERNAN:** If you would talk up a little bit—do not be frightened.

**Dr O'Connell:** That would be going back into history and I would have to take that on notice. That goes back a long way—the development of the closer economic relationship.

**Senator HEFFERNAN:** But you have the basic knowledge that—

**Dr O'Connell:** I am happy enough to have that search done, if that is useful to you.

**Senator HEFFERNAN:** Yes.

**Dr O'Connell:** But it would be, I think, 20 years ago. I doubt if there is much we could tell you about it.

**Senator HEFFERNAN:** Yes, but the chickens are about to come home to roost in a big way on this, and I guess that is what whatever Senator Back—the mystery man is over in Canada—may be looking at now because of the free trade arrangements we had with the United States and the pressure put on by Canada and the United States to allow the importation of beef from herds from countries that have BSE, even though there is no such things as a live test et cetera—open borders. We resisted that.

**Senator Ludwig:** Is there a question in this?

**Senator HEFFERNAN:** There is a question in this, which is coming to New Zealand. New Zealand has recently caved in to the same pressure that we did not cave into, thanks not to the government but to the opposition. Are you familiar with PRRS?

**Ms Freeman:** Yes.

**Senator HEFFERNAN:** You are?

**Ms Freeman:** Porcine reproductive—

**Senator HEFFERNAN:** Could you describe PRRS to us?

**Dr O'Connell:** Senator, the Biosecurity people will be here tomorrow; This is a biosecurity—

**Senator HEFFERNAN:** No, but this is an administrative question I am coming to.

**Dr O'Connell:** No, it is a biosecurity question and we can answer it tomorrow.

**Senator HEFFERNAN:** You are not familiar with what PRRS is?

**Dr O'Connell:** No, I am quite familiar with it.

**Senator HEFFERNAN:** It is porcine reproductive—

**Dr O'Connell:** Quite familiar. But I am saying that—

**Senator HEFFERNAN:** and respiratory syndrome, which is an HIV equivalent disease in pigs that does not transmit to humans.

**Dr O'Connell:** What I was saying, Senator, was that the people who can answer your questions about this will be here tomorrow, which is the scheduled time frame.

**Senator HEFFERNAN:** I want to see it in the context of the closer economic arrangements—nothing to do with the disease. You will know that, because of the closer economic arrangements we have with New Zealand, we accept their import protocols. If Chinese vegetables go into New Zealand—

**CHAIR:** Senator Heffernan, I would ask you to just ask the question; we do not need the preamble.

**Senator HEFFERNAN:** Yes, I am trying to get it into context.

**CHAIR:** No, we get it in context every estimates, but I am the only one that does not understand it, I think.

**Senator HEFFERNAN:** We allow those vegetables when they are put into mixes in New Zealand to come into Australia, because New Zealand allows them into—same as Powerade drinks. Because of the closer economic arrangements, we agree that their import protocols satisfy us for that then to come on to Australia—is that correct?

**Senator Ludwig:** We are happy to try to manage them through, but they are Biosecurity questions. I understand that you want to ask about the closer economic ties with New Zealand, but can we, for the purposes of at least managing estimates, split it up between the corporate work and then if we can defer the work—

**Senator HEFFERNAN:** Great idea. Now they all know down the department or out the back. In theory this fresh pig meat that is being imported into New Zealand can come into Australia because of the closer economic arrangements.

**Senator Ludwig:** If that is a question we will take that on notice for tomorrow and deal with it in Biosecurity Australia.

**Senator HEFFERNAN:** My question is: does the closer economic arrangement allow that to happen? That is an administrative matter; it is not a biosecurity matter. It is a matter for DAFF surrounding the closer economic arrangement we have with New Zealand.

**Dr O'Connell:** On the biosecurity side of the question, we can answer that for you tomorrow. On the issue around the specifics on the closer economic relationship, we would have to take that on notice, but we could probably provide—the broad structure is very clear. What it means for pork I would have to have somebody look at. The biosecurity component we can answer tomorrow. We probably also need to look to our colleagues in Treasury and PM&C to see whether closer economic relationships develop.

**Senator HEFFERNAN:** In terms of the free trade arrangements, we have a similar thing which puts sovereignty in a different context, I have to say, control over our own destiny. The Inspector General, who is now in Canada on a secret mission; no-one seems to know what he is up to—

**Dr O'Connell:** He is not on secret mission. I might just correct that now rather than later.

**Senator HEFFERNAN:** That is just a play on words, as it were, because you do not know what he is up to.

**Dr O'Connell:** I do. I told you what he was up to and so did Anne Hazell.

**Senator HEFFERNAN:** You do not know the details. You know he is over there having a look at something, but you have got no idea what he is looking at.

**Dr O'Connell:** He is looking, with his colleagues, at the different systems.

**Senator HEFFERNAN:** You have no idea what the issues on the agenda are. Anyhow, that is by the way.

**CHAIR:** You do not like the answer.

**Senator HEFFERNAN:** No, I love the answer; he does not know. The closer economic arrangements through the free trade agreement with the United States say that there is some sort of balance between the free trade arrangements and our biosecurity protection. Taking that back to New Zealand in the case of apples, we have said—that is, the government and Biosecurity Australia—that, given that we have got the highest standard of clean, green and free agriculture and we do not have a lot of diseases a lot of other countries have, we are lowering our bar for the peace in the world, get DOHA to work sort of stuff, on our biosecurity. In the case of apples this committee—

**Senator Ludwig:** That is not true. I assume that is the preamble to your question.

**Senator HEFFERNAN:** Yes, it is. In the case of apples, as reported in the *Otago Times*, and as reported in the press here, the government's attitude to the importation of apples is that we are going to have more reliance on their farm management practices—is that correct?

**Dr O'Connell:** I have not read the *Otago Times*, I am afraid.

**Senator HEFFERNAN:** Is our position—you are the boss—

**Dr O'Connell:** Sorry, I thought you were quoting the *Otago Times*.

**Senator HEFFERNAN:** that we are relying more on New Zealand farm management practices?

**Dr O'Connell:** As I said, Biosecurity is appearing tomorrow and we will have all the people who deal with the New Zealand apples issue ready to talk to you tomorrow.

**Senator HEFFERNAN:** This is an administrative matter.

**Dr O'Connell:** No, it is a matter about the conditions on imports.

**Senator HEFFERNAN:** No, it is not. I have not put the question yet.

**Dr O'Connell:** I beg to differ.

**Senator HEFFERNAN:** What sort of an insult is it to Australia—and by the way, the pork producers in New Zealand are up in arms, as our boys will be in a day or two.

**CHAIR:** They go well together.

**Senator HEFFERNAN:** The New Zealand government—laugh as much as you like—has refused this committee entry to apple orchards to inspect the farm management practices in a delegation which leaves Australia on 6 June. Could the minister intervene on behalf of us, this committee, and the apple growers of Australia to allow this committee entry to inspect farm management practices in New Zealand?

**Senator Ludwig:** This is the first I have heard of that. Why don't you make separate representation to me? I think this is an estimates round, not a request for meetings and arrangements of meetings. I am not your diary secretary. Certainly you can write to me and ask.

**Senator HEFFERNAN:** Well, I will. Is the department aware of the publicity surrounding this in New Zealand? This committee, through the secretariat of this committee, has been negotiating with New Zealand to try to get entry. They have refused it. The apple grower body, equivalent to the apple and pear growers here, in New Zealand have said they would hope that no New Zealand apple grower would let us anywhere near an apple farm. Don't you think it is reasonable that we have a look at their farm management practices?

**Dr O'Connell:** I think that is a matter between New Zealand and the Senate committee. I do not see what role the department has.

**Senator HEFFERNAN:** You do not think it is a matter for the government?

**Dr O'Connell:** I am talking about the department. You are asking me about department estimates. This is not a matter—

**Senator HEFFERNAN:** You advise the government.

**Dr O'Connell:** It is not a matter of department estimates.

**Senator HEFFERNAN:** You do not think so?

**Dr O'Connell:** The relationship between the New Zealand government and the Senate committee is—

**Senator HEFFERNAN:** You have taken a decision; that is, biosecurity guided by the department and the government—

**Dr O'Connell:** As I mentioned, we can discuss the biosecurity issues tomorrow when we have the people who are dealing with the New Zealand apples issue. You were then talking

about a different issue, which was access to New Zealand. That is not something I have any control over.

**Senator HEFFERNAN:** Could you provide us today with a list of the notifiable diseases in New Zealand and in Australia?

**Dr O'Connell:** We can provide that to you tomorrow in Biosecurity—

**Senator HEFFERNAN:** I am just getting in so they will bring it and will not say, 'We'll provide it to you the day after tomorrow.' Could you, tomorrow, provide us with a list of notifiable diseases?

**Dr O'Connell:** Can you be a little more precise about notifiable diseases? What do you mean?

**Senator HEFFERNAN:** Footrot is notifiable, right?

**Dr O'Connell:** Notifiable, state or national.

**Senator HEFFERNAN:** Animal and plant diseases are notifiable.

**Dr O'Connell:** I was trying to get a clarification whether or not—what I was trying to ask you was: do you want those to be notifiable on a national basis or at state level?

**Senator HEFFERNAN:** Both.

**Dr O'Connell:** We will not be able to provide you easily with state level today.

**Senator HEFFERNAN:** Because you do not talk to the states?

**Dr O'Connell:** No, today I said we will not be able to—

**Senator HEFFERNAN:** I said tomorrow.

**Dr O'Connell:** We have to talk with them to do that.

**Senator HEFFERNAN:** You have got 24 hours.

**Senator Ludwig:** We will see what we can provide given the resources that we may have to commit to doing that whilst we are also here at estimates as well, so I will not guarantee it. What I will do is ask the department to see what they can do in the time available. In general, questions are due at the time allowed and if we cannot provide it within the time frame then we will deal with it as quickly as we can. We will ensure that we meet the deadline for the return of questions.

**Senator HEFFERNAN:** Given that the government previously announced the date for the entry of beef from countries that have BSE, which was March last year—whenever it was—and, eventually, after much pressure on the Australian government for an import risk analysis, the response from Canada was, strangely, 'we do not have the resources to commit to the questioning and the process of an import risk analysis in Canada'. So they have stopped the clock. Given that they have also stopped the clock in the United States, could you give us an update of where we are up to with that?

**Senator Ludwig:** That does seem to be a Biosecurity question. We are happy to take it on notice now or, alternatively, you can re-ask it tomorrow. The choice is yours. We do want to stay with the program that has been outlined. Biosecurity are not called this morning. They do not have the staff here in full, as far as I am aware.

**Senator HEFFERNAN:** They are here, but they are a bit shy.

**Senator Ludwig:** As the program outlines, they will be appearing tomorrow with the relevant experts to provide you with the answers to your questions.

**Senator HEFFERNAN:** Also on notice for tomorrow, could you give us your understanding of the obligations that we have committed ourselves to under the closer economic arrangements with New Zealand as regards agricultural trade?

**Senator Ludwig:** We may just require a little bit more specificity as to what you mean.

**Senator HEFFERNAN:** I will give you an example of what I am after.

**Senator Ludwig:** That would be helpful.

**Senator HEFFERNAN:** Because we have a closer economic arrangement with New Zealand, and because we accept their protocols and farm management practices, I am advised that we cannot insist on testing their produce for antibiotics whereas from other countries we can. That is the sort of stuff I am after. That is an arrangement that comes out of the closer economic agreement.

**Senator Ludwig:** By way of assistance, we will certainly take it on notice and see if Biosecurity Australia can add anything to the question you have asked, but, as a clarification, if you have questions around antibiotics, it would appear that would be a question you should direct to FSANZ with this—

**Senator HEFFERNAN:** No. This is simply an administrative arrangement through the closer economic agreement.

**Senator Ludwig:** I understand that broader question, but I am just making sure that there is no mistake about that.

**Senator HEFFERNAN:** Thank you, Minister, you are very helpful and polite.

**Senator XENOPHON:** Could I ask a supplementary on that line of questioning.

**CHAIR:** I will go first to Senator Back, because he did raise it—

**Senator BACK:** No, on a different topic.

**Senator XENOPHON:** I have just one question on that.

**CHAIR:** Senator Heffernan, have you finished on that?

**Senator HEFFERNAN:** Yes. To be continued.

**Senator XENOPHON:** Further on Senator Heffernan's line of questioning—and I understand this particular outcome relates to administrative arrangements—is there any risk assessment done by virtue of, for instance, the CER with New Zealand, to determine that the nature and extent of the CER is appropriately reviewed by virtue of the administrative arrangements of the department?

**Dr O'Connell:** The closer economic relationship and questions of these broad sorts really are not within this department. We do not run that policy or the administration of it. I think you would probably be talking about Treasury and Prime Minister and Cabinet.

**Senator XENOPHON:** Even though it directly affects agriculture in this country?

**Dr O'Connell:** The question as you put it was broad across the administration of the CER. I was responding to the question you put.

**Senator XENOPHON:** How about I narrow the question, and I am conscious this is a supplementary. Insofar as it affects agriculture production in this country, to what extent does your department assess any risk factors in an administrative sense with respect to the CER with New Zealand?

**Senator HEFFERNAN:** So far all you have said is, 'It is 20 years old and I do not remember.'

**Dr O'Connell:** Not that I do not remember; I think we—

**Senator HEFFERNAN:** That is what Alan Bond used to say.

**Senator Ludwig:** That is not the evidence.

**Senator XENOPHON:** I am happy for it to be taken on notice.

**Senator Ludwig:** We are happy to take it on notice and get back to you. One of the challenges, of course, is that this is getting asked in the corporate time when hopefully Biosecurity Australia will be able to provide additional—

**Senator XENOPHON:** But arguably there is an administrative aspect to it, Minister.

**Senator Ludwig:** I do get your point, but I think your end point was: what is the relationship and how does it work in practice? Biosecurity Australia will be able to deal with that.

**Senator XENOPHON:** Yes, what is the relevance of administrative arrangements in the context of that?

**Senator Ludwig:** Yes.

**Senator BACK:** I have just two things, if I may, Dr O'Connell. One is clarification with regard to Eastern Creek: when does its lease expire and can the lease be extended?

**Dr O'Connell:** I think it is 2015 and I think at that stage the options have gone.

**Ms Mellor:** We have exhausted the options at that point.

**Dr O'Connell:** Yes, the options have gone.

**Senator BACK:** We have exhausted the options at 2015?

**Dr O'Connell:** I think so.

**Senator BACK:** That does clarify that; there is no opportunity beyond it. The other question I wanted to ask you in terms of leading up to the budget, Dr O'Connell, is: is there a priorities wish list that the department put to the minister in terms of where your priorities would lie in the event of everything else being equal for the forthcoming year?

**Dr O'Connell:** Sorry, I am just not sure I understand. Are you talking about the area of the post-entry quarantine or more broadly?

**Senator BACK:** No, I am sorry, I will clarify that. In general terms, leading up to the preparation of the budget and the forthcoming financial year, is there a list of priorities that you would put to the minister?

**Dr O'Connell:** In the typical way there is good iteration between the minister and the department on setting up the issues around the budget, but in the end, of course, representation about what the minister believes he needs for the budget is between the minister and the department.

**Senator BACK:** I understand the minister may or may not accept or may or may not endorse your list of priorities et cetera; I understand that. What I am asking is: did the department have a list of priorities that it presented to the minister in terms of your priorities for the forthcoming financial year?

**Dr O'Connell:** It would be true to say that what we go through is an iterative process which tries to work through what might be the demands on one side of what we have in the business, what may be the ask out of the budget, and what might be the sequence that you go through in terms of trying to maintain things, give things more resources or less resources, achieve savings and others. That is an iterative process over a long period to reach a landing, but ultimately it goes to advice to the minister and so it is not something I could—

**Senator BACK:** Are you in a position to advise us as to what some of those priorities may have been over and above the normal running of the department?

**Dr O'Connell:** That goes to advice to the minister, which I would not want to provide; it would be for the minister. We, of course, provide advice to the minister on budgets but that is a policy to reflect—

**Senator BACK:** I understand that, but we cannot get a sense of those areas that you, as department secretary, see as being, if you like, the higher priorities or the more urgent issues attendant on the coming financial year?

**Dr O'Connell:** If you look at the budget outcomes, the budget outcome has quite a significant emphasis on the biosecurity function because there are significant investment issues we need to make there. It would be an obvious point to say that that budget outcome and my priorities would be very similar in that my priorities are to deliver that budget outcome and, when I analyse where we need to make investments, it is certainly in those areas. With PEQs, for example—post-entry quarantine—we have the time frame of the leases going out and we have the issues that we need to manage in the meantime; we know that. We are going through the process of working up the risk-return methodology for biosecurity and we need to make sure we have the capacity to invest in there. The biosecurity function is a very large part of the portfolio, around about 60 to 70 per cent of the portfolio expenditure, and is also probably the most significant, the front-end, that the public and the economy deals with. We would certainly look at that as being an area where we need to be efficient and we need to be well-invested. There is no secret in that and there would be no secret that that is the sort of—

**Senator BACK:** I was not asking for the release of secrets; I was just trying to get a handle on where you saw the main gain. Biosecurity, obviously—

**Dr O'Connell:** That will be a clear priority area. As the minister suggested, the other obvious area—and again it is there in the budget—was the drought reform process, the WA pilot, and the refunding of that again was a major initiative. If we were going to get continuity from that drought reform approach, we needed to manage that. Those were very typically, I think—

**Senator BACK:** Thank you.

**Senator COLBECK:** I just want to ask a couple of questions on media monitoring. You did not have a bet or anything on this, did you, Dr O'Connell?

**Dr O'Connell:** No, I am not a betting man, in present company.

**Senator COLBECK:** In due deference to Senator Xenophon. I asked some questions about the cost of media monitoring at the last hearings and I think you had spent something like 283,000 so far in the financial year. I might ask you for an update on that. I also asked about supplying of the media-monitoring clips to opposition spokesmen, as part of that process. It is question 17 and section 4 of that says:

Provision of press clips to opposition members is outside the current licensing arrangements. To provide access would result in higher costs to the Commonwealth.

In question 19 you say that:

The service was provided by Media Monitors Australia Pty Ltd. Media Monitors monitoring is provided daily to the department and is supplied electronically to the minister and the parliamentary secretary's office at no extra cost.

Why is there no extra cost to provide it to the minister's office but additional cost to provide it to the opposition?

**Ms Freeman:** Fran Freeman, Executive Manager of Corporate Policy Division. In answer to your first question, which was the total expenditure for media monitoring from 1 July 2010 to 30 April, for the department was 2008, \$409, GST inclusive.

**Senator COLBECK:** 2008?

**Ms Freeman:** Yes, \$409.

**Senator COLBECK:** It has gone down since additional estimates.

**Ms Freeman:** No, that was the amount—I think the 283 amount—

**Senator COLBECK:** That was 2009-10.

**Ms Freeman:** Yes, that was 2009-10. This is until the end of April, so still in train. Referring to the previous question on notice, my understanding is the provision to opposition senators was relating to the licensing agreement. I would have to take on notice why the additional expense aspect to that question.

**Senator COLBECK:** In question 10 you said:

The department's current licensing and remuneration arrangements do not extend to providing copies to members of the opposition.

That may be a condition.

**Ms Freeman:** Yes.

**Senator COLBECK:** Later on in that answer you say:

There is no standard government agreement for media monitoring, however, the department's contractual arrangements for media monitoring are consistent with those of other departments.

Yet in the industry portfolio Minister Carr gave us an answer at the last estimates that the opposition spokesperson is on the list for media monitoring. I am very interested to know: why does it cost more to give it to the opposition when it does not cost anything to give it to the minister's office? The minister's office and parliamentary secretary's office get it at no cost, but the opposition spokesmen do not. You say that the licensing agreement does not extend to providing members of the opposition, and yet the industry portfolio certainly does, and I am very certain that immigration also provides them to the opposition—in fact, perhaps even more broadly than just the shadow minister.

**Dr O'Connell:** These presumably are different contractual arrangements that have been entered into for different purposes.

**Senator COLBECK:** Yes, but I am reading from your answers to questions on notice:

However, the department's contractual arrangements for media monitoring are consistent with those of other departments.

Now, either they are or they are not.

**Dr O'Connell:** My understanding is most departments do not provide media monitoring to the opposition.

**Senator COLBECK:** I have just named two that do.

**Dr O'Connell:** That may be right.

**Senator COLBECK:** Specifically, the industry minister does because he gave me that answer himself.

**Ms Freeman:** If I may, also to bring to your attention, just this month the department has entered into a new contract for media monitoring services through Media Monitors through the panel arrangements provided through PM&C, and if it may, just to expedite the answer, if we just investigate what the licensing arrangements are under this new contract and provide that information to you.

**Senator COLBECK:** I am interested to know there, but I am also interested to understand the inconsistencies in the answers that I have been getting. There is question 10, 17 and 19, and they do not appear to add up.

**Ms Freeman:** We will go back and look at our answers, but I think they would partly be matters to take up with the other portfolios. The answers that we have provided previously—

**Senator COLBECK:** The question is why it does not cost anything to provide it to the minister's office and yet it does cost something to provide it to the shadow minister's office.

**Dr O'Connell:** I presume that what was intended was that the licence as negotiated was a package licence and if we try to extend it now to others, it will be additional costs involved in that. Certainly we have constraints around how we use those, we cannot send those clips outside of our department, even to home email addresses of staff, they are the licence conditions.

**Senator COLBECK:** I accept that. Your answer to question on notice in 17 says 'up to 350 users', so I accept that. Downstream, up to 600 can access the information on the department's media portal, so there is obviously a permission process through that, I understand all that. I do acknowledge that Minister Ludwig made some comments about his attention to the issue at the last estimates and the numbers spent in this agency are very different to the numbers permitted in the industry portfolio. In fact, they were under using their capacity to a significant extent so therefore the licensing figure was different.

**Ms Freeman:** Yes.

**Senator COLBECK:** I am happy to put all that on the record but there still appear to be some inconsistencies in what I am being told and I would be interested to understand how they all fit together. I am prepared to give credit for the fact that the minister has had a look at this and found a capacity to save some money, and it is a reasonable amount, but it just does

not seem to stack up in terms of the potential of the policy to allow accessibility for the opposition.

**Senator Ludwig:** Two things. I accept that they have to go away and do that work. I think I said this last time but I will try again: if we can provide it at no cost, then I am happy to do so. If it is going to incur some additional cost, depending on the size, I might email you and confirm whether or not you will criticise me at estimates for assuming that level of expenditure, but if you want, then can you let me know and I will provide them to the shadow minister Mr Cobb.

**Senator COLBECK:** Yes, and I am quite happy to concede that you might not have been asked either.

**Senator Ludwig:** We will go and sort it out and if it is—

**Senator COLBECK:** I am interested in the new arrangements and how they line up, because that does provide some consistency across all of government because it is a centrally sourced process. I would be interested to know how that impacts on your overall spend or whether or not you have a capacity to allocate within that broader procurement to the level of detail that you have done at the moment, because obviously you have made some efforts to look at that as an issue compared to what other departments may have done. I am interested whether you still have that capacity or not.

**Ms Freeman:** Certainly, happy to.

**Senator COLBECK:** Thanks, chair.

**CHAIR:** If there are no further questions for corporate finance, corporate policy and corporate services, we shall now call officers from climate change, including forestry, drought and exceptional circumstances. We will start with drought, so there is no confusion.

**Senator MILNE:** We have 50 minutes on each. Dr O'Connell, if we may start with drought and then we will do that for 50 minutes, then we will go to exceptional circumstances and then forestry.

**Senator SIEWERT:** Firstly, can we go through where we are up to with the drought review process and how any future process for drought and exceptional circumstances now ties in with the pilot in WA now that has been extended.

**Mr Mortimer:** The budget measures set out that an extension of the WA pilot has been agreed with WA and WA has issued a press release, from their part, setting out what they are going to do. In the immediate sense those measures will be implemented, and that will be done through a national partnership agreement extension with WA. That agreement will ensure that the pilot measures continue for another 12 months, which is the period through which the review will be finalised, and the next steps of drought policy will be settled between the Commonwealth and the states and within the Commonwealth itself.

**Senator SIEWERT:** Sorry; could you go back over that last bit.

**Mr Mortimer:** The review panel that is now examining the pilot—

**Senator SIEWERT:** This is the review of the pilot which is due to report in September?

**Mr Mortimer:** That is right; the head of the review is Mr Mick Keogh. That is due to report at the end of September. That report will be the basis of discussions between Commonwealth and state ministers for agriculture, who have been engaged in this process

over the last couple of years. As you are aware, there are shared arrangements around drought policy between the Commonwealth and the states, so they will come to a position of where they want to go. Then the outcome of that will go into the Commonwealth budget discussions next year as well as the state budget discussions for their part. We are expecting that the outcome will be settled as a result of budget 2012.

**Senator SIEWERT:** When you say 'settled' in terms of the budget, are we now talking about an overall approach Australia wide?

**Mr Mortimer:** Yes.

**Senator SIEWERT:** I have a series of questions I want to ask about the package for WA, but I just want to ask a bit more about funding et cetera from a national approach, because that has not been settled. Is that why—and, I am sorry; I was a bit distracted because I was trying to find where my marker was on drought in here—in the forward estimates of 2012-13 and beyond, nothing is budgeted for drought?

**Mr Mortimer:** That is right. The measures are there—and we can go through them in detail—but it is for one year only. Any funding beyond that will be the subject of separate budget discussions.

**Senator SIEWERT:** The one year only is the assistance, so there is the one year only further assistance for the pilot and then the one year only for the other measures.

**Mr Mortimer:** One of the drought measures, the farm grants assistance measure, will be provided over two years, but that is being provided, I think, through the Treasury portfolio. Perhaps Mr McDonald can—

**Mr McDonald:** Yes.

**Senator SIEWERT:** Do I need to ask Treasury for that particular one?

**Mr Mortimer:** We can get it to you on notice, if you like. We might be able to tell you here and now. Not all of the measures that have been delivered for the WA pilot are indeed reflected through this portfolio, and some of them are referenced in the part of the papers which talks about measures delivered by other portfolios or agencies such as Centrelink. We can take you through that if you wish.

**Senator SIEWERT:** I will be in Centrelink next week so we can follow it up there, thank you, rather than putting you to that trouble. Can I go on specifically, please, to the WA pilot. I have seen the update from earlier this year. I think it was December—and we asked in February. I would just like to update the figures from February, if I could. I am specifically interested to look at where some of the locations for the applications are coming in. I am conscious of privacy issues. We are talking about a large area of Western Australia, and I am particularly interested in looking at the regions where you are getting applications from. Does that make sense?

**Mr Mortimer:** I understand that. I am not sure that we have that level of detail with us now. We can tell you the number of people who are benefiting from each of the measures but, subject to advice from Mr McDonald, I am not sure we have the applications by region.

**Mr McDonald:** We do not have the information for a geographic spread with us here at the hearings.

**Senator SIEWERT:** Could you take it on notice?

**Mr McDonald:** We will take it on notice, but we will have to check whether that raises any privacy issues, given the numbers of people available accessing support. If you wish, I can take you through each measure, if that helps.

**Senator SIEWERT:** Yes, that would be good; thank you.

**Mr McDonald:** There are a number of measures under the WA pilot of drought support measures. To start with, we have got the farm planning measure, which involves up to \$7,500 for farm businesses to access training. As of 13 May, 400 applications have been approved through that program, and 391 of those farm businesses have gone through that program and completed. One last group, the remaining nine, is being completed in the Carnarvon region. For the Building Farm Businesses—that is, the grants of up to \$60,000—as of 13 May, 195 applications have been received, with 65 of those being approved and the remainder being assessed by the WA Department of Agriculture. With regard to Farm Family Support, which is the income support program, as at 13 May we have 374 recipients accessing that support. There is a measure called farm social support, which is a range of initiatives delivered by Centrelink, the FaHCSIA portfolio and the Department of Health and Ageing. The Centrelink initiative involves a number of initiatives but includes rural services officers out there to assist farmers on the ground. It also includes rural social workers.

The rural service officers have made over 6,800 contacts with customers, and that has involved 723 farm visits. We have rural social workers who have made over 1,000 customer visits in the WA pilot region, and over 200 of those have involved farm visits. There is also the mobile office which travels around Australia. That has made a number of trips to the pilot region, including visiting over 26 communities in the Western Australian pilot region.

**Senator NASH:** The rural service officers you are talking about, are they initiated by the rural service officer or is that as a request for them to visit from the farm household?

**Mr McDonald:** It could be either. So what that means is that it is a service that is going into someone's house.

**Senator NASH:** Could you take it on notice—and I understand you would not have that now—to give us the breakdown of where they have been invited and where they have initiated the contact?

**Mr McDonald:** I can check with Centrelink, yes, and take that on notice. There is the FaHCSIA rural and regional family support initiative, which involves contracted providers of family counselling services. They have made over 2,100 customer contacts since 1 July last year. Then there is the Department of Health initiative which is the online mental health counselling for youth, and there have been 32 registered users of that program to date. We also have the farm exit support program. One grant has been paid under that, and there have been 26 applications to date.

**Senator SIEWERT:** In that case I do not think there has been any progress since last time, has there?

**Mr Mortimer:** There had not been one paid last time but this has been paid since then.

**Mr McDonald:** The key challenge there is that we have a number of applications in but, to be found eligible and receive a grant, you need to have sold your farm. The big hurdle for a lot of those applicants is that they need to sell their farm before they are granted their payment.

**Senator SIEWERT:** I think you said there are 26 applications.

**Mr McDonald:** Yes.

**Senator SIEWERT:** They are all still waiting to sell.

**Mr McDonald:** Some of them are going through being assessed but, for all of them, yes, they are still awaiting sale. Within that 26, there are four applicants who have been through a pre-assessment, which is a preliminary assessment of their circumstances and, subject to the sale of the farm, they may be found eligible if all their circumstances stay the same, but that is all dependent on that sale of farm. Finally, there are two other measures: one is called Beyond Farming, which is the mentoring of those who are considering exiting by former farmers. We have got 20 former farmers signed up to do that and there are 12 current farmers who are seeking that support. There is the Stronger Rural Communities program, which involves grants to local government authorities and rural community organisations, and there were eight grants awarded under that program.

**Senator SIEWERT:** Eight grants out of how many applications?

**Mr Mortimer:** A couple of hundred, I think. They were assessed by the National Rural Advisory Council late last year and that council made recommendations to the minister. There was a considerable number, but the funding allowed for eight that were ranked as highest against the criteria.

**Senator SIEWERT:** It was the funding that restricted how many could be funded?

**Mr Mortimer:** The funding was agreed to be 300,000 and the total value of the grants that were sought exceeded that considerably.

**Senator SIEWERT:** By how much?

**Mr Mortimer:** I cannot remember; I will have to take that on notice.

**Senator SIEWERT:** If you could, that would be appreciated.

**Mr McDonald:** I would just add to that, applicants could make an application for up to 300,000. There was just under \$900,000 in total program funds available and the minister made a press release on 10 November 2010 which announced the successful project proponents.

**Senator SIEWERT:** The new funding that has been announced is \$44.1 million, for the extension of the trial?

**Mr McDonald:** That is the Australian government's contribution.

**Senator SIEWERT:** Yes, and the state, if I remember correctly, is 22.

**Mr McDonald:** No, it is \$11 million.

**Senator SIEWERT:** I thought it was higher than that. In terms of all the subprograms under this program, they are all going to continue?

**Mr Mortimer:** No, there is one that will not. The Rural Communities Program will continue in broad but the Commonwealth will not be contributing to it. WA has announced that they will provide funding for a set of activities within that program

**Senator SIEWERT:** Under Royalties for Regions?

**Mr McDonald:** No, it is not quite decided yet. They have indicated to the Australian government they will provide some initiatives within that space, if I can characterise it that way, but it is still being finalised with the Western Australian government.

**Senator SIEWERT:** Is that separate to the additional funding they are putting into the pilot?

**Mr McDonald:** No. They have said that they will contribute a sum of money to that and I will just look that up for you.

**Senator SIEWERT:** Can I just clarify: that is out of the \$11 million?

**Mr Mortimer:** Yes. It is part of their \$11 million; it was an amount of \$1.307 million.

**Mr McDonald:** That is correct.

**Senator SIEWERT:** I want to go back, before I move on, to this issue about geography. Could you give us a breakdown into pastoral properties and farm businesses? If you cannot, give us inter-regions.

**Mr McDonald:** We will have to take that on notice and see what we can make available.

**Senator SIEWERT:** That would be appreciated, thank you. I am not criticising the decision to expand it or to continue it, but can you go through the circumstances that have led to that; if, in doing that, you had taken into account some of the findings of the review already; and whether the review will be extended to cover the new circumstances?

**Mr Mortimer:** The pilot was extended at the request of the WA government and it essentially allows for the ongoing provision of support across the state under the measures that have been provided in the pilot over the process and through the period of where the process of finalising the new policy will be settled. As I said earlier, it is expected that the new process will be settled so that an outcome can be determined in next year's budget, with a view to implementation after that; so the pilot will cover that period. The review itself will not be extended, the 30 September deadline remains the same, and that is important in terms of allowing time for the consideration of its findings by Commonwealth and state ministers and taking it through to the Commonwealth budget process, as well as budget processes in the state. That is the set of arrangements around that.

**Senator SIEWERT:** In terms of the review, how soon after they have reported will it be publicly released?

**Mr Mortimer:** That is an issue for the government.

**Senator SIEWERT:** I have to ask that every time, just in case.

**Senator Ludwig:** I am happy for you to ask it.

**Senator SIEWERT:** Is it expected that that review will be released prior to you making an announcement on the future policy approach in the next budget?

**Senator Ludwig:** I have not turned my mind to it. I will take your question on notice and have a think about it. It would be my broad view, because it does require the state and territories also to have a look at the review findings and settle some of the outcome from that. The sequence of events I would envisage, unless someone here corrects me, would be that the review will report its findings to the WA government and me. Then, examining that, we will make some decisions about what we think the future should look like. They will be then

matters for us to progress through, I imagine, a COAG process. I do not want to second guess where that will end up either, but you can see the sequencing does mean that it will require the review findings, the WA government and ourselves to examine those, and then, particularly as we move forward for national examination of these issues, a COAG process again. There is some work to be done but that is broadly the outline of how things will progress, if that helps.

**Senator SIEWERT:** Yes, it does in terms of the timeline. I do not necessarily see the connection—I understand how you need to take the findings into account and take it to COAG et cetera. To me, that does not necessarily mean it is mutually exclusive from then releasing the actual review publicly so that the rest of us can understand the findings.

**Senator Ludwig:** Because it is both WA and ourselves, it will be also contingent on a WA decision on that as well.

**Senator SIEWERT:** I appreciate that.

**Senator Ludwig:** If I could give you some comfort, it would be my broad view that all of these reports, reviews and things like that should be public. I think I have been consistent across this department with that. That would be my general approach but, when I get the review, I will make a decision then.

**Senator SIEWERT:** The extension of the boundaries now covers the whole of the southwest agricultural region. Is that correct?

**Mr Mortimer:** That is right

**Senator SIEWERT:** Is that on the request of the WA government under current seasonable circumstances?

**Mr Mortimer:** It is at the request of the WA government.

**Senator SIEWERT:** In terms of the amount that you decided, the \$44 million, how was that amount reached?

**Mr Mortimer:** It was negotiated between ourselves, the Commonwealth, that is, and the WA government. There is a principle that the WA government would provide 20 per cent of the funding but, beyond that, it was negotiated in terms of being able to fund the key elements for the bigger pilot area. Clearly, the most costly of the three items are the farm-planning venture, farm business grants and the income support, so it was negotiated with an envelope to ensure that, on the basis of our estimations, it would fund uptake by people in that area against the eligibility criteria.

**Senator SIEWERT:** If we get time, I would like to follow another couple of questions.

**CHAIR:** Certainly.

**Senator XENOPHON:** If I could ask about exit grants, further to Senator Siewert. The DAFF website says on the exit grants that government can offer support to make the decision to leave farming easier and enable them to leave the land with dignity. That is pretty axiomatic, isn't it?

**Mr Mortimer:** Yes.

**Senator XENOPHON:** One of the issues that has been raised in South Australia by Riverland growers is that creditors are getting their hands on exit grants because they are not

exempt from bankruptcy regulations. I note under the 2010-11 budget the re-establishment system for farmers in severe financial difficulties who decide to leave their farm has been extended for over two years until 30 June 2012. There is still a real issue that farmers who have been declared bankrupt by creditors are claiming the one-off exit grants. Has that issue been considered given the very intent of having an exit grant?

**Mr Mortimer:** Yes, it has been considered. Let me just step through it a bit. One of a number of conditions for an exit grant is that the farmer be solvent at the time that the grant is paid. That is consistent with the objective of the program, which is to encourage farmers to think about their situation and, if they feel that their prospects are not good in agriculture, to move before a situation such as bankruptcy is forced upon them.

**Senator XENOPHON:** That is still inconsistent with the objective of an exit grant and, secondly, aren't there other rural support schemes that are being exempted under the bankruptcy regulations such as the Rural Adjustment Scheme, the Sugar Industry Reform Program? They are exempt from the clutches of creditors.

**Mr Mortimer:** I am not sure if that is the case. I have been involved in the sense of having direct portfolio responsibility for a number of those programs and the bankruptcy provisions were not changed for any of them. If I can go back to my earlier point—

**Senator XENOPHON:** Sorry, the prescribed regulations are regulation 6.04B under the bankruptcy regulations. You are saying they are not exempt.

**Mr Mortimer:** The point is the program is designed so that the farmer gets the grant in a situation where he is not bankrupt. If the farmer moves on to somewhere else and subsequently becomes bankrupt, that is a situation where the provisions of the scheme no longer prevail. It is beyond the coverage of the scheme. What I am saying is that the scheme is quite clear that the farmer needs to be in control of his own affairs to get the payment, that after that he has the payment, plus the value of any other net assets he has, and he can go on to do whatever he wants to do after farming.

**Senator XENOPHON:** If they have been declared bankrupt, then the exit grant, which is supposed to get them to restart their life after farming, means they cannot access that. It is going to be taken up by the creditors. That is a live issue.

**Senator Ludwig:** If we can just step back a fraction. The idea of the exit grant is to encourage viable farms to put their hand up to say, 'We're going to remove ourselves from this industry,' so voluntarily. So it is a condition—

**Senator XENOPHON:** Viable farms?

**Senator Ludwig:** I meant to say non-viable farms in that sense. They are not in bankruptcy proceedings or have been declared bankrupt. The scheme is available for non-viable farms or people who want to exit the farming—

**Senator XENOPHON:** I am just trying to see if there is a policy consistency here. Is it your understanding that, under the bankruptcy regulations, regulation 6.04B, there are prescribed rural support schemes that are exempt from bankruptcy regulations?

**Senator Ludwig:** I do not have that regulation on the top of my mind, unfortunately.

**Senator XENOPHON:** My advice is that there are other rural support schemes which are exempt under bankruptcy legislation. There must have been some policy basis for that. Would there be a similar policy basis here?

**Mr Mortimer:** There have been some schemes that have been exempted from the bankruptcy provisions over time. The decision as to whether to do that is taken on a case-by-case basis and we can certainly come back to you with advice on—

**Senator XENOPHON:** What you have just said to me is inconsistent with what you said a couple of minutes ago.

**Mr Mortimer:** No, what I am saying is that the EC exit grants as a measure in themselves have never had exemption from bankruptcy. I was saying that conceptually that is because the scheme was not intended to pay money to bankrupt people. It was intended to pay money to people before they became bankrupt.

**Senator XENOPHON:** That is right. So there is no misunderstanding, the issue here is that people get an exit grant. They want to get off the land, get on with their lives, rebuild their lives. You have a situation where, in South Australia, for instance, you had a former deputy chairman of the Wine Grape Growers Association, Glen Arnold, who used his exit grant to retrain as a truck driver and chef, and the purpose of the payment was not to benefit major creditors. So long as the person is not bankrupt at the time that they get the exit grant, what—

**Senator Ludwig:** Or in bankruptcy proceedings.

**Senator XENOPHON:** Isn't there a policy issue for people to be able to get on with their lives? If they are going to lose their farm, at least they can try and retrain.

**Mr Mortimer:** It really goes back to the intent of the policy and I suppose the question is: if the policy was changed otherwise, what might the consequence be? Arguably, you would be moving not to provide incentive for farmers to think about their circumstances and act in anticipation but potentially to underwrite a failed business or, alternatively, creditors themselves will be at risk. Not just the banks—who I must admit no-one has any sympathy for—but also providers of credit in local communities, like fuel suppliers and fertiliser suppliers, might find themselves at risk if they were excluded from following up any claim.

**Senator XENOPHON:** I am planning to introduce a bill on this fairly shortly and it may be that it may be co-sponsored by some of my colleagues in this room. Minister, could I get an urgent briefing from the department on this because there seems to be a concern about it?

**Senator Ludwig:** It would worry me if you were going to introduce a private member's bill without considering all of the policy issues in this area and how it actually assists farming, particularly because if you recall—

**Senator XENOPHON:** You should never worry about my private senator's bill.

**Senator Ludwig:** I will put my manager's hat on and debate a bill that is not fully informed, and I do not mean that as directed at you.

**Senator XENOPHON:** I hope you are not suggesting my bills are not fully informed.

**Senator Ludwig:** No, that is why I am not saying it is directed at you, Senator. I am happy for the department to provide a briefing in relation to this. When you then lump it with exit programs, I think in this instance you have to define the difference, that this was an exit

program designed around those farms affected by drought so that the farm could still be in an arable land but it is challenged because of the drought circumstances. It is designed to exit from that because they are in financial difficulties. That is not to say that other farms throughout that period have been able to manage through drought.

**Senator XENOPHON:** There is also the irrigators exit grants which were managed differently as well.

**Senator Ludwig:** It depends on the policy intent and how the grant is then structured.

**Senator XENOPHON:** Could I arrange a briefing in the next couple of days? That would be good.

**Senator Ludwig:** It will depend on the department, they are at estimates, but it will depend on—

**Senator XENOPHON:** When they have finished their estimates commitments, that will be good.

**Senator WILLIAMS:** Can I just add something to that very issue, please. Minister or Mr Mortimer, just recently I was involved in a case where a farmer was devastated by the drought financially, could not sell his properties and the bank sent a receiver. This point that Senator Xenophon raises: is it correct that once a receiver is sent in to take over a family farm they are also excluded from any exit grant?

**Mr Mortimer:** Yes, I think that is the case.

**Senator WILLIAMS:** Here is the situation: he did the right thing, he actually listed his properties for auction. What more can you do than put it for auction, then put them up for auction again six months later? He cannot sell his properties in a time of drought. The bank sends a receiver in and he is excluded from any exit grant. Isn't this grant to help people get back on their feet? Once a receiver goes in, then they are totally wiped out from any exit grant.

**Mr Mortimer:** I hear what you say. The program is trying to strike a balance between assisting farmers in making decisions and preparing themselves for changing circumstances rather than necessarily—and it sounds cruel, I appreciate—paying people just because they fail.

**Senator WILLIAMS:** He was doing his best to get out, but the bank sent a receiver in. Straightaway he is sent on his bike with nothing. I think that is wrong.

**Mr Mortimer:** I understand what you are saying.

**Senator Ludwig:** I accept your view of these things. I am not familiar with all of the circumstances that that farmer may be in and the circumstances surrounding whether they have applied for an exit grant and what time frames they may have applied for them and how that all progressed. The policy intent, I think, is quite clear in that you do and can end up with some incorrect outcomes if you start changing the way this one particularly works, given that it is designed specifically for drought and exiting out of where you have got into financial difficulties as a consequence of drought, because as we know the drought that extended across the eastern seaboard went on for a considerable amount of time. Some farms managed through that, others were less successful for a whole range and variety of reasons. That is why

I disagree with Senator Xenophon in his characterisation of exit grants per se across all industries because they are tailored for the circumstance and to have specific policy outcomes.

**Senator NASH:** How many declared EC areas are there still?

**Mr Mortimer:** The minister announced on Friday the Gulf Region will come out of EC in June. After that there will be three areas in EC across the country: there will be two in New South Wales, Bundarra and Eurobodalla; and there will be the River Murray corridor in South Australia.

**Senator NASH:** I note in the budget I think there is \$21.3 million will be spent over two years for EC assistance. Do I understand that all of that 21.3 will go to those three areas, or how does that work?

**Mr McDonald:** That recognises the extension that was made a little earlier in the year to the River Murray and Lower Lakes corridor; an EC declared area in South Australia. The funding that was made available to Bundarra and Eurobodalla are in earlier budget papers.

**Senator NASH:** Correct me if I am wrong, that 21.3 relates only to the River Murray and Lower Lakes extension?

**Mr McDonald:** Correct. That represents a 12-month estimate for what that extension will cost the government.

**Senator NASH:** Given we are a bit time constrained, could you take on notice for me and provide the breakup of the 21.3 and how that will operate through those two EC areas?

**Mr McDonald:** We can do that.

**Senator NASH:** That would be great. I understand the professional advice and planning grant is being wound up; is that correct?

**Mr Mortimer:** That is right.

**Senator NASH:** Can you explain the rationale behind that? Is that just because of the link that the EC declared areas now no longer exist so there is no longer a need from your perspective for the planning grant and advice?

**Mr McDonald:** It is a number of things. The professional advice and planning grant was introduced back in 2006 at the height of the drought conditions. Since that time there has been, at least for the eastern side of Australia, a dramatic improvement in seasonal conditions and that has meant that the government has made a judgment that now is the time to discontinue that program. I would add to that as well that applicants may only access that program whilst they are in an EC declared area, and we just discussed how there are very few of those areas left now.

**Senator NASH:** It is linked to the declaration.

**Mr McDonald:** Yes. Further, we have not received any applications in those remaining EC areas since November 2010, so we have not seen a demand from the remaining EC areas for that program, and the government took a decision not to continue that program in this budget, senator.

**Senator NASH:** Can I ask how the department has considered, in terms of the impact on regional areas, the extremely high rainfall and flood events that occurred over summer for a lot of these regions that had previously been in drought for eight or nine years? How did the

department consider that impact on farmers and regional communities in terms of that 12-month wind-up period, if you like, where the EC assistance really allows for a 12-month recovery period?

**Mr Mortimer:** There are a couple of things there. First off, in terms of the department, ABARES has done quite a considerable analysis of the impacts of the flooding and they have published material on that earlier in the year, setting out their findings and conclusions about the effects of the flooding through those different areas. In terms of the issues around exceptional circumstances, in themselves the reviews of the areas that are in exceptional circumstances are done by NRAC, and it provides its advice to the minister. In making its recommendation it looks not only at the information from ABARES but also the information from the state governments and visits the areas in question.

In terms of the issue you mentioned about recovery, I will comment that, when EC declarations are made, the standard period of time is two years, and the logic of that is that there is a year of assistance to help the farmers through the issue, and then a year for recovery. That has been superseded over time by the continuation of the drought. We are looking at a lot of areas across Australia that have been in EC for eight or nine years. What NRAC did, and the government agreed on, was that NRAC will consider recovery on the basis of seasonal circumstances. NRAC considers whether the season has changed sufficiently that they are confident that the farmers can operate in a normal fashion. If I look at Victoria, for example, NRAC, in its findings in the EC reviews, which are on the department's website to be seen, found that, for example, there was an exceptionally good crop outcome. Not as good as farmers had wanted, but the production was high and the prices were good. NRAC found that there was abundant surface water; they found that irrigation water availability was very high; they found there was plenty of pasture—

**Senator NASH:** Sorry, that amuses me, half the place is under water. Go on.

**Mr Mortimer:** Yes, that is fine. NRAC came to the conclusion that the circumstances were in place for farmers to operate under their normal arrangements. That was the advice of NRAC to the government and the government accepted that advice.

**Senator NASH:** Given that we are short of time, I have a whole range of questions I will put on notice. I understand that NRAC gives the advice and that is the determination they have made. Could you provide in detail for the committee though the locations that NRAC visited across the country in terms of making these determinations?

**Mr Mortimer:** Yes, absolutely.

**Senator NASH:** Who they spoke with and what the consultation was throughout that process, in detail.

**Mr Mortimer:** We do not necessarily have lists of all the people who attend the meetings, we do not do attendance lists on NRAC inspections, albeit it was a broad sense of how many people attended. We certainly have the itineraries and can inform you of where NRAC visited.

**Senator NASH:** If you could ask NRAC though, even if they cannot give you individual names, the circumstances through which those people were at those meetings, were they farmers, were they local business people, just that type of information would be quite useful.

**Mr Mortimer:** That is probably not possible, in all honesty, and I will say I am speaking from experience of being an NRAC member and doing these visits. The attendance at the meeting is generally organised by the local state government and the farmer organisation. For example, in Queensland it would be AgForce who will encourage local people to come along to the meeting, and often there will be an AgForce member at the meeting, and as well the relevant state agriculture department will encourage people to attend. That is how the people come along.

**Senator NASH:** No-one keeps a list of who attended these meetings?

**Mr Mortimer:** No. We do not do a list at the door where people sort of write their name and say what their profession is. Again, speaking from direct experience, I take my own notes, which list who speaks and who says what, but I cannot claim that they are always accurate as to exactly who is what.

**Senator NASH:** I would have thought it would have been useful for somebody at least to keep a list of who attends these meetings, when the advice that they give to NRAC informs the advice that they then give to the minister, and we do not have a list of the people that were actually giving that information to NRAC. It seems quite extraordinary.

**Senator Ludwig:** They undertake their own work, so it is not the only source of advice, I suspect. I am speaking on their behalf, but if you can imagine that they also provide the comprehensive report, they are available and I am sure you have read them, that details the work that they do and how they come to their assessment of the area.

**Senator NASH:** No, but that is not the point I am making, Minister.

**Senator Ludwig:** No, I accept that. The difficulty is, thinking outside the box, if you start drawing up lists of who attends meetings, you may actually not get a good cross-representation of the people who would then come and provide that information. I would imagine positively, that AgForce would ensure that there is a good cross-section of people at these meetings, and that other representative bodies doing that work would also ensure that that is undertaken. AgForce may keep a list, for all that I know, but to provide lists like that I think would be problematic, because you may find that it is counterproductive.

**Senator NASH:** How would it be counterproductive?

**Senator Ludwig:** People may not want to go and put their name down and go to a meeting.

**Senator NASH:** I have another question. I am sure NRAC have made all their decisions in good faith after consultation, but I think there have been a number of areas that have been severely affected by the flooding over summer which has hindered their ability to recover. You have only got to go to the south-west of New South Wales to see these areas where it has indeed happened. My question is around the mental health provision for people in these areas where, regardless of what NRAC thinks about it, there is a real issue for a lot of people. I know there has been a significant funding cut for the better access initiative, the GP mental health services.

**Senator Ludwig:** I am not sure that is accurate.

**Senator NASH:** I think it is. It is about \$580 million, I think, from the GP mental health services.

**Senator Ludwig:** As I said, this is not the Health portfolio.

**Senator NASH:** Wait till I finish my question.

**Senator Ludwig:** To the extent that there is a question, I am happy to hear it.

**Senator NASH:** You are wasting time. I am going to merely ask the department: in absence of those funds for the GP allied health services, does the department have consideration of what is best available for the provision of mental health services in regional areas? Is it something you consider? Is it something that you look at as part of the whole EC context?

**Mr McDonald:** Mental health support is led, as the minister said, by the Department of Health and Ageing. We of course keep in close contact with the Department of Health and Ageing about mental health support provision in light of the circumstances that you just described. In respect of the program that you refer to, questions about that program do need to be referred to the Department of Health and Ageing. They have advised that they have a new initiative there that can help provide a transition from that program to their new initiative. That new initiative is called Access to Allied Psychological Services—

**Senator NASH:** Which do not exist in the regions. This is the point.

**Senator Ludwig:** I was just going to wait until Andrew finished answering this question. You have much better perspective than I have, Andrew. When he finishes I was going to add something which also may assist because it is an issue that, as a minister who is assisting the reconstruction effort for the flood recovery, I have turned my mind to, so I do have some additional information I can provide to you in this area. I note that you confuse—and I do not think you do it on purpose—the drought and flood event when you question us. In terms of the flood event, there is a response which does have a mental health package in it, delivered through communities in Queensland, to assist. It is a significant package because right across Queensland we do recognise that, particularly for those who have suffered flood events, there are mental health issues that do arise, both in regional and rural communities especially. So there is a package. I do not have the details of that package here with me today because it is actually within the assisting minister position in the Attorney-General's portfolio. But if I could direct you to a couple of press releases that we have released dealing with mental health and mental health issues, I think the figure is quite substantial in being able to assist regional and remote communities that have been flood affected in Queensland.

**Senator NASH:** Thanks for that. That will be, as I understand it, a one-off initiative. I am talking about the ongoing provision of mental health services. Sorry, Mr McDonald, did you just want to quickly finish?

**Senator Ludwig:** The majority will be delivered, in fact all of it will be delivered through the health department and the question should be directed there. That is why I was just making sure we were separating this, because your original question was more akin to the drought and mental health—you went in that way—but now you have changed it to mental health more broadly for a region, which is then health department's requirements.

**Senator NASH:** True, but it has a specific impact in regional areas, which is why I was just taking the opportunity to briefly raise it here. Could Mr McDonald finish his answer?

**Mr McDonald:** Just as the minister said, the department of health can answer more. The only other note I would make would be that Centrelink has social workers available

throughout rural and regional Australia and of course Centrelink are well networked into local communities and can provide extra assistance through those officials out there on the ground.

**Senator BACK:** I want to go back to the Western Australian drought program. Forty-four million in the 2011-12 years—is that correct—allocated to the program?

**Mr Mortimer:** Yes, that is right.

**Senator BACK:** Does that include the \$3.7 million already provided for in the forward estimates from last year? Is that included or is that additional?

**Mr McDonald:** It is additional.

**Senator BACK:** I understand that of the \$5 million allocated you anticipate that \$780,000 will not be expended in this current financial year. Is that correct?

**Mr McDonald:** I am not quite clear what you are exactly referring to.

**Senator BACK:** My understanding is that the revised budget figures from the PBS state that \$4.2 million was or will have been spent on this program in 2010-11, leaving a shortfall of \$779,000 of the budgeted \$5 million. I am wondering is that also then to be included in the 2011-12 funding.

**Mr Mortimer:** No, that is not the case. That is a separate issue.

**Senator BACK:** Why was it that \$780,000-odd was underspent? Was there not a demand for the program?

**Mr McDonald:** I am not quite clear on what you are referring to.

**Mr Mortimer:** Can you take us to the relevant page in—

**Senator BACK:** Given the fact that I have got about two minutes left, perhaps I will place that on notice and we can explore it further.

**Mr McDonald:** That would be helpful.

**Senator BACK:** The minister's statement following the announcement indicates that 96 per cent of farmers, at least the new program, will cover that in the south-west area of WA. What is your budget for the number of farmers who you believe will take up to apply for the trial in this new financial year?

**Mr McDonald:** It depends on which measure of the pilot that you are referring to. The expansion of, say, the farm planning measure—

**Senator BACK:** Yes.

**Mr McDonald:** Under this financial year, 400 farm businesses, as I mentioned earlier, were able to access that program, whereas the increase made available in 2011-12 will allow up to 800 farm businesses to potentially access that program next financial year.

**Senator BACK:** What will be the cost per farmer if all of those take that up?

**Mr McDonald:** The cost per farmer does not change. Up to \$7,500 per farm business is made available. There is total funding of \$8.9 million.

**Senator BACK:** The grant funding of \$60,000: are you budgeting on that \$60,000 continuing at that level?

**Mr McDonald:** That measure has been slightly changed. I believe you are referring to the Building Farm Businesses program.

**Senator BACK:** That is correct.

**Mr McDonald:** In 2011-12 that will be provided to a total amount of \$30,000 over two years.

**Senator BACK:** It reduces from 60 to 30?

**Mr McDonald:** That is correct.

**Dr O'Connell:** We had \$60,000 every four years and now it is \$30,000 every two years.

**Senator BACK:** In the program that is underway currently, how many farmers were involved in, let us call it, stage 1 with the eligibility of \$60,000 over the four years?

**Mr McDonald:** As I said earlier, for that measure we have got 195 applications and so far 65 applications have been approved and the rest have been worked through by the Department of Agriculture in Western Australia.

**Senator BACK:** Those who are found to be successful, will they be capped at the \$60,000 over four years or the \$30,000 over two years?

**Mr McDonald:** It all depends in which financial year that they all apply for. If they have applied for in the 2010-11 year and there is funding available within that year, then it will be made at the grant amount as per the pilot 1 or pilot 2 stages.

**Senator BACK:** It will be back to the time at which they made the application.

**Mr McDonald:** Yes, but we still have a couple of weeks left of this financial year and applications are still being worked through by the Department of Agriculture in Western Australia.

**Senator BACK:** Any who have their application in will be dealt with under the 2010-11 guidelines?

**Mr McDonald:** That is right.

**Senator BACK:** Given the shortness of time, I had one other question, which is somewhat related. I think my colleague Senator Colbeck in the February estimates asked a question about any work being undertaken by the department with regard to what is referred to as a national multi-peril insurance fund to enable farmers to mitigate risk. The answer at the time was that, no, a study was undertaken by Ernst and Young in 2000 and it was found to be not viable. In light of the fact that there is now a risk-managed crop insurance program underway in Western Australia, does the department propose to revisit that scenario? You would be aware that this new scheme is not based on loss of profit but is based on cost of production.

**Mr McDonald:** Yes.

**Senator BACK:** In fact, I can advise you, in helping you to answer the question, that the take-up rate has exceeded the expectations of the participating parties.

**Mr Mortimer:** Yes, I understand that. We are aware of that and that WA and, I think, CBH, who have been marketing this program, have—

**Senator BACK:** Underwritten.

**Mr Mortimer:** 'Underwritten' is probably the more exact word. We would make the observation that we advised previously, on the basis of that earlier report, that the sort of scheme that was being proposed then was not commercially viable and that there would be serious issues in exposure for the Commonwealth if it was to underwrite it. What we are

seeing here is the market in WA actually finding ways of meeting the desire by farmers for some sort of protection or increased risk management through a product which does not cover the full extent of risks as was proposed earlier. As you mentioned, it is pulling back and providing underwriting for a very specific set of risks. From our point of view, we think that is a positive and we are very interested to see how it operates in the market. Indeed, its commercial operation will provide insights into the nature of the market in WA and what guides it.

**Senator BACK:** It is something that the department will maintain a watching brief on.

**Mr Mortimer:** Yes, that is a good way of putting it.

**Senator BACK:** I will put the rest of the questions on notice.

**Senator COLBECK:** Looking to the rundown of the existing EC policy and the way that that is changing, following through from the Western Australian study, your answer to question on notice number 99 from February outlines the policies terminating at the completion of an EC period, and I do not think this issue was specifically dealt with in Senator Xenophon or Senator Williams' questions. We did talk about a farmer who is looking to exit and has commenced that process of exit during a period of EC, so trying to sell their property during an EC declaration. What is the status of that process if the sale is not completed until after the end of the declaration? A farmer has started a process during an EC for exit but does not complete within the period of declaration. Are they still entitled to access that if the sale completes after the declaration is finalised?

**Mr McDonald:** The Exceptional Circumstances Exit Grant, the eligibility through to 30 June 2011 is that, subject to all other eligibility, the applicant must have resided within an EC declaration from September 2007. If that sale transaction and all other criteria are met before 30 June 2011, the only other condition there is that they did reside within an EC area after September 2007.

**Senator COLBECK:** They need to complete prior to the termination of EC to remain eligible?

**Mr McDonald:** No. The program operates separate to an EC declaration. What I am trying to say is that part of the criteria is that, from September 2007, they needed to have resided within an EC declaration at any time during that period, from then to now. That criterion changes come 1 July with the extension of the program and it then changes to from or after 1 July 2010.

**Mr Mortimer:** I think the key thing to be said, subject to Mr McDonald correcting me, is that the farmers have been able to apply for the scheme and are eligible on the basis of having been in an EC area from a certain point in time, and the main thing is that they are able to finalise the sale transaction while the Commonwealth has funding for the program and the Commonwealth has funded the program on a year-on-year basis through that period.

**Dr O'Connell:** Just to clarify, I am sorry to go down the line, I think your question was, if the area came out of EC between 2007 and now, is the farmer still okay, if he has got the process going?

**Senator COLBECK:** Yes.

**Dr O'Connell:** The answer is yes, as long as he was residing in an EC-declared area some time after 2007.

**Senator COLBECK:** Would have had to have made application within the declaration period?

**Mr McDonald:** No. As long as he has made the application since the period he was in EC and that the process is finalised in a period of time while the government has funding for it.

**Dr O'Connell:** It is very flexible from that perspective.

**Senator COLBECK:** It may have been an EC-declared area.

**Mr Mortimer:** That is right, yes.

**Senator COLBECK:** It may have come out of EC, the farmer may then make a decision, even after EC has completed, to apply for an exit grant?

**Mr Mortimer:** That is right.

**Senator COLBECK:** The only criteria that would impact on the farmer receiving was that the government still had funding allocated in its budget for that process.

**Dr O'Connell:** Subject to other criteria as well which are in the program, but yes.

**Mr Mortimer:** The key thing was that it remained a funded program from the Commonwealth point of view.

**Senator WILLIAMS:** Minister, the Delungra application that has been—I do not know what it has been but it seems to have been lost in the post or whatever. Minister Katrina Hodgkinson, I think, has written to your office and asked where is it up to. Are you familiar with it?

**Mr Mortimer:** I have to say we have not received any further application from the New South Wales government for EC for Delungra.

**Senator Ludwig:** I did not want to tip my ministerial colleague into it.

**Senator WILLIAMS:** Sorry?

**Senator Ludwig:** The preface to your question was that she has written; I did not want to respond that I do not know if she has or not.

**Senator WILLIAMS:** Minister Whan wrote to you, Minister, on 24 December, requesting advice on whether the Delungra decision could be reviewed. In his letter the minister referred to the strong case that was presented and his concerns about the conflicting nature of the ABARES advice, compared with the base of NRAC's determination, and requested advice on what factors over and above those presented in the submission in the ABARES advice that were taken into account in reaching the decision not to provide full EC support. I think it is at a standstill. We do not know where it is at. I can tell you that I have seen the letter that Minister Hodgkinson has written to you, because it was copied to me.

**Mr Mortimer:** It has not come to us.

**Senator WILLIAMS:** You have not got the letter?

**Mr Mortimer:** No.

**Mr McDonald:** The letter that you refer to has been received by the department, in its departmental systems.

**Senator Ludwig:** Thank goodness for that.

**Mr McDonald:** I do wish to be clear though that what the then minister, Minister Whan, wrote then was for Minister Ludwig to exercise his discretion.

**Dr O'Connell:** We are looking for the current minister's letter.

**Mr Mortimer:** I am sorry; there is a bit of confusion. Mr McDonald was referring to previous correspondence of Minister Whan, but I think you are now raising issues from the new minister in New South Wales, Minister Hodgkinson.

**Senator WILLIAMS:** Yes.

**Senator Ludwig:** I think the answer still stands. We will clarify it in the lunch break and get back to you, just to make sure. We will check whether we have received any correspondence. If you have a copy of that, you might want to make it available, but you might want to check with the source.

**Senator WILLIAMS:** Just on the exit packages, they expire on 30 June 2011. Is that correct?

**Mr Mortimer:** The budget provided funding for exit payments for another 12 months and that is specified in papers, I think.

**Senator WILLIAMS:** It will continue for another 12 months?

**Mr Mortimer:** Yes.

**Senator WILLIAMS:** Wonderful. I was concerned that someone may have exchanged contracts before 30 June but the property may not have settled and may not make them eligible, so another 12 months is great. Minister, you have visited the Mingoola area with member for New England, Tony Windsor. I noticed in Mr Windsor's media release by the end of the meeting:

The minister was in no doubt what the farmers sought and, whilst not being a fan of an interest rate subsidy, he asked them to look at what would assist them most in their efforts to get back on their feet and get back to him via myself for further discussions on a final package of assistance.

That is from Mr Windsor. Are you familiar with those statements?

**Senator Ludwig:** I think I read that at the time, but can I say that the onus is on the state or territory to make an application for exceptional circumstances. If there is and it does warrant a review, then that does not change that. Should the area want a reconsideration, then the New South Wales government would need to submit a new application and make compelling ground for exceptional circumstances in that region.

**Senator WILLIAMS:** In relation to flood damage of course.

**Senator Ludwig:** Yes, and it is correct to say I am not a fan of interest rate subsidies, nor is the National Farmers Federation. A whole range of others can go back and look at the Productivity Commission review in 2008. To that extent, I think my remarks are consistent with the industry's view of interest rate subsidies.

**Senator WILLIAMS:** Has Mr Windsor contacted you for feedback for the region because he says, 'Get back to him via myself for further discussions on a final package of assistance.' Has Mr Windsor come to you after that visit to Mingoola and said, 'Look, this is what the people have sent to my office,' and given you feedback on what this final package is?

**Senator Ludwig:** I need to check my records, but my recollection is that some of the issues that were discussed related to the flood events that had occurred as well through that region. If we are talking about the same area I had also noticed there was road damage, bridge damage and riparian damage. We then separated out. I looked after the flooding events for Queensland and Mr Crean is looking after those areas outside of Queensland; New South Wales and Victoria. I can check as to whether or not those matters have now been subsequently subsumed by Mr Crean. That would be my expectation.

**Senator WILLIAMS:** Perhaps we need to find out if Mr Windsor has forwarded anything to Minister Crean now instead of back to you.

**CHAIR:** Now we will go onto forestry and Senator Colbeck.

**Senator COLBECK:** Can the department outline what new forestry programs will be starting in 2011-12?

**Mr Aldred:** As per the portfolio budget statement, there are no new measures announced for 2011-12.

**Senator COLBECK:** Can you detail the programs which are being discontinued?

**Mr Aldred:** The programs that terminate in 2010-11 are listed on page 24 of the portfolio budget statement: Australia's Forest Industry Preparing For The Future; and the Tasmanian forest policy Tasmanian contractors' assistance program.

**Senator COLBECK:** I will come to that one in a second. The program of forestry capacity building in the Asia Pacific: at previous estimates we have had a look at that initial funding program; funding was announced at \$15.7 million. Your previous advice is that so far you have spent 2.1 of that over five years. According to your website, applications for phase 2 are now closed and the department is assessing applications. Can you tell us what is happening with phase 2?

**Mr Talbot:** The delay in processing phase 2 of the program is that our negotiations with the governments of PNG and Indonesia have been quite contracted over arrangements in terms of bedding down the projects that got up. We have had some leeway just recently, one of our projects in PNG, so we are hoping to have one of them start soon, but they are quite protracted, the negotiations, to get these started.

**Senator COLBECK:** The 15 projects to date: what have they achieved?

**Mr Talbot:** The projects to date in terms of the first round of capacity building were over a broad range of topics. They were involved in things like helping build capacity in certain areas such as to help with things like improving the skills of forest workers. They were also to improve things like the ways people manage their forests. I can give you details and give you outcomes. I just unfortunately cannot find my page at the moment, but I can give you details of them. We do have them up on our website the projects that were granted.

**Senator COLBECK:** What has been the feedback from those projects? What has been the reaction to those?

**Mr Talbot:** The feedback to the projects has been quite good. I must admit I have not followed up on them recently so I will have to come back to you with that.

**Senator COLBECK:** I was at a conference a few weeks ago and there was real concern about what was being achieved out of that particular program. The perception was that it has

effectively been shelved and was not going anywhere. There was genuine concern and that came from a number of South Pacific nations.

**Mr Talbot:** The concerns have been raised with me also and all I can say is that we are keen to get these projects started in Indonesia and PNG. Unfortunately, the negotiations to start these projects have been very protracted.

**Senator COLBECK:** What are the issues with the PNG and Indonesian governments?

**Mr Talbot:** I think it is a range of issues. I think the problems come down to trying for these governments to coordinate the things that we would like to do with obviously their approval with the approaches they have from other governments; one is a coordination issue. Another issue is that they have taken a great deal of time to analyse what it is and to be involved. It is basically just trying to get them onto our projects.

**Senator COLBECK:** Are we finding resistance from the Papua New Guinean and Indonesian governments to undertaking these projects or are we trying to impose things on them that they do not want?

**Mr Talbot:** I do not think it is either of those things. I think it is simply that these things are taking quite a time and it is a similar experience to what other countries are experiencing too.

**Senator COLBECK:** What are the recording processes for the individual projects that we are undertaking and what is the assessment process for the success or otherwise of the project?

**Mr Talbot:** The projects are done under arrangements similar to other projects we have for grants. In the case of phase 1 it was signed with individual companies and contracts were signed and at the end of the projects we receive a final report on the outcomes of the project. We also generally go through a process of trying to find out how those outcomes were achieved, and that is basically it.

**Senator COLBECK:** One of the criticisms that I heard a number of times was that Australia is good at delivering reports but not delivering practical processes on the ground. Are we trying to target our activities in the region to delivering some improvements in practice? What is the focus of this and how do we assess whether we are achieving that or not?

**Mr Talbot:** I think there are a number of areas where we are interested in helping these governments and their forest agencies, things like, for example, the work we are doing on illegal logging at the moment. We are trying to assist with capacity building. We are also trying to assist such as in PNG. I do not have the details in front of me but they have had troubles with some of their inventory work, I think it is in their plantations area, and we have been trying to assist with that, for example, to try and build up their knowledge and help them with a variety of things.

**Senator COLBECK:** Who is designing the projects that are being put up and how does it align with what our objectives are in working with the individual nations?

**Mr Talbot:** The projects for phase 2 also have to be in line with the International Carbon Forestry Initiative. The projects have to meet the objectives of the broader program, as well as meeting our objectives in terms of things like sustainable forest management, capacity

building. First of all, they have to meet those sorts of objectives. Then we obviously go out for a round. We had a number of projects come in and we assessed those projects and we thought, 'These are the ones that meet those objectives.' As well as selecting some projects from the group, we also went to the governments and asked them for some of the projects that they wanted as well. They gave us some as well and we also assessed those. We also had some which we will work jointly with those governments on.

**Senator COLBECK:** The Australian government's International Forest Carbon Initiative aims to demonstrate that REDD can be effective; so what we are doing is doing a reporting process on a process. My understanding is that there is not a lot of money that has started flowing through REDD yet. It is still being developed and it is still being argued as part of the process, but we are not making a practical difference on the ground if we are all worried about a specific element. You talk about the alignment with the work that we are doing on illegal logging—a very laudable objective; we talked about that during the inquiry last week—but where is the work that is actually practically delivering some real positives in terms of practices, industry skills, those sorts of things, as part of this process? Delivering a report, pushing it towards our International Forest Carbon Initiative—we have not even worked our own out yet. And, of course, REDD is not delivering either, so we are doing a report on something that is still being designed, effectively. I want to know how that delivers anything on the ground, particularly given some of the issues that exist.

**Mr Aldred:** I might just jump in quickly. Mr Talbot has advised that the completed projects are on our website and we are quite happy to provide some additional information on those. The great bulk of them are really about training, so it is capacity building in the sense of the conduct of a series of workshops and training activities rather than direct, on-ground, in-the-forest-type support. They are directed across a range of areas, including building the capacity of the forest managers to upgrade their abilities to pursue certification-type activities and so on. We are quite happy to provide some additional details. If there are particular or specific concerns that are being voiced, we would also invite those to be raised with us by the people who—

**Senator COLBECK:** Mr Talbot has already said that he is aware of them.

**Mr Aldred:** It may well be that he is aware of some of them, but if there is a broader range of them we would certainly be keen to hear about them.

**Senator COLBECK:** The forum that I was at had reporting from countries all round the South Pacific—Solomons, PNG, right up to the Marshall Islands, Fiji, all the countries, many of whom are areas of interest on this. They all reported at a conference I was at in New Zealand three weeks ago. The department was not represented there, so how do they know what is going on? It was the Australian Institute of Foresters, the New Zealand Institute of Foresters conference, professional forest managers, and some really good information, I would have thought. In fact, there was some really good information about what is happening in some of those countries and a lot of people are really very concerned about what we are doing and how ineffective what we are doing is. I am not questioning what the intent might be, but the realities of it are something very different from what the intent might be. And if our phase 2 is 'support the objectives in Indonesia and PNG of the Australian government's International Forest Carbon Initiative, which aims to demonstrate that REDD can be an equitable and effective part of post-2012 global agreement on climate change', I can

understand. It is not delivering anything practical and real on the ground in respect of the real things that Mr Talbot talked about in relation to illegal logging, for example, which is one of the fundamental issues that I think we would all like to see addressed.

**Mr Aldred:** Again, I would certainly welcome any issues that people have to be raised directly with us.

**Senator COLBECK:** If the department is not genuinely engaged, I think it is a bit hard to expect everyone to come knocking on the door. In respect of the objectives that we have for phase 2, are the Papua New Guinean and Indonesian governments content with that as the objective of phase 2 or are we looking to modify that so that we can get some agreement and get the process going? Where are we at with that?

**Mr Talbot:** I think the objectives of the IFCI and what we are trying to achieve in PNG and Indonesia can be met together. I think there is a genuine commitment by PNG and Indonesia to work with us. I think it is a matter of protracted coordination issues in these countries and I think both sides have the best of will to get things started.

**Senator COLBECK:** Do we have any time frames with when we are going to get this sorted out?

**Mr Talbot:** I am hoping to have an officer over there in the next couple of months to try to push things along. I have indicated that I think we will have one of the projects starting soon, but it is a difficult process.

**Senator COLBECK:** What are the specific roadblocks; can you tell us what they are? What are the specific issues we are having to work our way through?

**Mr Talbot:** I do not have them in front of me here, but they really go round the capacities of these countries often to just move quickly on what we have agreed to.

**Senator COLBECK:** So we have agreement on the fundamentals of what is going to occur, but we are trying to work the detail out.

**Mr Talbot:** We have agreement at—I guess you would call it—the top level but people are keen to have these projects done. I think working through the fundamentals takes a bit of time.

**Senator COLBECK:** Is it an issue finding people to do the projects, or is it—

**Mr Talbot:** I think it is more just working through the steps with the government agencies that are involved.

**Senator COLBECK:** We have proponents ready to go?

**Mr Talbot:** For some of these projects, if we had government agreement, my understanding is that we have proponents ready to go.

**Senator COLBECK:** Is there a tender process, an application process?

**Mr Talbot:** There were two processes: there was an application process where we accepted applications from a number of proponents, and some were accepted; and then there was another process where we worked with the governments of Indonesia and PNG on their priorities that matched ours.

**Senator COLBECK:** Through each of those processes we have had no successful commencements at this point in time?

**Mr Talbot:** None have commenced at this point in time.

**Senator COLBECK:** Are the projects that you are looking to commence direct negotiated projects or ones that have been subject to an application process?

**Mr Talbot:** I would have to take that on notice; I cannot remember off the top of my head.

**Senator COLBECK:** I will turn to the Tasmanian forest contractors package. We talked last time about investigators that you had sent to Tasmania after allegations surrounding the process. Can I ask where that investigation is up to?

**Mr Aldred:** I recall that at the time I said we did not wish to comment on individual allegations and so on.

**Senator COLBECK:** I have not got to that part of it yet.

**Mr Aldred:** What I can say is that allegations raised with the department were investigated. The current status is that no referrals were made to the Australian Federal Police, and evidence was not found that substantiated the allegations.

**Senator COLBECK:** Have any of the individual applications—and I know we are not going to individuals—been affected by the process?

**Mr Aldred:** No.

**Senator COLBECK:** Are all of the initial applications are continuing with their payments in accordance with the original schedules?

**Mr Aldred:** Yes. There were 30 offers, of which 29 were accepted. One was subsequently declined.

**Senator COLBECK:** Was that by the contractor?

**Mr Aldred:** Yes. Of those, all of the milestone 1 payments have been made and our team is proceeding through the milestone 2 payments, which are required when the obligations on the grantee have been met and are in train.

**Senator COLBECK:** What is the value of milestone 1 payments that have been made?

**Mr Aldred:** That is \$16.99 million. Perhaps you will just let me confirm that, but that is my recollection. I correct myself; my apologies. The total amount committed across both milestones is \$16.85 million. With regard to milestone 1 payments, \$12.64 million aggregate has been expended.

**Senator COLBECK:** Is that \$16.85 million the total amount committed?

**Mr Aldred:** Yes.

**Senator COLBECK:** Milestone 2 payments made?

**Mr Aldred:** Milestone 2 payments made to 20 May are \$264,000.

**Senator COLBECK:** There is obviously still a fair bit to commit on that process?

**Mr Aldred:** That is correct. Three of the milestone 2 payments have been completed to date.

**Senator COLBECK:** You mentioned that one contractor did not accept their offer; what happened to that funding?

**Mr Aldred:** It remains with the program.

**Senator COLBECK:** No decision has been made as to what to do with it; you have not gone back to somebody else and said, "There's some funding available, are you interested"?

**Mr Aldred:** No. To give the context for that, it is an amount slightly above \$100,000.

**Senator COLBECK:** You would need an applicant of similar scale, I suppose, if you were to utilise it. You have no plans or had no direction as far as what to do with that at this point?

**Mr Aldred:** No decision.

**Senator COLBECK:** What about the assistance payments? I understand that that is being managed by the Tasmanian government.

**Mr Aldred:** Yes. Of the program budget of \$5.4 million, \$5.36 million has been spent.

**Senator COLBECK:** How many contractors?

**Mr Aldred:** I believe it was 53.

**Senator COLBECK:** Are there a range of payments made as part of that process or is it a consistent number? There was a limit on the amount to be paid, wasn't there?

**Mr Aldred:** On the support payments?

**Senator COLBECK:** Yes.

**Mr Aldred:** The average was a bit over \$100,000; they ranged from, I believe, about \$4,000 up to \$200,000.

**Senator COLBECK:** Have you had any other complaints in respect to the fund?

**Mr Aldred:** I am not quite sure of the question, Senator.

**Senator COLBECK:** Have there been any other issues around the fund and how it was managed?

**Mr Aldred:** There has certainly been a range of commentary, and there has been correspondence from other senators and, from recollection, a Tasmanian MP.

**Senator COLBECK:** What about the management of the fund itself? My understanding is that there have been some claims against the department around the management of the program.

**Mr Aldred:** In terms of the overall management of it, as I say, there has been a range of media commentary and there has been some correspondence. I believe the department has received one CDDA claim.

**CHAIR:** Senator Colbeck, we are going to lunch at one o'clock and, in fairness, I would like to go to someone else for a short term.

**Senator COLBECK:** I would like to try to finish the line of questioning on this matter because I have had an inquiry from someone to sort it out.

**CHAIR:** If you could come to the point with your answers, I would appreciate it.

**Senator COLBECK:** What are your intentions with respect to forestry, because I do have quite a deal and it is—

**CHAIR:** We have gone way over, but I am happy to have a quick private meeting at lunch to determine whose time we are going to take away later in the day.

**Senator COLBECK:** Where is the CDDA claim? You have only received one of those?

**Mr Aldred:** That is my understanding. They are not dealt with by the forestry area, by the area that has managed the program, so I would need to seek some advice on that.

**Senator COLBECK:** There is no-one else that has any further information on that? My understanding is that there could be at least two or three.

**Mr Talbot:** We have only received one.

**Senator COLBECK:** You have definitely received one? What is the timing to deal with that?

**Dr Dickson:** It is handled in our corporate governance; we will get someone. Perhaps we can provide you that advice after lunch, in the interests of time.

**Senator COLBECK:** I have had contact from I am presuming the applicant, if there is only the one, who is in pretty dire straits and has been significantly affected by the process. Their question is: where are things at? They want to know what the progress of that particular process is because their business has been severely affected by upstream impact from them that they have no control over.

**Dr Dickson:** We will get you some advice as soon as we can on the timing of that claim.

**Senator COLBECK:** Perhaps if we are going to have a discussion about this, we will come back to it after lunch.

**CHAIR:** In that case, Senator Colbeck, am I free to go to Senator Brown for the last 10 minutes before lunch?

**Senator COLBECK:** Yes, I have still got a heap more but—

**Senator MILNE:** We have to share this committee.

**Senator COLBECK:** I have sat here for over an hour while other stuff went on.

**CHAIR:** In all fairness, we share this. I am happy if you want to start rustling the tiger; that suits me fine. Senator Brown.

**Senator BOB BROWN:** Has the department met up with Datuk Abdul Hamed Sepawi or other executives from Ta Ann?

**Mr Aldred:** No.

**Senator BOB BROWN:** Will you just check on that for me, take the question on notice?

**Mr Aldred:** Okay.

**Senator BOB BROWN:** You are telling me that there has been no communication between the Commonwealth—no direct negotiation or communication with Ta Ann operating in Tasmania?

**Dr O'Connell:** Senator, I think you asked about the department. Not being the Commonwealth, I do not know we can answer on behalf of the Commonwealth because we can only say what we have done.

**Senator BOB BROWN:** The department has had no communication or—

**Dr O'Connell:** Recently?

**Senator BOB BROWN:** No, I mean at all.

**Mr Aldred:** Ever?

**Dr O'Connell:** We will have to take that on notice, yes.

**Mr Aldred:** We will take it on notice.

**Senator BOB BROWN:** Is the department aware that Ta Ann Holdings, which is Malaysian based, particularly out of Sarawak, is advertising internationally about its eco message for another production that is coming out of a eucalypt plantation basis in Tasmania when in fact it is operating out of native forests?

**Mr Aldred:** I am not aware of any advertising of that sort.

**Senator BOB BROWN:** The Commonwealth has helped fund the establishment of Ta Ann at Smithton and at Southwood, its veneer processing works in Tasmania. Do you know what due diligence was used on this company before that funding was supplied?

**Mr Aldred:** I take that on notice. In terms of a funding program that may have assisted Ta Ann, it was several years ago, is my understanding. We would need to go back and look at that.

**Senator BOB BROWN:** Minister, you might take the question.

**Senator Ludwig:** Yes, and I was just going to add too that I met with Ta Ann—just so that it is clear. They presented their views in relation to the tariffs—the Tasmanian forest principles.

**Senator BOB BROWN:** When was that?

**Senator Ludwig:** I do not recollect them raising the issues that you just raised.

**Senator BOB BROWN:** Yes, when did you meet with them?

**Senator Ludwig:** Not long ago, I can get a date.

**Senator BOB BROWN:** Can you? Where did that meeting take place?

**Senator Ludwig:** In my office.

**Senator BOB BROWN:** Here or?

**Senator Ludwig:** In Canberra, sorry, yes.

**Senator BOB BROWN:** What was the representation from Ta Ann, who was on it?

**Senator Ludwig:** I can get that on notice, I do not recall who was exactly there, this is just from my recollection today while you are talking about it. I did not want to let the record stand that I had not responded in this way. I can get a brief on that for you. My recollection was that it was principally in relation to the Tasmanian forest principles. I deal with a range of people that come to my office and make representations about a broad range of issues.

**Senator BOB BROWN:** What was their representation to you, minister? This is Ta Ann's representation.

**Senator Ludwig:** Yes, I will go and check the record to make plain what it was, but it would have been—

**Senator BOB BROWN:** Could you tell the committee what their position was?

**Senator Ludwig:** As I said, I will go back and have a look at our meeting dates to make sure, because I do not want to mislead the committee in any way.

**Senator BOB BROWN:** No, but you do not remember anything about the meeting?

**Senator Ludwig:** Broadly, I think it is more secure if I go back and have a look at what my minutes of the meeting reflect, so that I can accurately reflect them to the committee. I will not be long, I can do that after lunch.

**Senator BOB BROWN:** Good, I would be pleased if you did. I have heard from another committee this morning that there was no requirement on workers coming to Ta Ann from Malaysia to look first for semi-skilled or skilled workers in Tasmania or, indeed, in Australia. Were you aware of that?

**Senator Ludwig:** I am not aware of that specific matter, no.

**Senator BOB BROWN:** Do you know why it was that there was no requirement on this company receiving some millions of dollars of investment funding from the Australian government to have Tasmanian workers fill jobs such as machinists or program managers when there has been a considerable loss of jobs out of the Tasmanian industry and people who could have filled those jobs on the face of it?

**Senator Ludwig:** Yes, I am not familiar with the issue that you raise, so I am happy to take it on notice and see what I can find.

**Senator BOB BROWN:** Do you know why it is that the minister for forestry is not familiar with an issue in which \$15 million of Commonwealth money has been put into an investment for Ta Ann to establish its operations in Tasmania at Smithton and in the south of the state?

**Senator Ludwig:** Yes, I am aware of the broad issues, but you are going to specifics about whether and how they accessed labour. What I then said was, in those specific examples, I am happy to take that on notice and have a look at the issue. You are then asking me to comment specifically on why they did not do X or Y, and on that basis it would be far wiser for me to look at the record as to what the Commonwealth has done in this area, what the contractual obligations were in this area, and when and on what basis the payments were made, certainly before my time as minister. I think that is correct, isn't it?

**Senator BOB BROWN:** 2007.

**Senator Ludwig:** Yes.

**Senator BOB BROWN:** And since then.

**Senator Ludwig:** I was not the minister then.

**Senator BOB BROWN:** You are unable to tell the committee about a conversation that you had with Ta Ann quite recently, to use your own wording.

**Senator Ludwig:** I did not say I was unable, I said what I would do is check the record, check the meeting note, to make sure that my response is an accurate reflection of what the meeting was. That is what I said. It was not that I did not say I would not. Let us just be clear about this. I indicated that I would then report back, after refreshing my memory from the meeting notes. As you can appreciate, I meet with a lot of people who make representations about a range of matters and I would not like to mischaracterise the meeting.

**Senator BOB BROWN:** When you come back, Minister, would you bring any notes or documents that were exchanged with Ta Ann at that time so that the committee can acquaint itself with that information?

**Senator Ludwig:** That is a different request. I will consider what representations were made for me and provide what I deem appropriate.

**Senator BOB BROWN:** Would you provide the committee with the information about what you do not deem appropriate to be information that should be—

**Senator Ludwig:** We can play this word game, if you like. What I indicated was that I will go away and have a look at what the representations were.

**Senator BOB BROWN:** On the issue of Ta Ann itself, are you aware of its operations in Sarawak?

**Senator Ludwig:** I would have to check the record, but no, it does not come to mind immediately.

**Senator BOB BROWN:** Could you check the record and see if you or the department has—

**Senator COLBECK:** Point of order, chair.

**CHAIR:** Yes, Senator Colbeck.

**Senator COLBECK:** I would just like to put something on the record. This appears to me to be another Greens reputation destruction process, which is a pretty common practice of the Greens. They start a process where they go out and they try and destroy the reputation of a company in the public arena so that they can conform process. I want to know whether that is what we are heading to here at the moment. It is something that I have seen before a number of times. I know that there are threats of this that have been made within the confines of the current negotiation process in Tasmania where activists have said, 'If you don't go along with this, we'll do to you what we've done to Gunns'. I want to ask the question or put on the record that I have concerns that we are heading down exactly the same track.

**CHAIR:** Thank you, Senator Colbeck. In terms of the purposes of Senate estimates, you are here to ask the officers and the minister questions related to the budget, Senator Brown. Do you have any further questions, Senator Brown?

**Senator BOB BROWN:** Yes, I do. Would you be able to provide the committee not just with the information about that meeting with Ta Ann that apparently is worrying Senator Colbeck a great deal, but also a record of all previous meetings between Ta Ann and ministers in this period of Labor government?

**Senator Ludwig:** We will take it on notice and see what we can provide.

**Senator BOB BROWN:** Would you also provide a record of meetings between ministerial officials—and we are getting it from the department—and Ta Ann or its representatives in that same period of time?

**Senator Ludwig:** I am not sure we outlined the period of time.

**Senator BOB BROWN:** Since the elections in 2007.

**Senator Ludwig:** That gives me a start date.

**Senator BOB BROWN:** Yes.

**Senator Ludwig:** I will see what I have on my record. I may not have access to other ministerial colleagues' diaries or information.

**Senator BOB BROWN:** Could you also establish whether or not there was within the forestry community in Tasmania the ability to supply the workers with the skills that were required for the establishment of the mills at Southwood and at Smithton, and whether or not any advertising was undertaken to find such skilled workers before Ta Ann established and brought in workers from Malaysia?

**Senator Ludwig:** I think that falls outside of what I can possibly do. You can ask me questions and I can respond to them, but you are now asking me to undertake a significant amount of work as I detect it, and I do not think I can undertake that work. It may in fact be a grant that was provided under a previous government, in which case some of that information may not be available to me. It may be in the public domain, in which case—

**Senator BOB BROWN:** Could you—I will understand if you need to take this on notice—supply the committee with the figures for the volume of wood that has been supplied or will be supplied between now and 2027 to Ta Ann from high conservation value forests as outlined in the current agreement by the submitters from the environment movement?

**Senator Ludwig:** I am not sure I have that information available to me. I will certainly see what the department has available, but I cannot say with any degree of certainty that we could provide that figure if the department does not have that figure.

**Senator BOB BROWN:** Were you aware that Ta Ann has taken recently timber from a putative World Heritage value forest such as the Florentine, the Styx Valley, the Picton Valley and indeed, coupes, right down to bordering the World Heritage area against the south coast of Tasmania?

**Senator Ludwig:** I can check with the department as to whether they are aware of it.

**Senator BOB BROWN:** Would you check whether in fact that is the case?

**Senator Ludwig:** Yes, but if it is not World Heritage then there would be nil.

**Senator BOB BROWN:** No, I said putative World Heritage. Yes.

**Mr Aldred:** To give the source of—

**Senator Ludwig:** Can I just qualify, what is 'putative'? Just so that the department knows what it is looking at.

**Senator BOB BROWN:** As having been outlined as potential World Heritage by the United Nations authorities responsible for World Heritage, like the International Union for Conservation of Nature.

**Senator Ludwig:** Just for my own benefit, it is not now World Heritage listed.

**CHAIR:** On that, Minister, it is past the lunch break and, in all fairness to the staff behind us, I will now call a break for lunch. Senator Brown, you will be in continuance after we return.

**Senator BOB BROWN:** Thank you.

**CHAIR:** Thank you.

**Proceedings suspended from 13:04 to 14:01**

**Senator Ludwig:** Senator Brown, in answer to your question, on 23 March in my parliamentary office in Canberra I met with a delegation of forestry stakeholders from Tasmania. It included David Ridley, the General Manager of Ta Ann's operations in

Tasmania. At the same meeting there were also representatives from Britton Timbers, the Forest Industries Association of Tasmania and the National Association of Forest Industries. We discussed the interests associated with the Tasmanian statement of principles, in particular Forestry Tasmania stakeholders' concerns that long-term wood supply form a part of any lasting outcome from the process. It did not go any further than that. They made representations about their interest.

**Senator BOB BROWN:** Was there any discussion of Ta Ann's interest in continuing logging old-growth forests in Tasmania?

**Senator Ludwig:** Not specifically, no. I cannot recollect that.

**Senator BOB BROWN:** Were any documents presented to you at that meeting?

**Senator Ludwig:** The only document I can recall—and I am not sure whether it was passed to the department—was a glossy brochure from one of the operations about what they do. It is publicly available and I am not sure I kept it. I know I did not keep it in my folder. There was no specific document outside what would have been a publicly available publication.

**Senator BOB BROWN:** The questions I asked before lunch can remain on notice for future response.

**Senator Ludwig:** Yes.

**Senator BOB BROWN:** On the process towards a forest agreement and a statement of principles in Tasmania, where is that at?

**Mr Aldred:** It is proceeding in accordance with the statement that was made by the Prime Minister on 7 December. The Prime Minister said that the Australian government would appoint a facilitator to assist signatories in their discussions and that has been done. Mr Bill Kelty was appointed jointly by governments and has been facilitating discussions between the signatories to the statement of principles—as you are aware, that is not a government document—through that time, including the development of an interim report that was received by governments in late March. Under a due diligence process, the governments have appointed Professor Jerry Vanclay and Dr Cris Brack to undertake some work on behalf of the governments, Forestry Tasmania and the signatories group. Under that due diligence we have also continued with—

**Senator BOB BROWN:** Where is their work at?

**Mr Aldred:** They recently spent some time—certainly Professor Vanclay did—with Forestry Tasmania and—

**Senator BOB BROWN:** When will their work be available?

**Mr Aldred:** Mr Kelty is to report by the end of June and we would expect the due diligence report to follow the same time line.

**Senator BOB BROWN:** Why wasn't the moratorium instituted?

**Mr Aldred:** Mr Kelty made a statement I believe in March saying that a moratorium had been agreed by the signatories, by the various groups.

**Senator BOB BROWN:** Yes, but a moratorium means an end to logging. You will also be aware that he showed a time line that indicated that logging would have ceased in the contentious high-conservation value forest, but it hasn't, has it?

**Mr Aldred:** My understanding is that there are still discussions ongoing within a moratorium working or reference group about areas that are on the current harvesting schedule with Forestry Tasmania.

**Senator BOB BROWN:** Which are in the high-conservation value forest. That is true, isn't it?

**Mr Aldred:** There are a range of areas that the environment non-government organisations have identified on a map and said are the high-conservation value areas.

**Senator BOB BROWN:** Which are being logged?

**Mr Aldred:** I cannot tell you specifically whether specific coupes are.

**Senator BOB BROWN:** I did not ask that. I just asked: the range of coupes that have been identified as high-conservation value forests in this process are being logged, aren't they?

**Mr Aldred:** You asked me if they are being logged and I do not know specifically about the individual coupes that are being logged. I can say that there are certainly areas within the current harvesting schedule of Forestry Tasmania that the signatories and FT continue to discuss.

**Senator BOB BROWN:** I went into a coupe west of Ida Bay under La Perouse on Saturday which had recently been firebombed and burnt. There were piles of fresh corn along the road. Why was that there?

**Mr Aldred:** I do not know where you were.

**Senator BOB BROWN:** Ida Bay.

**Mr Aldred:** I do not know the location. As you are aware, the Commonwealth government and the Commonwealth department do not manage the operational aspects of the forests. That is managed by Forestry Tasmania.

**Senator BOB BROWN:** According to the spirit and the principles of the Environment Protection and Biodiversity Conservation Act, aren't they?

**Mr Aldred:** I am unsure of the specific question.

**Senator BOB BROWN:** You said that the forests are managed according to the RFAs. I just want you to corroborate that that is under the spirit of the RFAs being in accordance with the Environment Protection and Biodiversity Conservation Act for protecting wildlife, rare and endangered species, waterways and ecosystems. That is so, isn't it?

**Mr Aldred:** First, let me correct you. I did not say they are managed in accordance with the RFAs. I said that the Commonwealth does not manage the operational aspects and Forestry Tasmania do. It is indeed the case that they are managed in accordance with regional forest agreements.

**Senator BOB BROWN:** I am concerned that those piles of corn indicate that there is the indiscriminate poisoning of marsupials—they are being directly targeted—including rare and endangered species, in that coupe and other coupes in the Weld Valley and elsewhere. Would

you be able to take on notice to find out for this committee why corn is being used in these logged coupes after they have been burnt when they are being reseeded?

**Mr Aldred:** I will take it on notice, but I suspect that my response will be it is an operational responsibility for Forestry Tasmania.

**Senator BOB BROWN:** So if species on the national rare and endangered species list are potentially being poisoned under that process, that does not concern you?

**Senator Ludwig:** I am not sure that is the evidence.

**Senator BOB BROWN:** I am asking—

**Senator Ludwig:** I understand the question you are asking. If you have any evidence of what you have just described, then I encourage you to contact the relevant officials and make that available to them. It is a serious matter that you raise; it is not a matter that we should treat lightly. If you raise it in that way and it is a serious matter, we do take those concerns quite seriously. However, if you do have evidence of what you have just described then can you please make it available to the appropriate officials so that they can investigate the matter.

**Senator BOB BROWN:** I will do better than that, Minister: if I provide you with that evidence, will you find out what is going on with that corn intended to poison marsupials in the Tasmanian forest?

**Senator Ludwig:** That is the allegation that you have raised. It should also be directed to the appropriate area for that allegation to be appropriately dealt with.

**Senator BOB BROWN:** If I provide you with the evidence, will you investigate the matter?

**Senator Ludwig:** And this is the issue that we need to get to. These serious matters that you raise should go to the relevant authorities for an appropriate investigation, which is not this department. You have raised a serious matter. It is not a matter of just anybody investigating these; the appropriate officials should investigate these matters if you take that to them. Have you already taken it to them?

**Senator BOB BROWN:** That was on Saturday and here we are on Monday; this is my first opportunity. Minister, I am asking you: will you investigate this evidence?

**Senator Ludwig:** And I am responding to your broad question—not about the specifics of the issue that you have identified. My answer is: if you have allegations of that nature then they should be raised with the appropriate body that can investigate those concerns.

**Senator BOB BROWN:** That is you; you are the minister for forests.

**Senator Ludwig:** You are talking about wildlife. That is what you are talking about, the destruction of wildlife and allegations around those practices.

**Senator BOB BROWN:** Nationally listed endangered species, Minister.

**Senator Ludwig:** They are serious concerns that you have raised, as I have said, and they would certainly be distressing. Therefore, if you do have evidence of that then I advise and encourage you to raise it with the appropriate authorities that can investigate the matter.

**Senator BOB BROWN:** Will you use your authority to investigate it when I present you with the evidence?

**Senator Ludwig:** This is an estimates hearing and I am happy to take questions in relation to estimates. What you are now raising steps right outside of estimates. It is a very serious matter that you raise—

**Senator BOB BROWN:** It is a national forestry issue; it is right in your bailiwick.

**Senator Ludwig:** and what you should be doing is raising it with the appropriate authorities if you have any evidence of that.

**CHAIR:** Order! I call order, Senator Brown. The minister has answered a question that you asked. It is not a part of estimates and I will ask you to continue with further questions or we will move on. I have been more than fair in stretching out this part of the hearing to accommodate other people around the table.

**Senator BOB BROWN:** Chair, I ask you to refer your ruling that my questions are not part of estimates to the President for a ruling.

**CHAIR:** You can do that, Senator Brown. That is your entitlement.

**Senator BOB BROWN:** Thank you. We will leave it at that.

**Senator COLBECK:** Senator Brown has made a couple of references to Ta Ann and their logging in Tasmania. Are you aware of whether Ta Ann undertake any logging operations at all in Tasmania?

**Mr Aldred:** I am not sure of the operational details. As I understand it, the arrangements are sometimes contracted by Forestry Tasmania and have direct delivery of product at sawmilling or veneer enterprises, and in some cases the sawmill may well employ its own contractors to do harvesting. I am not aware of the specific details of Ta Ann's arrangements.

**Senator COLBECK:** Senator Brown has made the insinuation twice that they are logging in putative World Heritage areas or in other areas of claimed high conservation value, but my understanding of the Ta Ann process is that they do not necessarily control where their timber comes from, it is delivered to them through a contract via Forestry Tas.

*Senator Bob Brown interjecting—*

**Senator COLBECK:** I am asking the officials whether they are aware of it.

**Senator BOB BROWN:** Your understanding is not relevant to this.

**CHAIR:** All right. In all fairness, Senator Colbeck—

**Senator COLBECK:** The practice of putting an allegation on *Hansard* under parliamentary privilege and then using it to repeat publicly is a common practice that you use, Senator Brown.

**Senator BOB BROWN:** I could do without your imputation there, Senator.

**CHAIR:** I will use this term loosely—gentlemen—I think we are going way off the mark. As I said, we are well and truly over the time limit. I am quite happy if you want to keep going along and wasting more and more time because at the end of the day we will not going on Friday, so you will be wasting your own so-called valuable time to ask questions. Senator Milne has some questions. Senator Colbeck, I know you have some more. Senator Brown, you are finished?

**Senator BOB BROWN:** Quite finished, yes.

**CHAIR:** Senator Milne. I did not know whether you were flirting or doing a death stare.

**Senator MILNE:** Never mind. I want to follow up questions about Ta Ann. As you would be aware, under the Tasmanian Community Forest Agreement grants process there were two separate grants made to Ta Ann. You may need to take this on notice. Subsequent to those grants being made, was the Commonwealth involved in changing the specifications of the logs that Ta Ann could receive from the Tasmanian forests? If so, what involvement did the Commonwealth have in changing those specifications? The second question is, in relation to the fraud inquiry which Senator Colbeck asked about earlier, I take from your answer that that has been concluded, from you saying that no further action had been taken. Has the department put out any statement or anything and when will the report of that inquiry be made public? It was very public in the Tasmanian press that there was to be a fraud investigation into the 17 million and that it was going to be conducted by Edward Stanmore of the fraud investigation unit. It was going to be into the grants that had been made and to look at particularly whether there had been favouritism and whether the appropriate criteria had been adhered to et cetera. So when can we expect that report to be made public?

**Mr Aldred:** In response to the first question around Ta Ann, as you indicated, I will take that on notice. I am not aware of any involvement in changing specifications or whatever but it is an issue that would have happened, I am assuming from your question, a few years ago.

**Senator MILNE:** No, not that long ago, but it does go to the question of the Commonwealth granting money to get out of old-growth forests and to go to smaller logs. The grants were made on that basis and then subsequent to that Ta Ann had the specifications changed so that they could log old growth. That is where I am going with this, to establish whether the conditions of the grants have been met. But I just wanted to know the Commonwealth's involvement at this point in that process.

**Mr Aldred:** I will take that on notice and find out what went on on that. In the sense of allegations of fraud, any fraud allegations are treated confidentially and internally. I have indicated, I think, that no further action will be taken unless new evidence comes to light. Again, we investigate any new allegation or new information. If I can, I would characterise, as I may have said earlier, the nature of the allegations as more related to misinterpretation of guidelines.

**Senator MILNE:** Yes, but I ask the minister whether it is the government's intention to at least inform the Tasmanian community that the government has concluded that investigation and at least put the results out there because a lot of people in Tasmania just assume the investigation is ongoing. I do not know what they think. But there is not an end to it.

**Senator LUDWIG:** I will take that on notice. I understand the point that you make. I will use another example – not this one. Sometimes investigations are ongoing, even if there is no evidence to suggest that there is any breach or allegation at this point in time. New information might come to hand. So the risk you always run is by saying at one stage that, having investigated the program—not the program we are talking about but another program—there is, for arguments sake, no allegations of fraud, and then new information comes to light and you have to go back and effectively correct the record again, where the record may have been simply silent. Bearing that in mind, I would not want to be in a position of saying that. Allegations are being properly investigated and if there is information around that, whatever I can I will put in the public domain.

**Senator MILNE:** Just to continue with that, since the matters have been investigated and no case was found to be answered in relation to it, can you explain to me how it is that companies that received grants under the Tasmanian Community Forest Agreement to help them transition out of old-growth forest logging then got grants again in the exit package to do what they got grants to do previously?

**Mr Aldred:** I think you are referring to an overlap. There are nine recipients of funds under the TCFA who also received exit grants. We have asset disposal procedures that the recipients of payments through the TCFA actually need to comply with should they dispose of the equipment. Those nine companies received a different form of a letter when they were offered the grant prior to Christmas. That advised them of their responsibilities with regard to the TCFA purchased equipment. We have also followed up either by letter or telephone to re-advise those recipients throughout the last couple of months.

**Senator MILNE:** That will be an ongoing set of questions for me in relation to that. But now that you have mentioned the Tasmanian Community Forest Agreement grants, there was to be a performance audit of all of those grants. Has that been completed and when will that be made public?

**Mr Talbot:** We are still working on that. I expect it will be completed in about four weeks time.

**Senator MILNE:** And when will it be made public?

**Senator LUDWIG:** I suspect that is the question for me.

**Senator MILNE:** I suspect it is, so I will transfer the question to you.

**Senator LUDWIG:** Thank you very much. When I receive the report I will read it and make a decision then. I am not going to make a decision until I ascertain what the contents of the report are. My general predisposition has been—and I think it is clear from the work I have done to date—is to make things that are able to be made public, public.

**Senator MILNE:** Thank you. Coming back to the Tasmanian Community Forest Agreement grants, as you rightly mentioned a moment ago, if under the deed of agreement a company goes broke or sells out or something within a certain time frame then there is an obligation to pay the Commonwealth back—or there was under some of those grants. Can you tell me how much Forest Enterprises Australia have been required to pay back, and how much the company who got the money for the boilers at Wesley Vale were meant to pay back and whether it has been paid back.

**Mr Aldred:** Senator, a couple of things, if I may. There are asset disposal procedures. It does not specifically say in the deed of grant that the funds must be repaid, but it does say that we need to go through an asset disposal consideration of that. I just want to make that clear. In respect of the specific details of those that you have raised, I will have to take them notice.

**Senator MILNE:** We have been asking these questions year in, year out since these grants started. We all know that Forest Enterprises Australia got \$7 million from the Commonwealth and then went into liquidation. Is the Commonwealth in receipt of any money back from Forest Enterprises Australia to date?

**Mr Aldred:** I do not believe so. I will need to confirm, because I do believe that the asset disposal procedures have been invoked but I would preface that, if I may, by saying I would not wish to mislead the committee and I will check the details.

**Senator MILNE:** The last time I asked you, you told me that you were pursuing three recipients of the grant to return some of the Commonwealth money. Have any of the three recipients returned any of that money?

**Mr Aldred:** I will need to check that. I must say that I cannot recall saying that we were pursuing three. I personally cannot recall making that statement. I will need to check the *Hansard* and follow up.

**Senator MILNE:** It was questions on notice. Perhaps Mr Talbot could help.

**Mr Talbot:** I will have to take it on notice, too, Senator Milne. I am sorry.

**Senator MILNE:** With the performance audit of the grants scheme, can you give an indication of any findings or anything associated with it, or are you just going to tell me that it will be up to the government when it is finally released?

**Mr Aldred:** It is a report in progress. We have not received a final report. We are continuing to hold discussions with the consultants and, therefore, it would be pre-emptive to make any comment.

**Senator MILNE:** Can I ask in relation to Forestry Tasmania: it has been a recipient of more than \$100 million out of the Tasmanian Community Forestry Agreement grants. The Tasmanian auditor indicated that Forestry Tasmania had used that money to give itself an operational account; otherwise, it would have had no cash reserves. Can you tell me whether Forestry Tasmania is going to fulfil the obligations that it entered into with the Commonwealth for the more than \$100 million that it received upfront from the Commonwealth?

**Mr Aldred:** We expect Forestry Tasmania to meet its obligations. The Commonwealth funds have, by my recollection of information that we chased up on notice, been acquitted. Funds that may be held by Forestry Tasmania and the Tasmanian audit report is a matter then for Tasmania.

**Senator MILNE:** No, it is not actually a matter for Tasmania. I disagree. It is taxpayers' money that was paid to Forestry Tasmania. You acquitted your side of it by making the funds available to them, but surely on behalf of the taxpayers we need to know that Forestry Tasmania spent the money as was required by what it was given to them for.

**Mr Aldred:** By 'acquittal' I mean Forestry Tasmania, by my recollection, has acquitted the funds to the Commonwealth. I am happy to take it on notice and check that, but that is my understanding.

**Senator MILNE:** I would like to know when that occurred because the auditor in Tasmania last year indicated that Forestry Tasmania had not spent the money as required by the Commonwealth but knew they had to do so. So I would be very interested to know when they actually spent it, as they were required to do so.

**Mr Aldred:** I think, as you described, Forestry Tasmania received funds from both the Tasmanian government and the Commonwealth government for a range of activities. My understanding is that there are some activities—and I cannot be specific about them—which

will require further works in future years and Forestry Tasmania has some funds in reserve. I indicated that my understanding is that Forestry Tasmania has made an acquittal of those Australian government funds to the Commonwealth.

**Senator MILNE:** I will be very interested in the performance audit to see if that is the view of the auditors.

**Senator COLBECK:** Who will be attending the meeting on 30 May between DAFF officials and signatories to the Tasmanian forest statement of principles?

**Mr Aldred:** The 30 May meeting, which I understand has been in the press, is not a meeting with officials. There was to be a meeting between Mr Kelty, the facilitator, and ministers. I am not sure that that has been formally arranged, but that was the expectation.

**Dr O'Connell:** I think you are probably referring to some public commentary which suggested Mr Kelty will bring some other representative from the principles along to whatever meeting he does have on 30 May, but that is as far as we go. It is not a meeting with ourselves. The proposal appears to be that there will be a meeting.

**Senator COLBECK:** Minister, do you have a meeting in your diary for 30 May?

**Senator Ludwig:** I was just trying to find it, as you can see. I will get back to you.

**Senator COLBECK:** I know a number of parties to the talks have quite some expectations of that meeting. It must be next Monday.

**Senator Ludwig:** It is next Monday. I will see if I can find an answer. Someone in my office could let me know; I am sure they are listening.

**Senator COLBECK:** Riveted, I am sure. Is the proposal to meet with all of the signatories to that process?

**Senator Ludwig:** I do not have any detail of it. I can say the meeting is not confirmed in my diary.

**Mr Aldred:** I may be able to help. There was an expectation that Mr Kelty would meet with ministers. I am not certain that it has been absolutely confirmed in diaries. I am aware of proposals or suggestions that some signatories attend, or come to Canberra at least, but there has not been, as far as I am aware, a formal arrangement with attendance lists and that sort of arrangement.

**Senator COLBECK:** Again, I refer to some media commentary and to some personal conversations I have had. There is an expectation that something is going to occur. I refer particularly to the statement by the Wilderness Society, who have suspended their involvement—I think that is the term they use—that they will be attending those meetings. At this point in time, is there not necessarily anything confirmed for them to attend?

**Mr Aldred:** There is no confirmation of attendees, as far as I am aware.

**Senator COLBECK:** Given that they are no longer part of the talks, are they legitimate parties to the process if they do not rejoin the talks?

**Senator Ludwig:** I am not sure you can characterise them in that way. I say on their behalf that they are a well-respected organisation. Whether or not they choose to participate in these discussions is a matter for them and I am not sure the department can assist in your inquiry. We have answered the question insofar as I have confirmed that at this time I do not

have a meeting in my diary. That is not to say that one cannot be arranged and it is not to say that there is not a meeting either. All I can confirm is what facts I have before me at the moment.

**Senator COLBECK:** So, you do not know when that meeting might be confirmed?

**Senator LUDWIG:** Well, if I knew—

**Senator COLBECK:** I mean, everybody—well, I won't say everybody—but there is broad expectation there was going to be a meeting. There is a lot of public speculation about it.

**Senator LUDWIG:** If I knew there was going to be a meeting, I suspect it would be in my diary—that is the point I am making. But what I can do is check. What I have said is that that does not mean that there is not going to be a meeting; people may just simply have not confirmed it with me at this point. It may be as simple as that. Therefore, it might be currently in-train. But I do not want to mislead the committee either: I do not know specifically, but I can find out.

**Senator COLBECK:** I know you have traversed this a little during question time, and I do acknowledge that the \$300,000 allocated to this process in the budget is not listed in this portfolio, but will this agency play any role or have any influence over the allocation of that funding?

**Senator LUDWIG:** We continue to play a role in it. On my answer to the earlier question, I understand that a meeting is being organised at the moment. I have not confirmed the details or the timing of the meeting. It is not in my diary. In that sense, then, I will undertake to take any further questions about that on notice. But that is all the information I have at the moment.

**Senator COLBECK:** Okay.

**Senator LUDWIG:** We have been able to make inquiries in that three or four minutes that have elapsed since the answer to the first question.

**Senator COLBECK:** It is good to have good staff, Minister!

**Senator LUDWIG:** Thank you, yes.

**Senator COLBECK:** Is there any sense of how the \$300,000 is going to be allocated?

**Senator LUDWIG:** I think it would be best left to the department of environment to deal with those questions in relation to that amount.

**Senator COLBECK:** But you did say that you were playing a role in it.

**Senator LUDWIG:** Not in the \$300,000. We are playing a role in the statement of principles. That is what I meant to confer. The \$300,000 is a matter for Environment to answer.

**Senator COLBECK:** So, given that there is a significant impact in and around forests and the forest sector in this, why is it allocated in the Environment portfolio and not this one?

**Senator LUDWIG:** I am not sure I can answer the negative. It is in the Environment portfolio. I do not have the portfolio budget statement, but it describes what the amount is used for, and that is quite plain. I think I read it out in full in an answer to a question in the Senate.

**Senator COLBECK:** Yes, I do recall that process. I will put the rest of my questions on notice, thanks, Chair. We will move on.

**CHAIR:** Thanks very much, Senator Colbeck. We will now go to climate change.

**Dr Dickson:** Excuse me, Senator, there was an outstanding question that I was going to come back to Senator Colbeck on, on the CCDA claim, if you want to handle that now.

**CHAIR:** Yes.

**Dr Dickson:** I can let you know that the claim that was referred to the department on 25 March. Acknowledgement was sent to the claimant. On 19 March the department has posted a letter to the claimant advising them of the results of the initial assessment.

**Senator COLBECK:** 19 March or 19 April?

**Dr Dickson:** Sorry, 19 May—just on Thursday, so I do not know whether they have received it yet. But they have been given the outcomes of the initial assessment of their claim.

**Senator COLBECK:** Okay, thank you for that.

**Dr O'Connell:** Chair, while we are catching up: Senator Williams raised an issue on the Delungra district exceptional circumstances. There was a question on whether there had been a letter from Minister Hodgkinson. The Minister has received a letter. It was asking for a review of the decision. So we can confirm that for Senator Williams.

**CHAIR:** Thank you, Dr O'Connell. Senator Nash?

**CHAIR:** Thank you, Dr Cole.

**Senator NASH:** And what an excellent minister, Minister Hodgkinson will make in New South Wales! Sorry, Chair, I was just gratuitously throwing in my support from my good colleague and friend Minister Hodgkinson. I have some questions around the carbon farming initiative. Can I refer you to one of answers to the questions on notice, 'Has the agency finalised the rules for the carbon farming initiative?' You say that the department worked closely with the Department of Climate Change and Energy Efficiency. You say, 'The department will continue to work closely with the department in developing regulations and the rules for governing offset projects known as methodologies.' Where is that up to? Are we getting any closer to seeing the regulations?

**Mr Gibbs:** We are still working with the department of climate change. I think that is a question you need to put to the Department of Climate Change and Energy Efficiency.

**Senator NASH:** I understand that. The reason I raised it here was that in your answer you talk about working very closely with them. Obviously you have some responsibility so I am just raising it in response to this question that you have answered. You have a fair bit of input according to your answer. When are we likely to see the regulations?

**Mr Gibbs:** I do not have a date on when you are going to see the regulations. If you are looking for a date I suggest you talk to the department of climate change. We talk with the department of climate change on a lot of technical issues to do with where there may be developments in offset methodologies to do with soil carbon and those potential abatement opportunities. We work on technical working groups with them to do with the research program and with the methodologies. For the timing around the regulations I suggest you approach the Department of Climate Change and Energy Efficiency.

**Senator NASH:** Certainly; I will do that. In relation to the methodologies it is pretty important, I think, for people to be able to see what those methodologies are likely to be before the legislation is actually debated. Can you give us an indication of any of the types of methodologies that have been discussed?

**Mr Gibbs:** There were a number of steps in the process. There were some documents that went out through consultation to give a sense of what the methodology would look like and the steps involved. That was quite an important part of getting potential applicants to understand the rigour and analysis and data that has to come forward. There has been, I understand, some methodologies which have come forward to the department of climate change to go through that assessment process, which is done by an independent committee. I understand there are two examples of methodologies which have come forward. There is one in feral animals and one in soil carbon.

**Senator NASH:** One in soil carbon. From that then, can I take it that there has now been a definition of 'common practice' that is being utilised?

**Mr Gibbs:** In the draft bill the additionality rules stipulate that you have to do something which is above common practice to pass that additionality. In terms of what is a common practice, the emphasis is really on those people or groups who are going to come forward with their methodologies to present data on what they are commonly using in a region or a particular area and to prove that what they are doing is in addition to that common practice which is typically used. So the emphasis is on the methodology proponents to come forward.

**Senator NASH:** Okay. What I am trying to get my head around is that, as you have said, there have been some indications around the methodologies but if you do not have a definition of a common practice how do you know if those methodologies are going to be applicable?

**Mr Gibbs:** I think there are two parts to that question. Firstly, the government is not responsible for drafting all these methodologies. They will come forward from individual groups. Those groups could, for example, include researchers in a particular area and farm bodies who collect data to prove what is commonly being used. That data will then need to be put forward to the Domestic Offsets Integrity Committee for assessment. In cases where the department of climate change has been given some funding to develop some methodologies there will be an area of work and a program which they are in charge of which we will have to assess to determine what is common practice.

**Senator NASH:** Is that common practice going to be region by region or across the industry? An example is minimum tillage—is that going to be something that is defined as common practice?

**Mr Gibbs:** I think minimum tillage will depend on the region. Obviously some regions have been using minimum till for a fair while and the definition of what is and what is not minimum tillage also needs to be explored in the methodology. Other types of methodologies may have broad, nationally applicable common practice—things like dealing with feral camels or some parts of forestry, where the Commonwealth could work through the department of climate change. But, on your example on soil carbon or minimum tillage, I think it will very much depend on the region, defining what is the common practice within that region.

**Senator NASH:** This is where it all gets very difficult. I appreciate your point that it is basically going to be done on a case-by-case basis as it comes through to the committee, but how are you going to draw the line? Is one person or two people in a region doing minimum tillage going to be enough to make it common practice? Where are you going to draw the line in a region, or can it not occur at all in a region? How big is a region going to be—where are you going to draw the lines for regionality?

**Mr Gibbs:** Again, it depends on the methodology that comes forward. If the methodology comes forward for a very small region then that methodology will define its own boundary. That methodology will say, 'In this area in Australia this type of practice is used commonly,' and they are going further than that. So it is up to them to define how many farmers in an area have to be using a practice to make it a common practice.

**Senator NASH:** My issue is around the boundaries. You could potentially have a farmer putting forward to the committee a very small region of his or her own farm, and maybe a couple of surrounding ones, saying, 'In this region, a very small region, there has been no minimum tillage.' But, if you looked at, say, the surrounding 50 farms, where it was practised a lot, does that farmer saying, 'This is the region I am putting forward to you,' mean it is going to get the tick-off?

**Mr Gibbs:** Again, if that project and those questions are put forward and that answer has come from the Domestic Offsets Integrity Committee then they can go out and ask questions around that and identify in a region whether one farmer or 100 farmers are doing something. Again, I do not think we should lose sight of the fact that it will be a process where projects come forward, they are explored by the Domestic Offsets Integrity Committee and there is public consultation around those proposals. It is hard to be definite on what is and what—

**Senator NASH:** I absolutely appreciate that, from your point of view, it is very hard to be definite, but this is the problem with it, because we are going to be asked to deal with the legislation before we have any understanding at all of how any of this is likely to be quantified. That is a real difficulty and problem because technically the legislation could be passed and without us knowing whether a region is going to be tiny or big, or how this is going to work. We do not know what common practice is going to be in each of those things. It leaves a lot to be desired. There is a lack of information available to go with the legislation through the regulations. I understand you cannot give me a date for the regulations, but my next question is: at what point in the discussions are you up to in terms of the positive and negative list, the detail around those and the regulations that are needed for those?

**Mr Gibbs:** My understanding is that the committee has put on notice some requests of the Department of Climate Change for some ideas or some examples of what might be on a positive and negative list and they are coming back to you on that. I think in terms of working through some of those difficult issues that is the role of the special groups which have been established. They contain DAFF officials, Department of Climate Change officials and a lot of the science experts and research bodies. They do collect data on the common practice you have been talking about. Some of the RDCs do collect data on different types of cropping practice and different types of tillage practices. They will be coming together and figuring out what necessarily needs to be there for a soil methodology which would include the min till you are talking about.

**Senator NASH:** How fertiliser reduction could be anything but common practice would seem to be rather difficult to understand, yet reducing fertiliser is referred to as a way of benefiting. That would happen all the time on a seasonal basis depending on individual farmers' circumstances, as Senator Heffernan would well know.

**Mr Gibbs:** I think that is a good point. Using fertiliser management to try to reduce emissions is one of many different things you could do to reduce those emissions.

**Senator NASH:** How is that not common practice?

**Mr Gibbs:** There are examples in the industry where farmers might choose to use more fertiliser from a risk management point of view. I think the point is that a lot of the research we are doing is assisting in trying to match fertiliser use to productivity and the most applicable rate. Some of the examples that have been going on in Queensland—for example, about reef rescue and those sorts of things—show that there are standards and ways of applying fertiliser and thinking about other environmental issues. We do hear a lot from the farming sector that they are using application rates which are best practice and then there are examples in other parts of the industry which are not saying that. If farmers themselves can come up with an application rate that is more efficient than what they have used in the past then there is an opportunity for them to reduce their emissions and get that credited through the scheme.

**Senator NASH:** I take your point, and you are absolutely right, that it can be done more efficiently, but how is that not common practice when farmers are doing that anyway? How could that possibly be considered as a methodology under this scheme when adjusting fertiliser use rates is common practice?

**Mr Gibbs:** I think the point is that, if a farmer can demonstrate that they can reduce their fertiliser use, then they can apply through the scheme to get access to a credit. If they think they can do better than common practice over time then it is up to them to put that application in and go through the process. We are not making judgments on what is common practice.

**Senator NASH:** So you are saying that a level of fertiliser reduction in itself could be a common practice?

**Mr Gibbs:** Yes, if it is better than what the application rate had been in the past.

**Senator NASH:** If it is better than what the common practice is?

**Mr Gibbs:** Correct.

**Senator NASH:** How on earth can you say that a level of fertiliser reduction is not common practice? I suppose we will get to that when we see eventually all the detail and probably through the environment, but the fact that we are not going to have this before the legislation makes it very difficult. Do we have any idea when we are likely to see the negative list?

**Mr Gibbs:** Again, that is a question for the department.

**Senator NASH:** Section 56 in the legislation says the minister must have regard to any of the adverse impacts. There is absolutely no detail at all. Until we see the negative list of what is going to be excluded, which will relate to that section, we have no idea. Is that a correct assumption?

**Mr Gibbs:** I think the assumption is that we are waiting for those regulations and those examples to come forward. The Department of Climate Change is responsible for doing that work.

**Senator COLBECK:** I have one question on the back of that stuff on fertiliser. How do you prevent gaming as part of that process, reductions and increases in fertiliser? How do you actually prevent gaming of that?

**Mr Gibbs:** Would you mind working through your gaming example for me?

**Senator COLBECK:** Senator Nash has been talking about the levels of fertiliser use and a reduction in fertiliser might be regarded as a system change in farming to access payments or credits. How do you manage gaming in that if you do not have a broader perspective of what common practice is?

**Mr Gibbs:** I think it comes back to the point that when an applicant comes forward with a methodology they are actually going to come up with their definition of common practice and that definition has to be robust enough to go through the Offsets Integrity Committee process. Again, the Offsets Integrity Committee process, which advises the minister, has to be comfortable that that activity is indeed better than what common practice is and they may require the applicant to prove that either through data collection or through survey or providing an example of a survey that was done by a farming body.

**Senator COLBECK:** You need to get that definition down to the level of individual farm in that circumstance if that is the level that it is provided at.

**Mr Gibbs:** I think there is a difference between a methodology and a project. Methodologies are unlikely to be for one farm. The cost in terms of collecting data, stepping through each of the requirements: additionality and permanence and those sorts of requirements are going to be quite rigorous. So methodology is likely to be over a larger area of land, different to one individual farmer. If then that methodology is passed through the rigour of the Offsets Integrity Committee and approved then farmers can apply for projects under that methodology if it refers to their area. But again there is also rigour about providing data, making sure they do not game the system. There is an administrator which implements that.

**Senator COLBECK:** It sounds awfully bureaucratic. One final question: how do you protect IP in this process?

**Mr Gibbs:** That is a very good question. There are two broad mechanisms. One is that the Commonwealth—

**Senator NASH:** That is a good question, particularly in the context of the methodologies that then go up.

**Mr Gibbs:** Methodologies go up but before parties engage in this process they know in advance that these methodologies are going up and so they know they are going forward into the process. The other part is that the Commonwealth is developing some methodologies, so there would be no IP issues associated with that. It is free and based on public information.

**Senator COLBECK:** But that does not really answer the question of how you protect IP. All you have said is what is going to happen. We know that. How do you protect IP?

**Senator NASH:** Is somebody invests a significant amount of money in developing up this methodology and then all of a sudden it is going to be taken and be publicly available, as Senator Colbeck says, how do you actually protect the IP?

**Mr Gibbs:** You are right, it is public information and the process goes through the DOIC, and that is where the Department of Climate Change assists in that process and can advise on the IP issues if they come forward. There will be cases where IP is an issue and those organisations can engage with the Department of Climate Change at that point in time.

**Senator MILNE:** I want to continue this line of questioning because so much is to be left to the regulations. This is the problem. The legislation is in the Reps now and will come through to the Senate and all this has still got to come through the integrity committee and so on and so forth. I want to run through a few things. MIS forests have been planted in areas where there were never plantations before, low rainfall, and they have failed. Nevertheless, plantation forestry is now common practice in those areas, even though it failed. Would planting a plantation in an area with a failed MIS plantation be now considered common practice or not?

**Mr Gibbs:** I am unaware of the examples. I think that is another point to raise with the Department of Climate Change. Most of the commercial forestry activities are already considered common practice and therefore they would not pass additionality or get access under the CFI.

**Senator MILNE:** Yes, but the point I am making is: these were never actual forest projects; these were tax minimisation projects in a lot of cases, and they planted trees in places where they could never have survived but they did not care about that particularly because the aim was to minimise tax. The fact is that they did plant them there. The fact is that they have not thrived. And, in a lot of cases, they have gone broke. But the issue is: they did plant plantation forests in those areas of low rainfall. So what I am asking you is: if someone comes along with a project— maybe a mixed planting, maybe another plantation— would it be deemed to be common practice in an area where that activity occurred?

**Mr Gibbs:** I will have to take that on notice, with the department of climate change.

**Senator MILNE:** Okay. Secondly—

**Senator Ludwig:** I am sorry, Senator Milne; I did not actually want to take something on notice for another department. I did not want to interrupt the flow in case they were relevant to what we could in fact answer. A lot of that, as I understand it, is with DCCEE, and they are working through a lot of the issues you mentioned. So if they are questions which relate to how the scheme will operate or the more technical details, those are questions that should be directed to DCCEE. And I would be happy for you to do that. I am not sure it is advantageous for us to take it on notice and then ask the department. If you want us to do it that way I am happy to do it that way, but it would be more advantageous to simply give them to the secretariat to pass to DCCEE or, when they next appear, ask them and they might be able to give you some iterative responses that you can then follow up.

**Senator MILNE:** I appreciate that, thank you, Minister, except that the department has got responsibility for implementing the Carbon Farming Initiative and, by Mr Gibbs's own admission, there will be collection of data.

**Dr O'Connell:** I should be clear: the department does not have responsibility. It is DCCEE.

**Senator MILNE:** So why have you got it under your estimates?

**Mr Mortimer:** There are a couple of aspects of the carbon farming initiative for which this department has responsibility. They relate particularly to some research activities on biochar. The funding has been provided for that as part of the Carbon Farming Initiative. There is also a communication initiative to make farmers and landholders aware of the Carbon Farming Initiative through using the network of Landcare facilitators, and the department has direct responsibility for delivering those two elements. Otherwise, the department helps and advises the climate change departments through expertise as was referenced in the question on notice that Senator Nash quoted from earlier.

**Dr O'Connell:** The whole of the regulatory framework occurs within the DCCEE portfolio. So questions about that are best put to DCCEE.

**Senator MILNE:** Except that what I do not get here is: surely the department of agriculture is going to be advising the department of climate, and you have just said yourself you are going to be getting communication out there. Well, the first thing people are going to ask is: 'Is this in? Is this out? And why?' and, 'How is it being measured?' and so on. You are the people who connect to the farmers.

**Senator Ludwig:** I accept that. But that will be the regulatory framework the DCCEE will provide to us and then we will be able to operate within that framework. If there are questions on grey areas it will be DCCEE that will determine that—not unlike a service delivery department in that sense.

**Senator MILNE:** All right then: if you are asked for expertise in this, I am interested in land clearance regimes, particularly in Queensland and New South Wales and so on, where farmers might re-clear every 20 years or so. Could you tell me whether you think that a decision not to re-clear is avoided deforestation for the purposes of this legislation?

**Mr Gibbs:** Again, that is a question about methodologies and types of activities that might get credit under the scheme, and that is the area for Department of Climate Change and Energy Efficiency.

**Senator MILNE:** I will go on to another aspect of this—the research program. You have got responsibility for research in the area of climate change, and I did attend the CCRSPI Conference in Melbourne a while ago, and I am still concerned—we raised this five years ago and have done so ever since—that there is still not an understanding of where all the research in land use and climate change is being done, who is doing what, where you can go to get a comprehensive analysis of who is doing what and where the gaps are. So could you tell me where I should go to get that?

**Mr Gibbs:** I think there have been a number of exercises that have tried to rectify that problem over the last three to four years. I think it was more of a problem three to four years ago. There was the Climate Change Research Strategy for Primary Industries which brought together a strategy that looked at gaps in priorities. That strategy is now being looked at again and we are probably going to go through another process of targeting gaps. So that is work that is coming through the pipeline, if you like.

Under the DAFF Climate Change Research Program we have introduced a number of initiatives which bring together a lot of players into CCRSPI—the universities and RDCs. So there are networks now that are coordinated across Australia and you can approach us on questions about research. The other large coordination activity which has looked at adaptation to climate change was the establishment of a national centre located in Queensland. They look at adaptation in primary industries and across a number of other areas, so they are also a resource that you could go to for coordinating information on climate change adaptation.

**Senator MILNE:** Since we have all this research going on and we will be identifying gaps yet again, I understand that CSIRO has just appointed someone to head-up a whole set of research projects on land management. So what gaps are they targeting?

**Mr Gibbs:** I have not had a chat with the new person. I know that they have an agricultural sustainability area and they also have an adaptation area in CSIRO, and I have consultations with them quite regularly. Mark Howden is on the expert panel dealing with our projects and Brian Keating is involved in a number of projects that we do through our programs. So we talk very regularly to those two individuals in those two areas of work.

**Senator MILNE:** So who is doing the work that looks at the intersection between the food crisis, the oil crisis, the water crisis and the climate crisis? Who is actually looking at all that and recognising it as a holistic issue?

**Mr Gibbs:** I think you have struck on a number of issues there which are worked on by RDCs in a number of different ways. There is a coordination activity which has obviously been done on climate change—CCRSPI—and there was also a broad coming together of RDCs that were doing similar work and needed to be coordinated. That question is best posed to our agricultural productivity division which looks after the RDC framework.

**Senator MILNE:** There is so much work going on and so much money being spent, but I am not sure how much actual information ever gets out to the communities who could best use it.

**Mr Mortimer:** I think the question there is that the information is communicated from the research that this program is undertaking and funding. This program cannot be responsible for all the research and all the activities out there. Indeed, it is a huge agenda, but perhaps Mr Gibbs can tell you about communication activities from the research projects and activities that this program is funding.

**Mr Gibbs:** There are two communication activities that will be happening. One is under Australia's Farming Future and the climate change division will be holding workshops with farmers and joining our colleagues from the RDCs to communicate the outcomes of the research about climate change more generally. The other activity is through the information component of the Carbon Farming Initiative that Mr Mortimer talked about earlier that will be using the facilitator networks and also farm body networks to communicate information on the Carbon Farming Initiative, which will include research outcomes.

**Senator MILNE:** We have heard that we do not have any outcomes on the Carbon Farming Initiative because you have not been told what to communicate yet, so that is an end to that at the moment. On the other one, how many of these workshops have been held in Tasmania?

**Mr Gibbs:** The workshops have not commenced yet. We have just contracted with an organisation and we are going to start rolling out these workshops. They are first putting together a strategy about which areas to target and which groups to pull in to target those areas appropriately.

**Senator MILNE:** For the benefit of this committee, when can you release the timetable of when and where you are going to be holding these seminars?

**Mr Gibbs:** I think we would have to advise the minister first on the timing and the nature of those seminars.

**Mr Mortimer:** I think what Mr Gibbs is saying is that as soon as they are settled we will be able to advise the committee.

**Mr Gibbs:** They are not settled yet. As I said, we have had a first meeting with relative experts in extension activities trying to get an understanding about what information sources we can pull together and what different regions because they will vary across Australia, so you want to get it right.

**Senator MILNE:** Thank you.

**CHAIR:** Are there any other questions of climate change?

**Senator IAN MACDONALD:** Could someone indicate to me what work has been done by the department in relation to the proposed carbon tax.

**Mr Gibbs:** We do most of our work through the Carbon Farming Initiative. The work we do on the carbon pricing mechanism is really advisory work to the minister as part of a cabinet process. The other work that we are doing at the moment is part of the consultations. A land sector working group was formed and met in early May. We provide the secretariat services to the minister who chairs that working group.

**Senator IAN MACDONALD:** Has the department done any work on the impact that any carbon tax might have on the profitability or productivity of agriculture, fisheries or forestry?

**Mr Gibbs:** The Climate Change Policy Branch has not done any work of that nature. If you are talking about the latest negotiations as part of the carbon pricing mechanism the work you are alluding to is being done by Treasury and coordinated by the Department of Treasury.

**Senator IAN MACDONALD:** Is your department involved in any way in the assessment of any carbon price on the industries for which your portfolio has responsibility—that is, agriculture, fisheries and forestry?

**Senator Ludwig:** We can only answer within the officer's ability. We will take that on notice because if the officer says from his perspective and his division, no, then that might not be reflective of the whole department because we do also have ABARES within the department as well. Rather than bring others to the table because it is a broad question, we will take that on notice and get back.

**Senator IAN MACDONALD:** Clearly, the officers are here. They sat at the table until they got the nod from you that you did not want them. There is no need to take it on notice, they are here. If this officer does not know in his area we have here the secretary and the minister, both of whom can answer my question.

**Senator Ludwig:** I have said I will take it on notice to ensure that I get you a comprehensive answer to your question.

**Senator IAN MACDONALD:** I think your officers are sitting behind you and are quite happy to give the answers to my question. It seems that your passive direction to them is preventing them from giving evidence to this estimates committee.

**Senator Ludwig:** We can argue about what all of that means but I have indicated that I am happy to take it on notice.

**Senator IAN MACDONALD:** Minister, do you not know?

**Senator Ludwig:** I said I am happy to take it on notice.

**Senator IAN MACDONALD:** But, Minister, you must know whether you as the minister—

**Senator Ludwig:** We can argue about this but I have provided you with an answer. There are multiple ways. There is the Multi-Party Climate Change Committee. There are also other committees that feed in various information. What I thought I would do is actually provide you with a more comprehensive answer. I know you are resisting me getting you a more comprehensive answer to your question but if you just want simply ABARES to respond from their perspective—if that satisfies your question, I do not think it will—then ABARES can come to the table and we will call it a done deal.

**Senator IAN MACDONALD:** Minister, can I ask you? These estimates were in fact originally set up to question ministers and the Public Service were just an appendage but it has all changed a bit. Can I ask you has your department—

**Senator Ludwig:** You did, actually. What I indicated was that I would take it on notice to make sure that I get you a comprehensive answer to your question.

**Senator IAN MACDONALD:** Is the answer, yes, you have done some work on the cost to agriculture, fisheries and forestry?

**Senator Ludwig:** I am going to take it on notice to ensure that you get an accurate answer to your question.

**Senator IAN MACDONALD:** But you must know whether you have asked for it to be done.

**ACTING CHAIR (Senator O'Brien):** The minister has answered your question. Could you move to your next question please.

**Senator IAN MACDONALD:** He has not.

**ACTING CHAIR:** He has. He has said he will take it on notice and it has been, for all the time that I have been here, quite in order for the minister to take a question on notice.

**Senator IAN MACDONALD:** Do you mean to say that this minister does not know whether he has directed his department—

**ACTING CHAIR:** Do not put words into my mouth.

**Senator IAN MACDONALD:** I did not ask him to tell me what it was. I have asked him to tell me if he has directed work to be done by his department.

**ACTING CHAIR:** He has taken that question on notice, which he is entitled to do. Is there another question, or is there someone else who wants to ask a question? Have you finished, Senator Macdonald?

**Senator IAN MACDONALD:** No, I have more questions. Have you had representations from any of the agriculture, fisheries or forestry industries to the department on what a carbon tax might do to their particular industries? Have you had any submissions from anyone?

**Mr Gibbs:** There is a process for our stakeholders to make representations. They have been asked to put that together in consultation and submit it to the department of climate change. Those submissions—

**Senator COLBECK:** Who is 'they'?

**Mr Gibbs:** The stakeholders, broadly. They have been asked, if they wish to make a submission, to do so to the department of climate change directly. Those submissions closed around 10 or 15 May. We have been in discussions with DCC to have a look at some of those submissions, but we have not had the opportunity to do that yet. Those submissions have come to us directly.

**Senator IAN MACDONALD:** So to anyone who has approached you, you have said, 'Look, don't bother with it.'

**Mr Gibbs:** No-one has approached us. They have put their own submissions in to the department of climate change. We had a Land Sector Working Group meeting, which the minister chairs, and the group was at that point made aware of the consultation process. They were told that if they wish to put forward a paper or a consultation response they should do so through the processes of the department of climate change.

**Senator IAN MACDONALD:** Regarding the budget, which we are inquiring into today and which pays the salaries of departmental people, obviously, has the department been doing work on the impact on those three industries of a possible carbon tax?

**Dr O'Connell:** That is the question you asked before.

**Senator IAN MACDONALD:** Can someone tell me yes or no whether there has been any work done. You do not need to take it on notice, surely. You have this whole room of public servants and not one of them can tell me whether work is being done or not.

**Senator Ludwig:** If you had been following the conversation we had earlier, I indicated that I would take it on notice to make sure I gave you a fulsome answer across the department, because not all of the portfolio is here. As you know it stretches over two days. You have an answer from one officer. ABARES, as you reminded me, although I did not turn around, apparently were coming to the table. They did offer that they could come to the table and conclude the answer to you. But we now seem to have circumnavigated this issue and got back to there again. So I still make that offer. If you want to question ABARES in relation to their work I am happy for them to come to the table.

**Senator IAN MACDONALD:** Yes, thank you.

**Senator Ludwig:** That was an offer I made initially that you ignored.

**Senator IAN MACDONALD:** I ignored? I continued on the line, but I am happy to have ABARES now. Has ABARES being doing any work on the impact a carbon tax—any carbon tax—might have on the industries of agriculture, fisheries or forestry?

**Mr Glyde:** No, the only work that we are currently undertaking that might relate to your question concerns the Australian Treasury, who has asked us to have a look at the

sequestration potential from reforestation activities under selected carbon price paths. So that is a small part of that work. But we have done no other work.

**Senator IAN MACDONALD:** Is it normally something ABARES would do on the impacts on profitability of agriculture, fisheries and forestry industries from the impact of any sort of carbon tax?

**Mr Glyde:** You might recall in the past, and certainly over the last five years, ABARES and its predecessors have published work on, for example, the CPRS, when there were some specifics about what the detail of the scheme might look like. But at this stage we are not in a position to be able to relate to anything terribly specific in that regard, because they are not—

**Senator IAN MACDONALD:** Is it because the scheme details are not known to mere mortals, or to anyone, I suspect.

**Dr O'Connell:** Until there is sufficient—to use an old fashioned word—specificity about it I think it would be very difficult for us to do anything.

**Senator IAN MACDONALD:** I would have thought that someone looking at introducing this might have said to someone like ABARES, 'If we had a carbon tax of X or Y or Z, what impact would that have on your industry?'

**Dr O'Connell:** I think the area that will be looking at those impact issues will be Treasury, and it is quite clear that Treasury will be doing all the supporting analysis for the government in terms of modelling the potential impacts of a carbon price as it goes to the multiparty committee.

**Mr Glyde:** Senator, You might recall that several years ago ABARES officers were seconded to the Treasury. The Treasury uses the model that ABARES uses and uses other models as well. So we provide the base infrastructure, if you like, to the Treasury in terms of what we have got. The Treasury has the whole-of-government responsibility for economic modelling in relation to climate change and the government's policy deliberations in relation to that.

**Senator IAN MACDONALD:** I understand that. Dr O'Connell, I think it was indicated to me that your department did do some work on the emissions trading scheme, not just Treasury.

**Senator Ludwig:** Before ABARES did the original report, I think there were four volumes back in 2001.

**Mr Glyde:** Certainly ABARES has done a lot of work on various emissions trading schemes, the general principles around emissions trading schemes and the like—and that has been published over many years. We are more than happy to provide the full history, if you like.

**Senator IAN MACDONALD:** My point is that you did the work on the ETS but you are telling me that you are not going to do work on the carbon tax; it is just going to be Treasury.

**Dr O'Connell:** I think what Mr Glyde was indicating was that what we have got now in the Treasury structure is a capacity to do all the modelling that ABARES could do in terms of providing the model that we use plus their own. That will allow a stronger modelling output from Treasurer and will essentially allow better coordinated information to go to government in this process.

**Senator HEFFERNAN:** Is this on the basis of in on the credit and out on the debt for agriculture?

**Senator Ludwig:** As you know, agriculture emissions are excluded from the—

**Senator HEFFERNAN:** But under the carbon farming initiative, is that an opportunity going on the credit side?

**Senator Ludwig:** That is a different question. Yes, it is, as I understand it, but I am happy for—

**Senator IAN MACDONALD:** Can I finish my line of questioning before Senator Heffernan pursues that line of questioning, which is quite different to mine?

**Senator Ludwig:** Yes, I accept that.

**Senator IAN MACDONALD:** Mine was just the impact of any carbon tax on agricultural industry. Dr O'Connell, I take it from what you and Mr Glyde said, that you expect that you will be asked but as yet you have not been. I have been around long enough not to ask you what your advice is.

**Dr O'Connell:** That is not what—

**Senator IAN MACDONALD:** I am not asking you what your advice is; I am simply asking whether you have done work?

**Dr O'Connell:** The point I was making is that the way that things are organised to provide input into the government and the multiparty committee in terms of analysis is that the Treasury will do all the modelling across the economy for that. That allows the sort of tinkering that you do when you are making assessments of adjustments to potential carbon tax coverage and other things to be handled in a disciplined way in one place and then providing the advice directly to government in a coherent way. If you have this spread around the place you—

**Senator IAN MACDONALD:** I accept that.

**Dr O'Connell:** So it is not that we think we are going to be asked to do something separate from Treasury. Far from it; we are very confident that this will continue to operate predominantly out of Treasury to ensure that coherence and discipline in the advice.

**Senator IAN MACDONALD:** You have widened it to the department. Coming back to my original question: has ABARES done work to date, or are you just anticipating? Mr Glyde quite frankly said that they and their models had been co-opted in past instances into Treasury. All I am simply asking is whether they have yet been co-opted. Have they started? Have you done any work? Have you opened the book?

**Mr Glyde:** To correct what you have said in terms of conflict, Senator, the basis for our involvement previously was to make sure that we had the best whole-of-government effort we could have in relation to the modelling of the impact of, at that stage, an emissions trading scheme on the economy, and around the world, so we contributed to that.

**Senator IAN MACDONALD:** But have you contributed so far to the carbon tax? That is all I am asking.

**Mr Glyde:** As I said, we have been asked by the Treasury to help them with some work on the sequestration potential from reforestation activities. That is the only work we are undertaking at present.

**Senator IAN MACDONALD:** So far nobody has asked you to do any work, and you have not done any of your own volition, on the impact of any carbon tax on the agricultural industries?

**Mr Glyde:** No. As I was trying to say before, we have made some general comments in the past about carbon offset schemes and the like, and about carbon taxes and emissions trading schemes. We have made general comments which were really about the economic principles behind all of those, and we did some scenario work several years ago that looked at those various impacts. But we have not done any detailed work on that since the injection of our work into Treasury's modelling efforts, and we have not been asked to do anything other than the thing I have mentioned.

**Senator IAN MACDONALD:** Some farming groups have said, 'A carbon tax will put up the cost of our petrol and it will ruin us.' You have not done any work into that? Not that specific example, I am making that up.

**Mr Glyde:** Only in the past where we looked at various ways to go in general, not around a specific proposal for a specific tax. We had a range of scenarios that looked at those and the general conclusion, from my memory of it, was that the increases in input costs would not be that large, given the range of things we were looking at at that time.

**Senator HEFFERNAN:** The original starting point of the ETS was that somewhere between 35 and 38 per cent of the production cost of beef would be the impact of the tax.

**Mr Glyde:** No. I am not sure that is right.

**Senator HEFFERNAN:** I am.

**Mr Glyde:** I am not.

**Senator HEFFERNAN:** I have a fond memory for numbers.

**Senator COLBECK:** On the back of the conversation that you had with the Senator Macdonald, all the resources required to do the modelling for the current proposal, to develop it through all of its mechanisms, are being done within Treasury, and so you have given them your model, effectively, and they are utilising that within Treasury?

**Mr Glyde:** With others, which makes sense.

**Senator COLBECK:** With other models to model other aspects?

**Mr Glyde:** Yes.

**Senator COLBECK:** How does that work in the context of continuity, given that ABARE/ABARES now has fairly extensive experience in developing this sort of work? We have had some conversations here about how the impacts will work, and that has resulted in some greatly appreciated updates on those particular projects and has provided some second looks at those programs. How does the actual practical experience that ABARES has in this process get transferred across to Treasury? It is all very well to say that the model has been transferred across to Treasury, but the practical realities of the intricacies of the process and the understanding of agriculture and all its idiosyncrasies do not necessarily get transferred

across, and the iterations that we have had through this process do not get transferred across. It is a complete nexus.

**Mr Glyde:** That is a very good point. Indeed when you then add to the complexity of real-world interactions, the fact that this is modelled information based on data that has to be collected—models are only as good as the data and the assumptions that are in them. The way we went about it was to second for a considerable period of time the people who had the intimate knowledge of both the model and its assumptions and the data behind it. We seconded officers for a period of, I think, around the 12- to 18-month mark, as Treasury was developing its approach to doing the whole-of-economy modelling.

**Senator COLBECK:** So some of your people have had the joyous experience of working in Treasury for a period of time?

**Mr Glyde:** Yes, both quite senior and also at the more junior—the modelling level, with more junior officers. At that time a number of officers were seconded to Treasury to help with that transfer of knowledge and information. It is very important to understand that these things are not black boxes; a lot of assumptions go into them and you need to understand the assumptions to understand the—

**Senator COLBECK:** There are a lot of nuances that come in?

**Mr Glyde:** Exactly. That was our method of transferring, if you like, the knowledge of not only the model but also of agriculture that you need. Of course, we work with Treasury, as evidenced by this most recent piece of work they have asked us to do. We work with them from time to time to help out. They see us having a particular area of expertise that they might not have.

**Senator COLBECK:** Are they going to be as kind as you have become to publish the assumptions—that they are inputs—rather than us having to weasel it out of them over a period of time?

**Mr Glyde:** That is something you may wish to ask Treasury.

**Senator COLBECK:** I thought you might say that, but I thought I would ask, anyway.

**CHAIR:** We are running very short of time.

**Senator MILNE:** You said you were doing some work for the Department of Climate Change and Energy Efficiency on the potential of reforestation in terms of what you consider to be a reasonable level of abatement. Can you tell me what you have concluded? How much abatement from reforestation?

**Mr Glyde:** We have not actually come to a conclusion. That work is in progress. We have not as yet produced the results. That is due with Treasury in, I think, November this year. I am not in a position to be able to let you know exactly what conclusions we have come to because we have not as yet come to them.

**Senator COLBECK:** Is that the stuff that is done in relation to the CFI?

**Mr Glyde:** Yes. This is just specific work under various assumptions: what reforestation activities are likely to occur, what is the sequestration potential under various—

**Dr O'Connell:** Senator, just to clarify: I do not think that relates to the CFI. That relates to the carbon price.

**Senator NASH:** They are linked.

**Dr O'Connell:** The CFI of course goes beyond the price on carbon.

**Senator COLBECK:** Yes.

**Senator HEFFERNAN:** Can I go to the question of carbon farming. Is the choice for agriculture—now that we are out on the debit side—between, on the one hand, a Kyoto-compliant scheme and, on the other hand, a voluntary scheme?

**Mr Gibbs:** I am not quite sure what you—

**Senator HEFFERNAN:** Is the choice in carbon farming one between something that is Kyoto compliant and a scheme, which would be voluntary, that is not?

**Mr Gibbs:** Under the Carbon Farming Initiative proponents have the choice to reduce their emissions from Kyoto compliant sources—

**Senator HEFFERNAN:** Which is code for trees.

**Mr Gibbs:** In some cases yes; in some cases no.

**Senator HEFFERNAN:** But, basically, it is true.

**Mr Gibbs:** There are different parts of the Kyoto protocol. Some are tree activities, as you referred to them. They are not part of the Kyoto protocol and some like reforestation are. It is important that you understand that there are some which are Kyoto compliant and some which are not Kyoto compliant.

**Senator NASH:** Definitely not the agricultural activities— they are not Kyoto compliant?

**Mr Gibbs:** The simple way to think about it is that all agricultural activities which are not related to carbon dioxide but relate to methane emissions and nitrous oxide emissions are Kyoto compliant.

**Senator HEFFERNAN:** But where do perennial deep-rooted grasses fit in? Into the voluntary scheme?

**Mr Gibbs:** Are you talking about perennial grasses and storing carbon in the soil? That is a non-Kyoto—

**Senator HEFFERNAN:** For the purposes of the exercise that is a waste of time, given it is a voluntary scheme which has failed to be aware of us on the planet. You are not going to pay sixpence for carbon, which is about the equivalent now in America, in the voluntary scheme?

**Senator NASH:** That is right.

**Mr Mortimer:** You are asking for an opinion there.

**Mr Gibbs:** Under the CFI farmers can voluntarily participate in the scheme. So we have to be careful about using 'voluntary'. You can have two sorts of permits—one is a permit which is Kyoto compliant—

**Senator HEFFERNAN:** Which is basically tree industry farming.

**Mr Gibbs:** I think I said it was not basically tree industry farming. Those Kyoto compliant activities can potentially lead to the carbon pricing mechanism. That decision needs to be made by the multiparty committee process. The other activities which are non-Kyoto at this stage cannot be linked to the carbon pricing scheme.

**Senator NASH:** This is important: why did you say 'at this stage it can't be linked'?

**Mr Gibbs:** Decisions have not been made on linking under the multiparty process.

**Senator HEFFERNAN:** This is a little cover-up here. We are about to try and cover-up the cover-up.

**Dr O'Connell:** It is worth making it clear that what Mr Gibbs is assuming here is that the decisions will be around Kyoto compliance.

**Senator HEFFERNAN:** I can never hear you. You need to talk a bit more boldly with your presentation—

**Dr O'Connell:** You would not want me to—

**Senator HEFFERNAN:** You are mumbling.

**CHAIR:** You heard him when he had a crack at you.

**Senator HEFFERNAN:** That was you.

**CHAIR:** Time is ticking away. Let's go.

**Senator HEFFERNAN:** I have not finished this. Given that a non-Kyoto compliant scheme at this stage is dreaming—it does not exist, does it?

**Dr O'Connell:** Some parts of the CFI are likely, depending of course on clear decisions, to relate to non-Kyoto compliant components.

**Senator HEFFERNAN:** But if we go to Kyoto compliance and you have an eastern Australian drought, who foots the bill?

**Mr Gibbs:** That depends—

**Senator HEFFERNAN:** You were talking to Senator Nash a while ago. Will there be some for the regions? Fifteen months ago all of New South Wales was in drought. Where is the offset?

**Mr Gibbs:** I will try and make it as simple as I can. The issue with drought and environmental consequences is that, if a project comes forward to capture carbon in the soil, they have to permanently capture that carbon in the soil over 100 years. So they are susceptible to changes in weather patterns be it more or less rainfall or drought.

**Senator HEFFERNAN:** That does not answer my question. If I am a farmer and I decide to participate in carbon farming, as proposed by the government with no detail, and I propose not do the tree thing, can you give us an idea of what price it would pay a farmer to participate in the Kyoto compliant tree scheme? At what price would it be better to do that than fat lambs?

**Mr Gibbs:** We have not done that analysis, Senator.

**Senator HEFFERNAN:** Don't you think you should?

**Mr Gibbs:** Well—

**Dr O'Connell:** It depends on price.

**Senator HEFFERNAN:** No, he does not need you to prompt him.

**Dr O'Connell:** No, not prompting. I am answering: it depends on price. It depends on a whole range of things that are not settled.

**Senator HEFFERNAN:** This is a whole lot of bloody—

**Senator LUDWIG:** We know you do not believe in it.

**Senator HEFFERNAN:** I do. That is the point. I do more than most.

**CHAIR:** More than most on your side.

**Senator HEFFERNAN:** No, more than most on your side, mate. And I know more about it than you will ever know.

**Senator NASH:** Yes, chair.

**Senator HEFFERNAN:** Thank you, Mr Chair. I want to go back to how you overcome the wipe-out drought under a carbon scheme.

**Mr Gibbs:** I stated in my previous answer that when a proponent, a farmer, comes forward with a scheme to capture carbon in the soil and a drought comes along, they have to bear the risk that the carbon will leave the soil. So the liability is with the farmer.

**Dr O'Connell:** Like any other business operation, it is going to have risks in it—

**Senator HEFFERNAN:** Can we announce today that if I grow 10,000 acres of lucerne and it gets wiped out when the drought comes, in the middle of the drought I am going to get a bill under the scheme.

**Dr O'Connell:** I think—

**Senator HEFFERNAN:** You have not worked out how you are going to bill me, yet.

**Dr O'Connell:** There are a lot of assumptions about what the scheme will look like in the end on that particular—

**Senator HEFFERNAN:** You do not know.

**Dr O'Connell:** I think the decisions have not been made so it is not a question of me not knowing.

**Senator JOYCE:** You obviously agree that if the carbon goes someone has to pay. If you are going to give us money to grow it, you are going to have to take money off us—

**CHAIR:** Senator Joyce, it is not too often I get nervous about you and Senator Heffernan both sitting there together, but on this occasion I am. I will give you the call if you will allow your friend to finish.

**Senator HEFFERNAN:** If it is an act of God, Minister, which can be a 10 year act of God—

**Senator LUDWIG:** Two things: one is the detail that you are seeking has not been resolved, which will answer many of the questions that you ask. You already know that. That is the evidence that has been given. And DCCEE is the appropriate portfolio responsibility. So if you want to ask these questions there, then I am happy for you to do so. We are trying to be as constructive as possible in our answers—

**Senator HEFFERNAN:** Yes, fair enough—because you do not know.

**Senator Ludwig:** but they do fall within their responsibility. Furthermore, because the detail not been finalised, the questions are not clear.

**Senator HEFFERNAN:** That is not true.

**Senator Ludwig:** We do know that agricultural emissions are excluded, so that is a plus on the agriculture side.

**Senator NASH:** For how long?

**Senator Ludwig:** I know the climate change sceptics around the room—

**Senator NASH:** It has nothing to do with climate change scepticism—

**Senator Ludwig:** want to do all the scaremongering they can in relation to this issue.

**Senator NASH:** It is just that we cannot trust your government; we do not believe you.

**Senator Ludwig:** You all—

**CHAIR:** Senator Nash, we do not need you throwing in hand grenades. Senators, I will allow the line of questioning because—

**Senator HEFFERNAN:** No, no—

**CHAIR:** pretty soon I am going to pull it up; otherwise—

**Senator HEFFERNAN:** Hang on—

**CHAIR:** Otherwise—hear me out, Senator Heffernan—you can tell the people at the end of the night that you have brought them along but cannot ask any questions of them because we have run out of time.

**Senator HEFFERNAN:** Yes, I will do that. It will be right.

**CHAIR:** I will remind you through the evening.

**Senator HEFFERNAN:** Good-o. So, in terms of carbon sequestration and a proposed algae technology, where does that fit in?

**Senator Ludwig:** Again let me say that I understand the questions you are asking. They are methodologies that can be developed through the CFI, where, if you were interested in that subject and you wanted to participate in the CFI, then you might look at how you would develop the offset methodology to give you certainty about what you can and cannot do within the Carbon Farming Initiative—

**Senator HEFFERNAN:** I thank the minister for that.

**Senator Ludwig:** particularly around whether or not it is a Kyoto compliant credit—

**Senator HEFFERNAN:** Thank you.

**Senator Ludwig:** which all means that a lot of this work will actually depend on the particular industries, such as biochar and others, that have an interest in developing the offset methodologies being able to determine whether or not they can participate in a way that meets their—

**Senator HEFFERNAN:** So we do not know the details.

**Senator Ludwig:** It is more than that. This is the difficulty; it is more than that. Some industries will want to develop offset methodologies so that they can participate, but they will also want to analyse the cost benefit in developing them to see whether or not they should participate.

**Senator HEFFERNAN:** I do not want to know the details, but you have confirmed the principle that, where a farmer goes to the trouble of growing lucerne, or whatever he does, as a carbon farming initiative, when the drought comes along, you do not know the answer to how it is going to be achieved, but he is going to have to make it up. So I wait with great anticipation.

**Senator Ludwig:** Well, that is not the evidence was provided.

**Senator MILNE:** Can I ask a question in relation to that? It might help.

**Senator HEFFERNAN:** If it was not the evidence that was provided, can we just go back to the evidence that was provided. That is not correct?

**Senator Ludwig:** I am happy for Senator Milne to ask a question. I am not sure anything will help, though, Senator Milne, in all fairness.

**Senator MILNE:** I just wanted to address this issue of the risk-of-reversal buffer, which is what—

**Senator Ludwig:** Yes, I understand what he is getting at.

**Senator MILNE:** Senator Heffernan is talking about here. I understand it is proposed that there be a five per cent risk-of-reversal buffer built into these projects, with an understanding that that would overcome some of these issues. I guess what Senator Heffernan would probably like to know is: has the department had any role in determining that the appropriate risk-of-reversal buffer should be five per cent for farmers who may be credited under these projects?

**Senator HEFFERNAN:** And, if there were a 10-year drought, where would that figure end up? You do not know the answer, so—

**Senator Ludwig:** We will take it on notice. I am not sure—

**Senator HEFFERNAN:** You have no idea!

**Senator Ludwig:** that would actually fall within DCCEE.

**CHAIR:** Thank you, Minister. Now, time has well and truly gone. Senator Heffernan, do you have any more questions?

**Senator HEFFERNAN:** I have, but I will—

**CHAIR:** You will put them on notice. Okay.

**Senator COLBECK:** Just to add to that question—the question was whether the department of agriculture has done any work in advising DCCEE—

**Senator HEFFERNAN:** They have no bloody idea.

**Senator COLBECK:** Has DAFF done any work on that margin being a variable, one depending on the plan and the type of sequestration?

**Mr Gibbs:** Sorry, Senator; are you referring to the five per cent?

**Senator COLBECK:** Yes.

**Mr Gibbs:** Okay.

**Senator NASH:** That is a very good question.

**Mr Gibbs:** The five per cent has been put forward by DCC. As we have been talking about throughout these estimates, DCC has responsibility for this—

**Senator COLBECK:** Yes, but the department of agriculture is supposed to know about agriculture and the risks and issues around it.

**Mr Gibbs:** The five per cent is based on work they have done by looking at voluntary schemes overseas—

**Senator HEFFERNAN:** We have a different climate.

**Mr Gibbs:** There are different rates of risk reversal buffer but there are other mechanisms that are built into the current Carbon Farming Initiative which would mean that you could probably go with a lower risk of reversal buffer in Australia.

**Senator HEFFERNAN:** We have had a 10-year drought, for God's sake.

**CHAIR:** On that, Senator Heffernan, we have wound up with climate change. Before we say goodbye to the officials from climate change, Mr Mortimer, I believe one Powerball and you are out of here?

**Mr Mortimer:** Not quite right, Senator.

**CHAIR:** That was the rumour going around—I started it just then.

**Mr Mortimer:** There is the rumour going around that I am very close to pulling up stumps and becoming an ex-bureaucrat.

**CHAIR:** On behalf of the RRAT committee, I wish you all the very best in your future endeavours. We thank you for all those years of your enlightening answers to our questions. We wish you and your family all the very best.

**Mr Mortimer:** Thank you.

**Mr Glyde:** Mr Chairman.

**CHAIR:** Mr Glyde, you are not leaving too?

**Mr Glyde:** I might if Senator Heffernan continues! In response to a question from Senator Milne I said that the report we are doing for Treasury was due around November. That was an error. The report is actually due to the Treasurer at the end of June. The decision about the publishing of that and its release time is with the Treasurer.

**CHAIR:** Thank you.

#### **Australian Bureau of Agricultural and Resource Economics and Sciences**

[15.46]

**CHAIR:** I welcome representatives of Australian Bureau of Agricultural and Resource Economics and Sciences.

**Senator MILNE:** I want to ask about Australia's dependence on imported oil and the current increasing oil price. In particular I would like to know how ABARES has responded to the latest reports from the International Energy Agency, which has downgraded its previous forecasts about how much oil there is left.

**Ms Melanie:** As you may be aware, oil prices have been moving quite significantly over the past three months. In fact, they have been moving in all directions, reflecting the fact that the market is very sensitive to any potential supply disruptions. As a result of that, we have seen oil prices move from about \$94 a barrel in the March quarter to \$110 a barrel in April and then ease back in May to \$102 a barrel. You are right about the IEA revising down oil consumption for this year. This is basically based on the view that oil prices are reaching a point where we are going to see a demand response, particularly in large consuming countries in North America. We are already seeing some sorts of changes in behaviour in those countries with people either driving less or using smaller and more efficient vehicles. As a result of that, the IEA has revised down its global oil consumption forecast for 2011. At the

moment we are in the process of putting together our oil forecast for June and we will certainly take that into account in terms of working out what impact this may have on price going forward.

**Senator MILNE:** What about the International Energy Agency's reports on international reserves, which they have also marked down?

**Ms Melanie:** We usually take a very long view in terms of oil reserves, and what we have seen over the past many years is that the numbers in terms of oil reserves keep increasing over time. There are some fluctuations in the short term as we get more information, but in the longer term we believe that there is probably enough oil there to meet demand.

The other interesting thing that is happening in recent times is the significant developments in coal seam gas and shale gas. What we are seeing, certainly in North America but potentially more broadly in the rest of the world, is a significant amount of coal seam gas or shale gas—unconventional gas sources—going into global gas and LNG markets. What this means is that potentially that could change the dynamics and the economics of gas to liquids, which is one of the technologies—one of the fuels—that we think may provide some sort of anchor for long-term oil prices.

**Senator MILNE:** So how do you see the challenge from the electrification of vehicles?

**Ms Melanie:** I would not see it as a challenge; I would see it as part of the solution to the problem. It is certainly one area where further work is needed, and further work is going on in terms of assessing the feasibility of that and what are some of the barriers to electric vehicles. We can see electric vehicles increasing their share of the market over time, but at the moment that technology is still quite expensive, so we do not see a major shift, at least in the short to medium term. But it is certainly a technology that is likely to become more important over the next decade or two.

**Senator MILNE:** So what is your prediction in terms of future oil prices? ABARE for a long time had a view that oil prices would come back to \$40 and stay there. I know that that has been revised, but I am interested to know what your current view is. Also, the US has moved very fast on energy security; Europe is doing the same. Would you say Australia is vulnerable because of its high level of exposure to imported oil—in terms of energy security, I mean?

**Ms Melanie:** Starting with the second part of the question, energy security is really a policy issue that I know the Department of Resources, Energy and Tourism is looking at in the context of the National Energy Security Assessment. So there are lots of factors at play here, and that will be one of them, but I would suggest that they might be in a better position to provide a more holistic response to that question. On your first question, if you would not mind—

**Senator MILNE:** The oil price.

**Ms Melanie:** We revised our long-term oil price assumption probably a couple of years ago on the basis that these prices will be dependent to a large extent on the development of alternative technologies such as coal to liquids, gas to liquids et cetera. So what we have done is look at the costs of these alternative technologies. At the moment there is a lot of variation in those costs; we do not know exactly how much they are going to cost. But, if you look at the range that the IEA, for instance, has presented, we are looking at anything between \$70 a

barrel and \$100 a barrel. As I mentioned before, the significant developments in terms of non-conventional gas could have some implications for the economics of some of these technologies, particularly gas to liquids. Therefore, at the moment we are still sitting at around \$100 a barrel as our long-term assumption.

**Senator MILNE:** Finally, when you are looking at the cost of gas to liquids et cetera, are you taking the cost of the emissions into account or are you assuming that carbon capture and storage is in place?

**Ms Melanie:** These are just the marginal costs of production, so we are not taking into account the additional costs that might be added to that—if you were to have a carbon price, for instance. However, if you look at the IEA assumptions, under three different scenarios they certainly see prices being lower in a world where a buyer would have a more stringent carbon price policy. If I recall correctly, under the new policy scenario they are looking at \$113 a barrel by 2035 in real terms. Under a 450-ppm scenario, they are suggesting \$90 a barrel in 2020 in real terms.

**Senator COLBECK:** Those figures you quoted for the marginal costs for gas to liquids and coal to liquids projects, \$70 to \$100, are they at current development costs or are they at scale development costs?

**Ms Melanie:** These were the numbers that the IEA provided in their *World Energy Outlook 2010*, and they provided, as I said, a range of \$60 to \$100 a barrel. But obviously there is a lot of uncertainty about these costs; they will certainly change in light of technological development, in light of the costs of the fuel itself.

**Senator COLBECK:** And also potentially scale?

**Ms Melanie:** Yes.

**Senator COLBECK:** Okay. So, it is effectively a range at this stage, dependent on a number of factors?

**Ms Melanie:** Pretty much, yes.

**Senator COLBECK:** Is ABARES subject to the efficiency dividend?

**Mr Glyde:** Yes, it is part of the portfolio.

**Senator COLBECK:** Okay. Have you worked out what the impact on ABARES is going to be, as far as your capacity over the forward estimates?

**Mr Glyde:** We are in the process of doing that as we wind into the start of the new financial year. We have not finalised that budgeting process as yet.

**Senator COLBECK:** So you do not have any idea about any specific impacts at this stage?

**Mr Glyde:** Not at this stage, but we have been subject to the efficiency dividend for many years, and it is a constant battle, as the secretary said earlier on today, to try and find more efficient ways of doing the things that we do. We are always on the lookout for that, in terms of both administrative support costs but also the way we go about collecting our data.

**Senator COLBECK:** We might come back and have another chat to you next time around about that. Carbon tax—Senator Macdonald has asked that. I will move on to floods and assessment of impact on agricultural and mining commodities based on Queensland

floods and some work you were doing, I think, when we spoke in February. I think the assessment you had at last estimates was \$500 million to \$600 million, which was revised up to \$2.3 billion in the March quarter. I am interested to know where we are at.

**Mr Glyde:** We have not done anything more than that really. If you take together the loss of agricultural production and the loss in terms of exports, our estimate of around \$2.3 billion for 2010-11 remains. We have not had any cause to change that. Obviously, there was significant damage to cereals, sugar cane, fruit and veg, cotton and grain sorghum during that period. But we have not done any further work in updating that since we last spoke, as far as I am aware. But Dr Sheales might be able to augment my response.

**Dr Sheales:** We have not done any revisions, but I think it is important to think in terms of the bigger context, and the thing that has helped the farm sector in particular a lot is that, in general, commodity prices have been very attractive through this period despite the high dollar. That has certainly helped people get through the effects of floods, wet weather, drought in Western Australia and that sort of thing.

For sure, if we had not have had those things, our farm sector, particularly broadacre, would have done even better, so it is more of an opportunity cost loss. Except for those producers who have had total losses or lost most of their crops—quite clearly for them as individuals it is quite a large impact—

**Senator COLBECK:** So there would be specific regional or local impacts that would not fit within this?

**Mr Glyde:** That is correct. Essentially, we are giving you an Australia-wide figure. It does not go to the fact that there would be significant devastation for individual farmers in certain regions.

**Dr Sheales:** It is worth noting that we have estimated across the country the average farm cash income for broadacre farms in this financial year is about \$82,000, compared to about \$59,000 the preceding year. The \$82,000 number is above the average of the last 10 years once you have stripped out inflation, so that is in real terms.

**Senator COLBECK:** So after inflation it is above the last-10-years average.

**Dr Sheales:** That is correct.

**Senator COLBECK:** That is only broadacre farms, though, isn't it?

**Dr Sheales:** That is broadacre. Quite clearly, different industries have been significantly affected. Some of the horticulture is significantly affected. As we have noted, Some of the effect has been reduced somewhat by the higher prices you have been able to get for the produce that you have been able to turn off. That is usually the way it goes, and that is leaving aside anyone who has experienced total losses. Obviously that is much more serious. But in the national perspective we have got through these disasters a lot better than we might otherwise have expected to.

**Senator COLBECK:** So these figures are basically national figures that you are talking about and run down Eastern Australia—Far North Queensland down into Tasmania.

**Mr Glyde:** Correct.

**Senator COLBECK:** So that agriculture figure has gone from 600 up to 2.3. What about the coal figures? They were initially \$2 billion to \$2.5 billion.

**Dr Sheales:** I do not have them immediately available. I can come back to you in about a minute and give you those.

**Senator COLBECK:** That is fine.

**Proceedings suspended from 16:03 to 16:15**

**Dr Sheales:** Can I give you an answer now to your question. Thank you for your forbearance. In the first quarter of 2011, coal exports out of Queensland—which of course were very severely affected—were estimated to be about 15 million tonnes lower. That would represent a reduction in export earnings of about \$2½ billion. There are a couple of other points I should add: (1) some coalmines are still out of production because of flooding and issues to do with how to pump out the pits and dispose of water which will have some chemicals in it; and (2) because Australia is such a big producer, prices of coal have gone up a lot since the flooding. In the second quarter of 2011, we are talking about up by about \$100 a tonne from what they had been prior to that. Again, there is a bit of an offset effect there on pricing to help cushion some of the blow of the lost production.

**Senator COLBECK:** But those that have coal and can get it out will be doing fine, unlike those that cannot and do not.

**Dr Sheales:** That is correct. Unlike crops, where if they are lost they are lost—at least a lot of them are—with minerals you can dig them up later.

**Senator COLBECK:** The coal is still there and you can dig it up and sell it later, depending on what the price is. Do you have any sense of by how much production is down for the second quarter yet? We are not finished yet, are we?

**Dr Sheales:** No, we do not. Those data tend to come in with a bit of a lag, but you would expect that it is going to be down somewhat.

**Senator COLBECK:** You do not have any projections of where it might be going to go?

**Dr Sheales:** Not with us. Next month, on 21 June I think, we will be putting out our latest forecast, which will incorporate those sorts of effects on Australian commodities.

**Senator COLBECK:** That is the next scheduled commodities forecast?

**Dr Sheales:** That is correct.

**Senator COLBECK:** At the last estimates, we talked about some work that you are doing for Forest and Wood Products Australia on forestry statistics. Can you give us an update on where you are in that process?

**Dr Ritman:** We have negotiated a contract with FWPA. The first report is due to be released in November this year, but we will not commence the project until June. We have yet to start the work. It is a four-year commitment at this stage and the objective is to better inform industry of regional socioeconomic profiling, forecasting of future consumption and trade. That is about the most I have.

**Senator COLBECK:** Please run through the issues you are looking at again.

**Dr Ritman:** The datasets include a compilation of industry statistics, regional socioeconomic profiling and forecasting of future consumption and trade. It is meant to be across the supply chain, so it goes right up to products from stocks.

**Senator COLBECK:** The forecast in trade is across the whole supply chain?

**Dr Ritman:** Yes.

**Senator COLBECK:** Is the socioeconomic work looking at forestry, its impacts and its value to various communities? To what level of definition is that work going to be done?

**Dr Ritman:** I have some overview information. I might have to call a specialist to the table. We are collaborating with the Housing Industry Association and the CRC for forestry. The CRC for forestry will assist us in the regional socioeconomic profiles—part of it—and the industry employment stats. We are still negotiating the details.

**Senator COLBECK:** You start the process in June, so we will have the first iteration of what it starts to look like by June.

**Dr Ritman:** We start the project in June.

**Senator COLBECK:** Sorry—by November.

**Dr Ritman:** Yes—the first report.

**Senator COLBECK:** What is the cycle of reporting? Is it annual reporting?

**Dr Ritman:** I will ask my colleague, Dr Tim Clancy, to answer that.

**Dr Clancy:** It will be six-monthly reporting. The standard reporting is ongoing and that is due out shortly. That will have statistics. The one with added functionality will come out in November.

**Senator COLBECK:** How far out is trade forecasting going to look?

**Dr Clancy:** How many years ahead?

**Senator COLBECK:** Yes. I understand that there is the opportunity to update that as more information comes to light over the four-year project period. I suppose I am trying to get a sense of the value of this whole process to industry planning for demand and that sort of stuff. Obviously, there are a number of processes going on at the moment that will have an impact on supply. That is one of the reasons I have been interested in the existence of the work in the first place.

**Dr Clancy:** I do not have the specifics of how far into the future they will try to look at demand. The further you go forward, obviously, there more difficult it is to—

**Senator COLBECK:** I understand that the variability has the capacity to range a bit more with how far you are looking into the future.

**Mr Glyde:** We should be able to provide that on notice. As I understand it, we are still working on developing the new forecasting model. One of the key variables will be how far out we go and what can be reliable and what is not.

**Senator COLBECK:** Do you have a scoping document or something that is available to us to have a look at, perhaps on notice?

**Mr Glyde:** We can take that on notice. We are still in the process of negotiating with, if I am correct, Forest and Wood Products Australia. Obviously there are two parties involved in that decision.

**Senator COLBECK:** Yes, I understand that.

**Mr Glyde:** Usually we would be providing that information anyway. It is important to be able to say what we are doing with these reports.

**Senator COLBECK:** All right. Are you doing any additional work in the forestry sector?

**Dr Ritman:** Additional work beyond our current program? We are continuing production of forest statistics; we have the *National plantations inventory* due out soon; we are preparing for the five-year *State of the forest report*, which comes out in 2013; we have work that we have already spoken about with regard to previous work on illegal logging; we have background information that we have been providing through the department as part of our normal ad hoc advice; and we are just completing projects on climate change and impacts on regional forestry.

**Senator COLBECK:** That has been referred to.

**Dr Ritman:** Yes, in the past. That is due out later this year.

**Senator COLBECK:** How far have we progressed with the work on the marine planning process?

**Dr Ritman:** We had a project with the department of environment which we have completed, a series of regional profiles, that you would be aware of. Some of them have been released to the public. My colleague Dr Gavin Begg will talk more on this.

**Dr Begg:** On that work you refer to, Senator, which we mentioned at last estimates, we had provided some interim reports based on draft networks to SEWPaC for the south-west, the north-west and the north. That work was for SEWPaC; it was not released publicly. The draft network that is now coming out was slightly different to the work that we were asked to do for that original work and we are currently in negotiations with SEWPaC to do the next level of work.

**Senator COLBECK:** Effectively for the next stage based on the boundaries that were released a couple of weeks ago.

**Dr Begg:** That is correct.

**Senator COLBECK:** That will continue for the other bioregions as they come on stream?

**Dr Begg:** That is correct.

**Senator COLBECK:** You do not know who the information was made available to, or was it just held within SEWPaC?

**Dr Begg:** It was just provided to SEWPaC.

**Senator COLBECK:** And what they do with that you do not necessarily know. Do you know about any intention to release the stuff that is being negotiated now, or is that again a matter for SEWPaC?

**Dr Begg:** The work that we are currently in negotiations on this to do the next step, if you like, now that the reserve network has been released for the south-west. We would actually be looking to do the socioeconomic assessment of that work and as the other networks roll out for the other regions we would look to do that work as well.

**Senator COLBECK:** But, again, that is in association with SEWPaC?

**Dr Begg:** Yes, but the work we are doing for this second stage will involve extensive consultation with industry and state agencies and other stakeholders.

**Senator COLBECK:** I will go and have a chat to them about that. On the vegetable industry survey, we talked about that in February. The annual survey has begun, funded by HAL and with matching funding by the government. Where is that process up to?

**Mr Glyde:** I will ask Mr Bowen to take us through that one. He is right across the details.

**Mr Bowen:** The vegetable survey is continuing. When I spoke about it last time, survey collectors had gone into the field. The data is being collected and being analysed.

**Senator COLBECK:** Any impact on the levy revenues from industry because of the season? It was jointly funded and the estimated cost of the survey was 300 grand.

**Mr Bowen:** It does not directly impact on us.

**Senator COLBECK:** You have got a contract with them and that is what they need to pay, so, for HAL, their levy income and how they work it is their issue to deal with?

**Mr Bowen:** That is correct.

**Senator COLBECK:** What is the proposed reporting date for that?

**Mr Bowen:** I think the report is around September, but I do not have the exact date with me. Usually we report once a year.

**Senator COLBECK:** How many field officers do you put out into the regions as part of that process?

**Mr Bowen:** We have a group of about 35 employed data collectors. They are employed on a casual basis, based on the amount of survey work we have got. They are virtually all regionally based in Australia and they are used on our survey programs, so they would do the vegetable survey and there is also our normal survey of grazing industry, our dairy survey that we are commissioned to do and other surveys. That is our team of field based operators that we use to collect the data, and they visit farmers, in most cases, to collect information.

**Senator COLBECK:** Is this being done in conjunction with any of the other work that is going on? I just cannot recall whether it is you doing the broader farm survey that is collecting the data on land ownership.

**Mr Bowen:** There is a survey being done at the moment by the Australian Bureau of Statistics, who have their own survey collection process.

**Senator COLBECK:** So you do not collect any of that data as part of your process? You are the agency that does have pretty regular contact with the rural sector across a number of bands, whether it be broadacre, dairy, horticulture and things of that nature. That is not something that you would normally collect?

**Mr Bowen:** We do not normally. The information that I think you are referring to is about foreign ownership of land.

**Senator COLBECK:** Yes, that is the stuff I am referring to.

**Mr Bowen:** We do not normally collect that as part of our survey. We collect information on physical aspects of the farm—number of livestock, size of crops and various other things. Our main focus is on farm financial information, collecting information on the receipts and costs which allows us to provide that information about the financial performance of these sectors. You were correct that our survey does cover broadacre and dairy. We do that on a regular basis and now we have been doing vegetables. We also do one for irrigation, more

broadly, but we do not cover all other sectors. I think the ABS survey is designed to cover all of agriculture whereas we are obviously not in a position to do that.

**Senator COLBECK:** In this circumstance I think that is what they are heading to. A lot of their data was also based around particularly broadacre and dairy, from recollection when we had our conversation with them about that piece of legislation that we were considering. I am just wondering how the effort lines up.

**Mr Bowen:** The timing is a bit different. I believe this is a one-off survey that they are doing at this stage. Their sample is bigger than our sample.

**Senator COLBECK:** Yes, I think there are 170,000.

**Mr Bowen:** That is the total population of farms that they would call agriculture. Our survey concentrates on what we call commercial farms. They have to have a turnover of at least greater than 40,000. We are focusing more on the commercial end. Their survey potentially would cover turnover of anything above 5,000. Their surveys cover a broader range than agriculture. Obviously, as you say, broadacre and dairy account for a large proportion of farms out there, but there are other sectors that we do not cover in our survey at this stage, like the cotton industry.

**Senator COLBECK:** I will have to go back and read up on that. You have a project looking at climate change and its potential effects on fisheries. You released the initial report on that earlier this month. Is that work intended to be ongoing at all?

**Dr Begg:** No, that was a one-off work. It was basically a review study to look at potential opportunities and challenges that would face Commonwealth fisheries.

**Senator COLBECK:** I might have to look at that and come back to it at another stage.

**Senator NASH:** I am sorry if you have already covered this. Has anybody asked about the work that ABARES is doing for the carbon farming initiative?

**Mr Glyde:** A fair bit was said about that under the Climate Change Division questioning.

**Senator NASH:** Maybe I missed that. I just wondered when the information is due to go to the government.

**Mr Glyde:** The work that we are doing, which is on the potential for sequestration and the changes in land use as a result of that, is due to go to the Treasury from us by the end of June of this year. The decision about releasing that information is a decision for the Treasury.

**Senator NASH:** Is there any reason it is going to the government after the legislation goes to the parliament rather than before? Wouldn't it have been better for the government to have been informed by the marvellous work that you do rather than have it as an afterthought?

**Mr Glyde:** That was the nature of the contract that we have with the Treasury.

**Senator NASH:** Minister, can you shed any light on that? Why wouldn't you want to quite seriously consider the report from ABARES before we consider the legislation?

**Senator Ludwig:** It is a matter for Treasury, so I am happy for you to ask for Treasury's response to that. I did not ask for the contract. The contract is with Treasury and ABARES.

**Senator NASH:** As the minister for agriculture, would you think it would be more suitable to be able to consider the information?

**Senator Ludwig:** I am not going to proffer an opinion.

**Senator NASH:** No, of course not. In April this year a report was released—and, again, stop me if Senator Colbeck has already covered this. It was called *An economic survey of irrigation farms in the Murray-Darling Basin—Industry overview and region profiles*.

**Mr Glyde:** No, we have not spoken about that.

**Senator NASH:** A lot of the findings reflect the impact of the drought. How relevant is the research given the change in climatic conditions? I think I also noted that you are going to do a more up-to-date analysis. Has that research commenced?

**Mr Glyde:** Is this in relation to our irrigation survey for farm financial performance?

**Senator NASH:** Yes, the title is *An economic survey of irrigation farms in the Murray-Darling Basin—Industry overview and region profiles* and it covers 2008-09.

**Mr Glyde:** I might ask Mr Gooday to answer questions in relation to that survey.

**Mr Gooday:** You are right, Senator: the survey that was released in April relates to the 2008-09 financial year. Obviously things have moved on a fair bit since then. We are currently in the field collecting data for 2009-10. We hope to report on that by the end of the calendar year. I would expect that the results from the 2009-10 survey would show that returns have increased substantially since irrigation allocations have improved.

**Senator NASH:** On the information on foreign ownership of land that I understand ABARES has been asked to do, what is the process for that? When is that due to be completed?

**Mr Glyde:** It is due to be completed by October 2011. We have started the work. It is a joint piece of work between the Rural Industries Research and Development Corporation and us to evaluate the economic impact of foreign investment in Australian agricultural industries and agribusiness and review the extent to which similar countries monitor and regulate foreign investment in agricultural land.

**Senator NASH:** So it is October this year. You had better hurry or there will not be anything left! On another issue, the Regional Sponsored Migration Scheme, did ABARES play any part or have any advisory role to government in the regional impact of that?

**Mr Glyde:** I am pretty sure we did not have any involvement in that.

**Senator NASH:** You may well have already indicated this—and, again, apologies if you have—but what did the winter crop over summer reach this year? You predicted in answer to a question on notice:

- Much of the winter crop had been harvested before the flood events commenced and ABARES estimates the crop will reach 42.1 million tonnes.

Were you close?

**Mr Glyde:** We did talk about it earlier, but we did not talk about that specific number. Dr Sheales will help us out.

**Dr Sheales:** Senator, I think you started with the summer crop.

**Senator NASH:** No, the winter crop.

**Dr Sheales:** We have not put out any forecast since our February crop report, as far as crop size goes. At that time we were talking about a wheat crop of 26 million tonnes, which was up 20 per cent on the preceding year; a barley crop of around nine million tonnes, which

was up 18 per cent; and canola, a bit over two million tonnes, which was up 11 per cent. The summer crops were, of course, still growing in many instances—some of the early ones would have been harvested—but we were going for a grain sorghum crop close to 40 per cent up on the previous year at about 2.2 million tonnes; rice, a fourfold increase to about 802,000 tonnes—quite clearly, if you have got water there for irrigation you can have a rice crop; and cotton, a record of about 839,000 tonnes.

Our next crop report is due out on 15 June. We will revise those numbers. I would imagine there will not be much revision of the winter crops—I hope not, anyway; I do not expect there would be. With summer crops, obviously we will have largely harvested them so they could change, but our expectation is that they will not change a huge amount.

**Senator NASH:** Just on dairy, I think there was an answer to question on notice No. 99 from the February estimates showing the productivity growth in the dairy sector at 0.8 per cent. Do you have a breakdown by state that looks at—and I am very happy for you to take this on notice—the productivity growth in the fresh milk dependent states of New South Wales, Western Australia and Queensland?

**Mr Gooday:** We can break up the dairy productivity by state.

**Senator NASH:** That would be great.

**Senator COLBECK:** But the specific point that Senator Nash is making is about the fresh milk stuff in those particular states, because that is of particular interest at the moment.

**Mr Gooday:** I do have the dairy numbers here with me. The Australian average was 0.8 per cent productivity growth from 1988-89 to 2008-09. For Australia as a whole it was 0.8 per cent a year. New South Wales averaged 1.7 per cent a year; Victoria, 0.1 per cent a year; and Queensland, 1.4 per cent a year.

**Senator COLBECK:** Western Australia?

**Mr Gooday:** Western Australia was 1.7 per cent; South Australia, 1.1 per cent; and Tasmania, 0.9 per cent.

**Senator NASH:** Thanks for that.

**Senator COLBECK:** So that is the 10 years from 1998 to 2008, basically.

**Dr Sheales:** No, from 1988. It is 20 years.

**Senator COLBECK:** It is 20 years?

**Dr Sheales:** Yes, from 1988-89 to 2008-09.

**Senator COLBECK:** Has there been any movement in those sorts of numbers over the last five years? You have just done the broad scale stuff.

**Mr Gooday:** When we do the productivity estimates we usually like to have an estimate that goes over an extended period of time, because they move around quite a bit year to year with seasonal fluctuations and what not. So we do not have an estimate of what the average has been over the last five years.

**Senator COLBECK:** The reason for the interest is some of the activities in the current market at the moment. Average productivity growth in Queensland of 1.4 per cent—we are talking about productivity growth, aren't we, and not necessarily talking about market growth or volume? We are talking about productivity growth?

**Mr Gooday:** That is right.

**Senator COLBECK:** So those higher numbers in those three states—New South Wales, Queensland and Western Australia—become important as far as their competitiveness and capacity to stay in the market?

**Mr Gooday:** Yes, and in some of those states—for example, the New South Wales number versus the Victorian number—following deregulation there was more to gain in New South Wales. They could increase their productivity by more than the Victorians could.

**Senator COLBECK:** Well, the Victorians were probably operating at much more of a premium as far as productivity was concerned because of the markets that they were operating in and they were not supported by the system that existed beforehand.

**Mr Gooday:** That is right.

**Senator COLBECK:** So deregulation occurring in the late 1990s, you do not have a separation in those two decades? I would have thought that would have shown some significant moves in those particular time frames.

**Mr Gooday:** Yes, that would be an interesting split to look at. We have not got that with us.

**Dr Sheales:** One of the problems is that we would not have a long enough data series to do that. The data with dairy only started in 1988-89.

**Senator COLBECK:** But breaking it is from, say, 1988 to 1998, you could have a look at the two different time frames and see what happened in those particular time frames. I understand that when you even it out over a longer period you get some more reliable number but there is a significant event that has occurred in the middle of that and it might be that productivity increases in New South Wales, Western Australia and Queensland are higher in those later years than they were in the previous ones. It is just an interesting thing to look at to get a sense of what the impacts of the deregulation process might have been, and of course the capacity of the industry to go any further given the current pressures that are being applied to them through the market.

I have one more question. Have you been asked to do any work on the impacts of the Asian bee or the myrtle rust incursions?

**Dr Ritman:** The only work on the Asian honey bees I have done is to be asked to chair the CCEP, the consultative committee on emergency plant pests. The chief plant protection officer was away and so I was able to let our technical experts take part in the teleconference. That is it that I know of.

**Senator COLBECK:** So there is no work looking at potential impacts of those two incursions at this stage of proceedings. Thanks.

You did mention in February that there was a cost-benefit analysis of pest disease incursions. What are parameters of that and how is it going? How do the two things I just mentioned fit into that?

**Mr Bowen:** In February we mentioned that we had been asked to set up a core capacity to undertake some cost-benefit analysis of pest and disease incursions. So far this financial year when we were asked to do the work we did complete one on an outbreak of chestnut blight in Victoria which was fed into the biosecurity decision-making process. The requests for the

work come to us from the Commonwealth and states requesting particular pests they want us to look at. We undertook that and completed that work. We have also spent a fair bit of time looking at the potential economic impact if there was an outbreak of varroa, which was another interest to the biosecurity people. We have been doing a fair bit of work on that and we are still working on that and coming towards an end on it.

**Senator COLBECK:** Which is a bit of a downstream from the Asian bee stuff that I mentioned a minute ago.

**Mr Bowen:** It is in that sense, but we have been concentrating on the potential impact affecting European honeybees rather than Asian honeybees.

**Senator COLBECK:** The Asian honeybee being a potential carrier.

**Mr Bowen:** That is correct, but the focus of the work we were asked to do was on what would happen if there was an impact on an outbreak of varroa that came in and affected particularly the feral honeybee population and the implications that may have for pollination dependent industries. We have been doing a lot of work on that trying to develop a model that could be used by biosecurity decision-makers should such an event occur to help guide decision-making on that.

**Senator COLBECK:** so at the moment you are only working a model, you are not doing any specific work on potential impacts.

**Mr Bowen:** Part of the development of a model is to simulate what the spread might be and look at what the economic impact might be and to get a feeling of where the costs may arise and the implications.

**Senator COLBECK:** Doesn't the Asian bee become a vector in that process?

**Mr Bowen:** I believe that varroa can travel with the Asian honeybee but, as I said, we were asked particularly to focus on the European honeybee so the model is designed around the movement or behaviour of the European honeybee. It concentrates particularly on the movement of beehives by people involved in the apiary industry and things like that. That is the focus of the work.

**Dr O'Connell:** The Asian honeybee is a vector and so is the European honeybee so it can be introduced on the Asian honeybee but it could also be introduced by European honeybees. So both bee species are potential vectors as well and the issue around the European honeybee—

**Senator COLBECK:** So what is the movement of European bees in and out of the country then?

**Mr Bowen:** The issue that we have been asked to look at is the potential for varroa to come in. As you know, it is probably in New Zealand and most other countries in the world.

**Senator COLBECK:** But my understanding is that there have been a couple of incursions of Asian bee recently. There is the obvious one in Cairns, but there have been a couple of other circumstances where they have turned up in cars or something like that but not had varroa on them. But the Asian bees are an obvious concern as part of that because they are known carriers.

**Dr O'Connell:** Both are carriers—and we can cover this tomorrow when we have the Biosecurity people who know more about this than we do—

**Senator COLBECK:** Yes, that is probably a fair way to deal with that. That is fine.

**Senator SIEWERT:** In your 2007-08 department annual report there was a project by Access Economics which was around developing—this is a BRS project, actually—an Excel model to estimate the potential environmental and economic impacts of various greenhouse gas mitigation strategies for Australian farmers. Has that report ever been tabled or released?

**Dr Ritman:** No.

**Senator SIEWERT:** It has never been released? The report that was paid for was \$53,900 and it was about estimating the potential environmental and economic impacts of various greenhouse gas mitigation strategies for Australian farmers. Has that report ever been made publicly available?

**Dr O'Connell:** Just to clarify, was that a report that Access Economics passed—

**Senator SIEWERT:** That Access Economics did for BRS.

**Dr Ritman:** We might have to take that on notice. It has been a couple of years—

**Senator SIEWERT:** Could you take that on notice? If it has been released, tell me where it is available and, if it has not been released, why not, and will it be released?

**Dr Ritman:** Yes.

**Senator JOYCE:** Since we are on bees, I will quickly go there. The bumblebee that they use for fertilising tomatoes more effectively than other things—and sometimes, if you get it wrong, they fertilise each other—

**Senator Ludwig:** I am not going there!

**Senator JOYCE:** but they generally pollinate tomatoes.

**Dr O'Connell:** They are in Tasmania but not on the mainland and the issue I think you are looking at is the potential use of the bumblebee. In terms of introducing it to the mainland, there are issues around the environmental protection by the Environment Protection and Biodiversity Conservation Act, I think—

**Senator JOYCE:** I just want an honest appraisal. What are those issues and what are the threats?

**Dr O'Connell:** I think they go to the potential for the bumblebee to outcompete native species in terms of their behaviours. They tend to get the nectar first.

**Senator JOYCE:** Are they doing that in Tasmania?

**Dr O'Connell:** Apparently. I think that it is a worry in Tasmania, but I am not a specialist and I—

**Senator COLBECK:** The next thing you will be telling us is that they have got two heads.

**Senator JOYCE:** Have they got two heads? Have a good look at them. That is the last we will see of Senator Richard Colbeck!

**Senator COLBECK:** But the drones are doing worker activities so you take it any way you like. There are issues in respect of—

**CHAIR:** Maybe, Senator Joyce, if you ask me nicely, I could arrange a briefing for you from Senator Colbeck after this.

**Senator COLBECK:** I can send you heaps on them, Barnaby

**Senator JOYCE:** I am a great supporter of heterozygous vigour, I can assure you of that. There is my case. When you talk about regional, what exactly is your concept of the word 'regional'? Whereabouts in Australia are we when we are talking about regional?

**Dr O'Connell:** What are we referring to, Senator?

**Senator JOYCE:** The whole lot of you in any of these fields where we assess issues in regional Australia. If someone says 'I am assessing an issue in regional Australia', where would you go to do that?

**Dr O'Connell:** We will go and do regional outlooks and things like that, which are specific places and areas.

**Mr Glyde:** There are a number of different regions we use depending on what the purpose might be. In some instances we might say that a state is a region, which is obviously a very large region. But, for example, we do work for the Grains Research and Development Corporation, and they have agro-ecological regions—three across Australia, which are the main grain growing areas—so we would use them. When we do our own regional outlooks, we tend to try to capture areas that are smaller than a state level.

**Senator JOYCE:** 'Regional outlooks'—give me a region in your regional outlook.

**Mr Glyde:** If we did one in Darwin or Katherine, we might look at the whole of the northern part of Australia as a region; if we did one in Toowoomba, we might look at Southern Queensland and Northern New South Wales. So it is trying to be relevant to the audience that we have.

**Senator JOYCE:** So 'regional' can be any place at all in Australia.

**Mr Glyde:** Certainly in the ABARES context, but we are not the Department of Regional Australia, Regional Development and Local Government. They may have a more standard definition.

**Senator JOYCE:** This might have been asked by Senator Nash, and if so pull me up, but has ABARE been asked to provide any input into the social and economic studies that the Murray-Darling Basin Authority commissioned on 17 October 2010?

**Mr Glyde:** Yes. We might ask Mr Gooday to explain ABARE's work in that area.

**Mr Gooday:** We have been subcontracted by one of the consultants as part of the consortium that is doing that local community study. We have been subcontracted by Marsden Jacobs Associates to essentially re-run some of the work that we had done previously for the Murray-Darling Basin Authority with some different assumptions regarding labour mobility and capital mobility and also with a set of SDL cuts that the consultants have come up with.

**Senator JOYCE:** Have you finished your work?

**Mr Gooday:** We submitted a report to Marsden Jacobs Associates last month.

**Senator JOYCE:** When can I have a look at that?

**Mr Gooday:** That will be up to Marsden Jacobs Associates and the consortium of consultants providing their report back to the Murray-Darling Basin Authority. I am expecting that our report to them will be an appendix to that report, but that is up to them.

**Senator JOYCE:** So it could be any time. I just want to quote something that ABARE wrote in 2000 entitled *Increasing benefits to Australia from the WTO agricultural trade liberalisation*. In that report ABARE found, 'The global gains in GNP amount to US\$47 billion, about 0.1 per cent' of base levels in 2010.' The abstract of the paper reports these findings as, 'In this paper it is shown that global benefits from agricultural trade liberalisation are substantial.' So you said that 0.1 per cent was substantial. I want to compare that to the statements you made in a recent ABARE report entitled *The economic and social effects of the Murray-Darling Basin Plan: recent research and next steps*. In that paper, you found that the gross regional product of the basin would fall by 0.7 per cent under a 26 per cent cut in water use. ABARE characterised these changes as 'the overall effect on economic activity in the Basin is likely to be relatively modest'. So if 0.1 per cent is substantial and 0.7 per cent is modest when dealing with the same concept of gross regional product, how do you explain the differences? Or is it just the reader you are trying to deal with?

**Dr Sheals:** I will start. With the trade one, I think the 'substantial' was referring to the absolute amount rather than to percentage change. I do not recall the exact numbers now, but I think that they were quite a lot of billions of dollars. Obviously there is some interpretation of language, as you have reflected upon. When we come to the Murray-Darling Basin I am not sure, again, what the exact numbers are, but they would not have been in those sorts of billions of dollars. Across the nation, as I recall, even in percentage terms the effects were relatively small in a long-term sense. I do not know if Mr Gooday has more to add.

**Mr Glyde:** The other point I would make, Senator, would be that you need to look at the ABARES numbers for the Murray-Darling Basin in terms of the whole report. The quote you have given there is in relation to a whole-of-region impact over the longer term, so you assume that all the transaction costs and all the confusion of the change have occurred and ask what it is like when it has settled down, whereas elsewhere in the report we talk about the impacts at a regional and more local level—a catchment level, if you like. So I think that, if you look at it in that context, we are trying to balance the significant impacts that could occur at a catchment scale or at one particular end of a valley against the overall long-run impacts. It is hard sometimes to get that language right when you are trying to paint the whole story.

**Senator JOYCE:** So, if we had the town of Deniliquin and they lost the rice industry, that would be a substantial effect, wouldn't it?

**Mr Glyde:** Correct, and I think Mr Gooday might be able to draw our attention to the parts of the report that went through those sorts of descriptions. In that report we are trying to cover the full range of impacts—long-run impacts right down to the immediate or short-run impacts at a local scale.

**Senator JOYCE:** Before Mr Gooday goes to that, he might also like to address things like the purchase of the vast majority of the water from Collarenebri. That has a substantial impact, say the people who are screaming at me, 'Come and buy the rest of the town, because there's going to be nothing left.'

**Mr Gooday:** Yes. I suppose the point we have tried to make throughout the history of these reports for the Murray-Darling Basin Authority is that, while at the national level the impact on gross domestic product might be a tenth of one per cent and even at the basin level it is less than one per cent, that is not the level that most of the stakeholders are interested in at all; they are interested in the town-level impacts. While our models do not go down to that

level of detail, we have been careful to point out that it looks like the impacts will be concentrated in towns, especially small towns that are surrounded by annual irrigated activities. Things like reductions in rice production in the Murrumbidgee obviously will impact relatively few towns in the Murrumbidgee, and those impacts will be felt in those towns. There is no getting away from that, but also we have a difficulty in going to that very regional level of detail—a disaggregated regional level—and making predictions about, essentially, which irrigators will sell their water back to the government and which ones will not. We do not have enough information to be able to say which particular parts of the Murrumbidgee or which particular parts of another catchment are going to be selling their water back, so that has been very difficult.

**Senator JOYCE:** In the models that you talk about, you would buy the water licence and spread the money all around the town. Do you still do that, or do you work on the assumption that, if I sold all my water licences in St George and I do not have any and I went to the coast, the money would go with me, not stay in St George.

**Mr Gooday:** Yes. Some of the work that we did for the Marsden Jacob project that the Murray-Darling Basin Authority commissioned looked at that issue: what happens if we change this assumption about where the proceeds from the buyback come to? Because of the way in which we put the money back into the regions, which is as an annuity rather than a lump sum, it does not really make any difference to the aggregate results. So, when we say that the money is going back to the Australian economy in general and it is not going back to the Murrumbidgee or whatever region it is, that is not driving the changes in gross regional product that we see coming from the models. The water purchases are just not putting that much money back into the communities in the first place; so, when we take it away, it does not make much difference.

**Senator JOYCE:** I do not quite understand. You are saying that you do not bother putting it back into the community because you do not think the money they would get from the water licences would have that much effect on the community?

**Mr Gooday:** When we account for the processes of buyback, the water purchase, the way we give that money back in the model is as an annuity—and that is at five per cent, so it is like having the money in the bank at five per cent and the community gets to spend the interest off the principal each year. So, when we take that away, because we are not talking about billions and billions of dollars, it is not making much difference at these—and again this is a story about scale of analysis—rather large regional levels. We have 24 regions in our model but they still have substantial towns, and some of them have cities, so it is not until you get down to the town level that you are going to see it matter very much whether the six people who sold their water entitlements went and moved to the coast or whether they stayed. At the level of analysis that we are able to do, you cannot really see that coming through in these aggregate numbers.

**Senator JOYCE:** Are you saying that if I lost six major licences from St George it would not have much effect on St George?

**Mr Gooday:** No. I am saying that it would have an effect on St George but it would not have an effect at that big catchment level, which includes not only St George but a number of other towns.

**Senator JOYCE:** I see. So you are saying: if you just make the area bigger it all works out.

**Mr Glyde:** There are other industries and it is a relatively small impact, and we do not have the data to go below that larger scale. It would be great if we had the data to go down to the St George level that way and then we could make more accurate predictions about what the impact would be. But, even if you did have that data, there is all the behaviour that would go on in terms of figuring out who might sell, which industries are going to be more profitable and how commodity prices will change over the next 10 years. There are a whole lot of variables as well that make it quite hard to predict to that local level. Really we are butting up against the limits of the analysis at this stage.

**Senator JOYCE:** How big does it have to be before it is of no real relevance? Most people would want to say, 'Well, what is going to happen to my town?' That is the information that they would be expecting. How do they get that? What is going to happen to Goondiwindi? People in Goondiwindi do not really care what happens, to be honest, in St George; and I imagine people in Bourke really have no concerns about what happens to people in Dubbo, although they love them dearly. They expect you to be able to tell them what is going to happen to them with this. If we get the purchase wrong, the whole socioeconomic structure falls to pieces.

**Mr Gooday:** And I think that was the purpose of the additional work that the Murray-Darling Basin Commission, back in October—which is what this consortium has done; they have gone out and spoken to a lot of people in different regions.

**Senator JOYCE:** In this report, ABARES modelled the variable nature of water availability in the basin. Is there a simple average amount of water every year?

**Mr Gooday:** The modelling that we did for the Murray-Darling Basin Authority was based on annual averages. All of the work in the guide to the basin plan was all about average annual diversion limits. We pointed out in our report that one of the substantial limitations in the analysis so far has been that it has not been able to look very closely at how changes in water supply variability might affect the results, because changes in variability will affect investment decisions so it will affect whether you decide to keep your permanent plantings or decide to switch to more annual activities. Until information on how the environmental watering plan will affect variability is available, we cannot go much further than we have in the report. In the report we released in October we did some estimates around what might happen if variability increased, but they are not really based on any proposals about how the proposed plan might affect variability. The impact of the plan on variability is one of the factors that will drive the socioeconomic impacts.

**Senator JOYCE:** What about economic tipping points? Because you have such a large scale model in your dataset, how would you deal with this? For instance, going back to the rice industry: if you close down enough rice farms, you close down the rice mill and therefore the whole area becomes unproductive. There is no substantial capital left there to deal with whatever is left over. Therefore the effect is compounded. Can your models deal with that, if you are looking at it on such a broad base? Likewise, if they close down the cotton gin at Dirranbandi—there is the idea that everybody else in the cotton industry is just as viable as they were before. No. What happens is that the people who were left behind now have to cart

their cotton, get the agronomists—you know what I am saying. It goes below the economic tipping point.

**Mr Gooday:** The models are not good at predicting tipping points. That is something they are relatively weak at. In the reports, we have had a go at describing in qualitative terms the sorts of things that might be important for the major industries that we thought might be affected—the rice industry, the cotton industry and the dairy industry—and again I suppose I am hoping that the additional work that the MDBA commissioned in October to look at the local community impacts will have some more of this flavour in it.

**Senator JOYCE:** How will that be of assistance to you? How will it come back to you and assist you in your modelling?

**Mr Gooday:** I suppose any additional information that helps describe the nature of the impacts will help the decision-making process. It would still be very difficult for us to incorporate tipping points into any of these models. They are just not constructed like that.

**Senator XENOPHON:** Can I just ask a question further to this line of questioning. My interest is in terms of the Riverland in South Australia where it is acknowledged that many of the irrigators have been early adopters of water efficiency measures, and therefore they cannot access much by way of the grants that are set aside—the \$5.8 billion infrastructure fund—because they have already reached the benchmarks for efficiency and their ability to provide further efficiencies is limited by virtue of the fact that they have got the closed pipes and the water efficient pumping stations. I think Mr Glyde acknowledges that. Further to the line of questioning from Senator Joyce, in the context of that, how do you take into account early adopters in the basin who have done the right thing in terms of water efficiency measures, often with private funds rather than much by the way of government funds? Do you take that into account in your modelling? Your modelling is obviously crucial in the context of the advice you are giving to the Murray-Darling Basin Authority and their subsequent actions.

**Mr Gooday:** The modelling does not explicitly take it into account, other than taking into account that irrigators in those systems are producing crops that can basically afford to pay for the water above other crops.

**Senator XENOPHON:** But to get to that point they have had to borrow a lot of money.

**Mr Gooday:** Yes. So that previous investment is not taken into account. What is taken into account is their demand for water and how much they are prepared to pay for water, and that is one of the reasons we see, when we run these scenarios, that South Australia tends to import water.

**Senator XENOPHON:** Finally, I know the guide to the plan said that, per hectare, the value of crops produced was at a higher value or at a much higher value, particularly in the Riverland, compared to the average in the basin. But what if someone gets to the point where they are much more productive but have become so by virtue of their own investment of their own capital, and so are lumbered with significant debts?

There is one family who have been in the media in South Australia who have been in the area for many, many years. They have borrowed literally hundreds of thousands of dollars for water efficiency measures. Now they are carrying the debt of that. How is that taken into account in the advice that you give?

**Mr Gooday:** We are not providing advice on those sorts of issues, and the modelling, as I said, does not take into account these previous investments. From an economic efficiency perspective, those types of things would not be taken into account; that is more of an equity sort of issue rather than an efficiency issue. These models are not constructed to look at those sorts of things at all.

**Mr Glyde:** Senator, you are really asking almost a policy question about whether, in the policy design, these things should be taken into account, and that is not really something that we can comment on. That is really something that, again, you would be best to put to SEWPaC, I think, in terms of its design of strategies and the like for ameliorating impacts of the plan.

**Senator XENOPHON:** Thank you.

**Senator JOYCE:** Does more or less of the government's infrastructure investment go to South Australia under your model?

**Mr Gooday:** We were given a set of assumptions by SEWPaC to run through the model regarding the degree of investment in infrastructure. The best thing to do would be to ask SEWPaC for that information.

**Senator JOYCE:** Do you know whether it is equal over the basin or there is more of it in certain areas than others?

**Mr Gooday:** No, I cannot recall. Again, it is information provided to us by SEWPaC, so the best thing to do would be to ask them.

**Senator JOYCE:** I want to go to a couple of things about coal seam gas. Has ABARE been asked by the Department of Sustainability, Environment, Water, Population and Communities to undertake any work on the effects of coal seam gas, including its potential effects on aquifer sustainability in prime agricultural land?

**Dr Ritman:** We have not been asked by SEWPaC directly but we have done work for the sustainable resource management branch in our department, who are reviewing coal seam gas assessments. They are on after us; you might want to ask them about those.

**Senator JOYCE:** Was ABARE consulted in the decision of the Minister for Sustainability, Environment, Water, Population and Communities, Tony Burke, to approve the expansion of coal seam gas mining in the Bowen and Surat basins by the Australian Pacific LNG project, the Gladstone LNG project and the Queensland Curtis LNG project?

**Mr Glyde:** As far as I am aware, no.

**Senator JOYCE:** Has ABARE done any work on the effects of coal seam gas on agricultural productivity or the environmental health of aquifers?

**Mr Glyde:** No.

**Senator JOYCE:** In ABARE's investigation of the guide to the Murray-Darling Basin project, did you take into account climate change?

**Mr Gooday:** Climate change was taken into account in the numbers that were given to us by the authority. So in constructing their sustainable diversion limits they took account of climate change.

**Senator JOYCE:** So where did they get those indicators of effect?

**Mr Gooday:** It is outlined in the guide. I do not have that verbatim in my head. But from memory they included a three per cent allowance for climate change across the basin in the first 10-year period of the plan.

**Senator JOYCE:** A three per cent allowance being what—a three per cent reduction in rain?

**Mr Gooday:** That there will be three per cent less water available as a result of climate change.

**Senator JOYCE:** When were those figures given to you? Was that three per cent over the next decade, over the next 100 years?

**Mr Gooday:** We did not get specific numbers from the MDBA on climate change. The numbers that we got from them were different sustainable diversion limit scenarios which would have included that. They would have worked all that out before they gave the numbers to us.

**Senator JOYCE:** Who are 'they'?

**Mr Gooday:** The Murray-Darling Basin Authority.

**Senator JOYCE:** And who in there is the prophet of climate change? Where does it come from?

**Mr Glyde:** That is probably a question for the MDBA. We just got the three different diversion scenarios. Just to clarify: they are taking into account the impacts of climate change on water availability. We did not do any further work on the impact of climate change on agriculture.

**Senator JOYCE:** Do you have any knowledge of who actually did the science, the datasets—all the research—to actually come up with those numbers, or did it just sound like a groovy sort of number that you could pluck from thin air, say three per cent, and that would do?

**Senator Ludwig:** You have an opportunity to ask that at the appropriate committee. This is not the appropriate committee to ask about speculation in relation to how those figures were structured. I understand your interest. However, it would be much better placed at, I think, the environment committee.

**Senator JOYCE:** Did you take into account any other effects on temperature or was it just rainfall?

**Mr Gooday:** We did not include any increase in average temperatures in our model.

**Senator JOYCE:** So the world was getting drier but it was not getting warmer?

**Senator Ludwig:** Is there a question there?

**Senator JOYCE:** It just seems funny that in global warming it does not actually get warmer, it just gets drier.

**Senator Ludwig:** I know you do not believe in climate change, but, nonetheless—

**Senator JOYCE:** No—climate changes all the time. Absolutely.

**CHAIR:** We are running out of time while we are believing, so, if we can get to the question, that would be great.

**Senator JOYCE:** I will quickly go to global food security. The rate of agricultural productivity in Australia, by all examination, seems to be declining. Would you agree with that?

**Mr Glyde:** Yes. The evidence certainly in Australia is that, to the extent that it is in. There are also other studies around the world that seemed to indicate that agricultural productivity growth has been falling over the last little while.

**Senator JOYCE:** So why is our agricultural productivity declining?

**Mr Glyde:** That is a very good question. There are a number of possibilities that I might ask Mr Gooday to go through.

**Mr Gooday:** We have looked at a few things. The first one was to take out the impact of recent climate events. We found that that did not explain all of the slowdown in productivity growth.

**Senator JOYCE:** Climate events being sidetracked.

**Mr Gooday:** The drought. So we adjusted our productivity series for—

**Senator JOYCE:** But, even when you took them out, it was still declining?

**Mr Gooday:** It was still declining. Then we adjusted for changes in the rate of research and development expenditure. Those are the two main things that seemed to be contributing to the slowdown in productivity growth. We looked at a range of other factors as well, including changes in education levels and changes in the terms of trade, but they did not seem to have as much of an impact. The main contributor recently has been the climatic conditions, but, in addition to that, there has been the slowdown in R&D expenditure, which seems to have contributed to the decline in productivity growth as well.

**Senator JOYCE:** That is pretty substantial. Has the price at the shelf gone up and has the retail price of the products gone up?

**Mr Gooday:** The productivity estimates that we do basically take out price effects. It is just physical quantities of outputs divided by physical quantity.

**Senator JOYCE:** Proportionally, are farmers getting less at the shelf price than they used to in the past?

**Dr Sheales:** There are a number of factors at play here. One is what we call the terms of trade, which is the ratio of the prices farmers pay to the prices they receive for their products, and that has been declining over time.

**Senator JOYCE:** Toyota utilities, being a good—

**Dr Sheales:** And that has been offset over time by increases in productivity. The other issue, which is perhaps what you are getting at, is the farm gate to retail price margin. What we find is that consumers basically want more and more services incorporated in the product that left the farm in raw form to what they see on the shelf. What has happened over time, because they want more and more of those services—or they are being provided—we find that that margin has, and I think everyone would agree, increased over time. That could be of concern, but, when you think that we are operating in a very competitive market, you would have to assume that those margins are about as slim as they can get, given the current technologies at play.

**Senator JOYCE:** So the margins are slim, but they are not slim for the retailer, they are slim for the farmer, aren't they?

**Dr Sheales:** I would argue that they are probably slim for everyone involved in the whole process, because that is what a competitive market will give you. If there is some opportunity to earn excess profits in the system, they will be competed away by someone else coming into the marketplace to get their hands on some of that. That competition will ensure that that is minimised.

**Senator JOYCE:** So are you saying that the centralisation of the retail market has had no effect on the farm-gate price?

**Dr Sheales:** It is a very hard area to work on to try to get very firm evidence. That is why we retreat to talking about how much competition there is in that marketplace. As long as it is competitive—and you basically only need a couple of players to be competitive; we have a couple of major players, but there are smaller players around in the retail end—that should ensure that prices are maintained at an appropriate level regardless of what we feel personally about having to pay what we pay. That is how it works.

**Senator JOYCE:** Do you do the examination of what retail's capacity is to stand over the head of a singular producer such as a milk manufacturer? This gives them the capacity to corrupt the market in such a way as to get an excessive return to themselves and a minimal return to the farmer—basically keeping them on the bones of their arse.

**Dr Sheales:** That is not an area that falls within our sphere, but there have been others, including the ACCC, who have looked at it to see whether or not there are any anticompetitive practices at play in negotiating both price outcomes and contracts with suppliers. So it is not our area to be in, because we do not really have the expertise to do it or the information to be able to do anything.

**Senator JOYCE:** When you talk about reduction in research and development expenditure, are you talking about reduction in public or private research and development expenditure?

**Dr Sheales:** We are talking about publicly funded R&D, which includes that spent by states and the Commonwealth. Included in the Commonwealth would be the matching levies on the part of producers.

**Senator JOYCE:** So, basically, from the state and federal level there has been no real investment in research and development. This would be one of the reasons why we have had a reduction.

**Mr Glyde:** It is a decline in the rate of growth in R&D compared to production. We have used the term 'research intensity', which Mr Gooday will be able to explain in greater detail. Whilst it is increasing in absolute terms, the rate of increase has dropped off from about the mid-nineties.

**Senator JOYCE:** So, if we are producing less food—Australians seem to be about the same size or slightly getting bigger, like me—where is this food coming from? The population is going up. Our production is going down. Where is the food coming from?

**Dr O'Connell:** Are you suggesting we are producing less food? I do not think that—

**CHAIR:** No, what he said is some senators are eating more of it!

**Senator JOYCE:** Are we importing more food?

**Dr Sheales:** We export about twice as much food as we import. What we export really depends on how competitive we are on the global market, so what you find is that what I would call the traditional sorts of industry—your grains industry, the meat industry, the sugar industry, some of the horticulture industry—are all in the exporting game. What we tend to import are those things we are not as competitive at producing, which in the case of horticulture, for example, would be those products that involve quite a bit of value-adding processing in order to make them attractive to consumers. There is also some fresh horticulture that would come into the country, which tends to be out-of-season products where it is the off season here and there is an opportunity. We do it a similar way in terms of our exports.

**Dr O'Connell:** The vast majority of the fresh produce—horticulture, vegetable—90-odd per cent is domestically produced. The imports are predominantly manufactured and processed.

**Senator JOYCE:** Have you looked at the effect on the Australian farm and the Australian consumer, the connection between the two and what has been the absolute paucity of food labelling information available to the consumer on what is actually Australian?

**Mr Glyde:** ABARES does not do policy around rules and regulations for country-of-origin labelling and the like. It is not an analysis that we have done.

**Senator JOYCE:** Have you investigated the effects of a carbon tax on production in facilities in Australia, such as the production of milk powders, abattoir production and production in canneries—all those areas? What would the effect be? We know that SPC is going to import product from Indonesia. Have you seen what other effects a carbon tax could have on production facilities in Australia and the capacity of these facilities to be competitive with imported products?

**Mr Glyde:** Earlier we covered this answer, which really is that ABARES has not done any work in relation to the carbon tax.

**Senator WILLIAMS:** Have you been doing work on modelling?

**Mr Glyde:** No, the work to do with economic modelling in relation to the carbon tax is being done by the Treasury and the Department of Climate Change and Energy Efficiency. As we mentioned earlier, we have been consulted in relation to one specific part of the work, around possible land use changes as a result of increased biosequestration through forestry and the like. We have been helping out in that regard with an internal report to the Treasury. Other than that, we have not done any work on the impacts of a carbon tax.

**Senator JOYCE:** With biosequestration you are talking about planting trees on primary agricultural land and the effect of that, aren't you?

**Mr Glyde:** That is part of it, yes.

**Senator JOYCE:** The New South Wales Farmers Federation, I think, talk about a price of \$36 a tonne. You will make far more money out of planting trees than you will out of planting food.

**Dr Sheales:** I think the jury is out on that. You have to take into account what it would cost to grow those trees and manage them and so forth, and then take into account whatever

the carbon price happens to be. Farmers will make a commercial decision on that when they are faced with it. On top of that, there are a whole range of other issues at play, including things such as the land use restrictions that might be in place in different states. There are also effects on water supplies and how that might play into the equation. So it is not a simple exercise. We have not done it, but it is not a simple exercise.

**CHAIR:** Senator Joyce, I have been more than fair with giving you time.

**Senator JOYCE:** My last question: I suppose if we do just plant them down to trees, in your model you would be able to show how we could just import the food, wouldn't you?

**Senator Ludwig:** We are happy to answer questions that relate to the budget—that are within the estimates portfolio responsibilities for Agriculture. I think we are going from the sublime to the ridiculous with that question.

**Senator XENOPHON:** I refer to a media release that the minister and his colleague the Assistant Treasurer put out on 23 November 2010, six months ago today, about foreign investment transparency and ABARES's role in relation to that. There was going to be a census and it would involve the ABS doing internal work with ABARES to undertake the project. At what stage is the agricultural census?

**Mr Glyde:** Questions about the agricultural census really should be directed to the ABS. I do not know if anyone at the table knows exactly where they are up to.

**Senator XENOPHON:** Can you tell us what input ABARES has had to the census process?

**Mr Glyde:** We have been asked by the government together with the Rural Industries Research and Development Corporation to evaluate the economic impact of foreign investment in Australian agricultural industries and agribusiness and to review the extent to which similar countries to Australia monitor and regulate foreign investment.

**Senator XENOPHON:** Have you provided input to that?

**Mr Glyde:** We are in the process of doing that study. We are looking at—

**Senator XENOPHON:** Has there been a comparison done with other countries in terms of how they deal with foreign investment?

**Mr Glyde:** That is what we are in the process of doing. We are expecting to complete that work by October this year. We have started the work; we have not finished it.

**Senator XENOPHON:** That is going to be, what, 11 months?

**Mr Glyde:** There are a number of things that we are doing: the role and history of foreign ownership in the development of Australian agriculture; domestic and international factors driving foreign investment in Australian agriculture; the various ownership structures of agribusiness firms for various sectors in the agricultural industry; and what changes there have been in structures over the time. In addition, there is the final task you were referring to, the monitoring and regulation of foreign investment in agricultural lands. It is a larger project, and that was our estimate of how long it would take us to do it working with RIRDC and the ABS.

**Senator XENOPHON:** Is part of this study looking at the New Zealand legislation, which I think has a five-hectare rule? Their rule is that anything over five hectares goes to the equivalent of the FIRB, compared to the \$231 million threshold here.

**Mr Glyde:** I am not sure of the specifics of the New Zealand scheme, but we would include that. We would see that as a similar country to ours.

**Senator XENOPHON:** It is five hectares, isn't it?

**Senator Ludwig:** That is not a landmass.

**Dr Sheales:** Yes, we are looking at that. We are talking to the New Zealanders. We are also finding out what is happening in the US and Canada. New Zealand has had a long history of this, possibly from the 19th century. It used to be five acres and it is now five hectares. As to what they do with it, that is what we are keen to find out because we are not quite sure they do too much with that register.

**Senator XENOPHON:** I direct you to the recent Senate inquiry on the bill, where we got advice on that. I do not know whether you have had advice from the New Zealand department?

**Dr Sheales:** We are aware that they spoke with you.

**Senator XENOPHON:** Maybe that committee could advise you.

**Department of Agriculture, Fisheries and Forestry**

[17:37]

**CHAIR:** As there are no further questions for ABARES, we call officers from Sustainable Resource Management.

**Senator IAN MACDONALD:** Can somebody help me with the budget papers? How did the Caring for our Country program fare under its major subheadings? I have looked through it and do not have the competence to fully understand it. Can somebody run through it and tell me if they have got more or less, or stayed the same?

**Mr Thompson:** The overall budget has stayed more or less the same. There was a transfer of some money from the Caring for our Country NHT-originated budget to consolidated budget for Working on Country, doing exactly the same thing as before but making one budget rather than multiple ones. There was an extension of the Environmental Stewardship program: \$84 million. The budget confirmed the \$10 million funding for the National Wildlife Corridors Plan.

**Senator SIEWERT:** How much was that?

**Mr Thompson:** It was \$10 million over three years.

**Senator SIEWERT:** Sorry to interrupt, is that additional money?

**Mr Thompson:** That is additional money—new money. There was also additional new money of \$3 million for some environmental issues on the mid-North Coast of New South Wales and \$0.3 million for the Tasmanian forests statement of principles. That was new money as well. And it shows up as an internal transfer, but some \$4 million will be spent on crazy ants on Christmas Island.

**Senator SIEWERT:** New money as well?

**Mr Thompson:** That is not new money; that is within Caring for our Country.

**Senator SIEWERT:** That is within Caring for our Country?

**Mr Thompson:** Yes.

**Senator IAN MACDONALD:** Were there any reductions at all?

**Mr Thompson:** There were no reductions.

**Senator IAN MACDONALD:** You said some was transferred to the Working on Country program from the Caring for our Country and NHT programs.

**Mr Thompson:** Working on Country is an initiative of the government to provide funds for Indigenous communities to undertake environmental work and measures on their country. It had been funded from quite a number of appropriations. There was money from the Natural Heritage Trust which went through Caring for Our Country and there was money from a number of other portfolios. The government took the decision to consolidate this into one item. It is in the SEWPaC budget statements, but it really just consolidates the same amount of money for that initiative.

**Senator IAN MACDONALD:** On notice, could you give me a list of the Working on Country programs? I had occasion to come across them on a recent visit to the Northern Territory and I noticed that a lot of them were funding Indigenous ranger groups.

**Mr Thompson:** Yes, they are, Senator.

**Senator IAN MACDONALD:** Are they all funding Indigenous ranger programs or just many of them?

**Mr Thompson:** I think almost of them are funding Indigenous Rangers working on Indigenous land.

**Senator IAN MACDONALD:** Could you give me a list of those and, if it is easy, the approximate funding that has gone to each? Are they all in the Northern Territory or are there some in Queensland?

**Mr Thompson:** I do not have those details, but there are some in Queensland and the Northern Territory and there are some in other parts of Australia, including southern Australia.

**Senator IAN MACDONALD:** Could you give me a list of them? That would be relatively easy to get, would it?

**Mr Thompson:** Yes, it would be.

**Senator IAN MACDONALD:** Could you just give me a list of those? I am interested to see that there is that program supporting Indigenous Rangers. It is a continuation of programs that have been going for some time. I am also interested in any that are associated with Wild Rivers. Could you asterisk those as well?

**Mr Thompson:** We will have to obtain the detail of that SEWPaC.

**Senator IAN MACDONALD:** What is that?

**Senator SIEWERT:** It is the new name for the environment department.

**Mr Thompson:** I am not sure there is the detail that they are associated with Wild Rivers, which is a Queensland initiative, but we can identify the ones in each state.

**Dr O'Connell:** Some of these questions are better put to the environment department. They are actually environment department programs, especially the ones that you were just asking about—the Indigenous Rangers. They are all related to a program run by the environment department. So they would be better put to the environment portfolio.

**Senator IAN MACDONALD:** I continue to be confused. Caring for our Country is a program that is directly administered—

**Dr O'Connell:** Caring for our Country is a program that is jointly administered but there are components of Caring for our Country that are administered exclusively by the environment department, SEWPaC, and there are parts which are exclusively managed by ourselves. For example, the Landcare program is managed by this department directly. The program elements you were just talking about are exclusively managed by the environment department.

**Senator IAN MACDONALD:** The Indigenous Ranger program?

**Senator SIEWERT:** Yes.

**Mr Thompson:** Under the new budget arrangements that money is actually appropriated now direct to the environment department.

**Dr O'Connell:** So, rather than having double-handling, it would be better if those questions were put directly to SEWPaC.

**Senator IAN MACDONALD:** I shall do that. The ones handled exclusively by your department are Landcare and—

**Mr Thompson:** Landcare and predominantly weeds and pests.

**Senator IAN MACDONALD:** In a nutshell, can you tell me how Landcare and weeds and pests got on in the budget? I saw some commentary about weeds and pests expressing disappointment from industry groups?

**Mr Thompson:** The Landcare budget has remained unchanged from the forward estimates in the budget papers. Our contribution to weeds and pests has also remained in accordance with the forward estimates—no change. The commentary in the paper, as far as we were able to work, out relates more to research funding in this area in another portfolio—the innovation portfolio.

**Senator IAN MACDONALD:** But your funding remains the same?

**Mr Thompson:** Our funding remains the same.

**Senator IAN MACDONALD:** Okay. At the last estimates, Mr Thompson, you told us about the review of Caring for our Country, and I think I asked you who the external consultants were. You said you could not tell me because they have not been chosen yet. So can you just give us some quick facts about the review—who is doing it, what the aim of the review is, when it is due and whether it is on track?

**Mr Thompson:** Yes, Senator. The review is an internal review. External consultants are not being used. At the present time, we are running through a consultation process, both online and through submissions. We have received over 170 submissions to date and we estimate we will probably get to about 200. We have met with a wide range of people face-to-face. The review team within the department has met with a wide range of people right across Australia, probably about 50 or 60 groups. Fifty-five meetings have been held, plus we have had a national stakeholder forum, and the consultation period has not ended yet. We had a workshop at ANU, which was particularly looking at regional program delivery. We have had a number of existing reviews feed into this, a review of environmental stewardship and interviews and reviews with Indigenous stakeholders—there is a separate process for those

two because of their different nature. We have also been having one-to-one meetings with some key commentators and probably will have more.

The review itself is running on time. We expect to have the report early in the financial year. All the submissions, unless the submitter asked for them to be kept confidential, have been placed on the website and we hope to finalise a number of government issues papers, which will enable people to reflect on some of the issues that have been coming up. So the feedback we have had has been very positive about the way the review has been conducted and the opportunity it provides for people to contribute.

**Senator IAN MACDONALD:** Who is doing it, then?

**Mr Thompson:** It is an internal team made up of staff from both this department and the environment department.

**Senator IAN MACDONALD:** If you do not want to name them, what type of people are they?

**Mr Thompson:** They are a mixture of people: people who have had experience in the program itself, people who have had experience in implementing reviews in a number of areas in both portfolios and people who are just good at public consultation and that sort of thing.

**Senator IAN MACDONALD:** On notice, could you tell me who and what they are? If you feel for any reason that you cannot say who they are, at least just list what they are and what level they are. We talked last time about external consultants and there seemed to be a bit of confusion. You said they had not been appointed yet, but they were going to be appointed. That has obviously changed.

**Mr Thompson:** At those last estimates, we were going through the planning process. At the moment, we have moved beyond that. We did use external people to do targeted interviews with Indigenous people and some research into health, social and economic benefits of NRM programs. We have also conducted a survey using external people to determine people's preferences for information exchange. The Australian Bureau of Statistics undertook a survey, on our behalf, of best practice management approaches in the farm sector, and we have been using an external consultant to look at the performance of selected NRM bodies against best practice management targets across Australia. So we have been using some external consultants to collect factual and benchmarking information.

**Senator IAN MACDONALD:** Was the major gathering at ANU that you mentioned, about regional management groups, well attended? Was everyone able to get there? Having things in Canberra can tend to be expensive for people from the provinces.

**Mr Thompson:** Michelle Lauder might like to add to that. As far as I am aware—I did not actually attend; I was talking to the regional CEOs in Perth at that time—it was well attended. All the people who were invited were able to get there. Because it is an academic forum, we are not actually producing the work from that. It is work that will be finalised and put out under the Fenner school's auspices.

**Senator IAN MACDONALD:** I will leave it at that. I refer you to grants made under the Caring for our Country program. I am interested in a grant made to the Friends of Sceale Bay. Are you familiar with that?

**Mr Thompson:** I am not familiar with that particular project. We do have a few details about it. If it is a very detailed question, then we would have to take the details on notice.

**Senator IAN MACDONALD:** Can you tell me what you have got on that—what it was for and for how much?

**Mr Thompson:** It was for \$779,000.

**Senator IAN MACDONALD:** That is a fairly substantial amount.

**Mr Thompson:** Yes. The project is about revegetating, restoring and protecting targeted areas within the Chain of Bays area of South Australia. They are also proposing to produce documentary films highlighting Indigenous knowledge and Indigenous activity in the same area and to demonstrate the linkages of Indigenous and community people in restoring the Chain of Bays

**Senator IAN MACDONALD:** Was this an Indigenous group that applied for this and got it? Do you know anything about the Friends of Sceale Bay?

**Mr Thompson:** I do not know whether or not it is an Indigenous group, but I would assume it is an Indigenous group because normally for projects involving Indigenous knowledge there is a requirement that they be an Indigenous group. I am told in this case they are not.

**Senator IAN MACDONALD:** Do you know anything about the group that applied for it? Do you have any minimum requirements for an organisation to apply for funding of that nature and size?

**Mr Thompson:** The minimum requirements are—I do not have all of the details—a legally incorporated body and we would expect them to be able to produce annual reports, to have a constitution and to have the application signed off by a number of people from the organisation. We would want evidence of those.

**Senator IAN MACDONALD:** Would it surprise you to know that this is a group of about five people and that the constitution—they do have one—says that the management committee shall have the absolute and unfettered discretion to accept or reject any application for membership without giving any reason for doing so?

**Mr Thompson:** I do not have that level of detail.

**Senator IAN MACDONALD:** Do you go into that sort of assessment when granting almost \$780,000 of taxpayers' money?

**Mr Thompson:** We do not always look at the details of the organisation. I do not know what level of assessment of the governance of the organisation in this case was undertaken. We often rely on the information in the application or advice from our regional staff as to the knowledge of the groups. If you need more detail on this, we would have to take it on notice.

**Senator IAN MACDONALD:** I would like some more detail. I understand that, of the five people in the group, only one of them lives in Sceale Bay and the rest come from Adelaide or the Barossa Valley, I am told. Do you have any knowledge of that?

**Mr Thompson:** I do not have any knowledge of that.

**Senator IAN MACDONALD:** Did you know that the applicant, the person leading this group, is a bloke named David Kirner?

**Mr Thompson:** No, I do not have those details.

**Senator IAN MACDONALD:** I have a copy of the application. He is listed there. He is the South Australian Secretary of the CFMEU. Was that known to anyone?

**Mr Thompson:** No.

**Senator IAN MACDONALD:** Not that that in itself is a matter for comment.

**Dr O'Connell:** Early on in the piece Mr Thompson pointed out that what we had here on this was very slim and we would have to take more detailed questions on notice. I think we are stretching Mr Thompson's knowledge of a particular body.

**Senator IAN MACDONALD:** Either Mr Thompson or some other official might know that Mr Kirner was the son of former Victorian ALP Premier Joan Kirner and also, allegedly, flatted with the Prime Minister when they were at university together.

**CHAIR:** An excellent qualification, Senator.

**Mr Thompson:** What I can say about the process, Senator, while I do not have all that information, is this: the application is put in; it is assessed for eligibility by departmental staff; it is then assessed by a panel comprising people with knowledge of the subject matter, usually on a state basis; then it goes to a moderating panel to even up any discrepancies that might arise between states; and then the executive panel makes recommendations to ministers. My recollection is that ministers made no change to the recommendations that went from the panel.

**Senator IAN MACDONALD:** Do you get people lobbying for particular projects?

**Mr Thompson:** That has happened in the past but, now we have implemented a process which people know is going to be gone through, other than people saying at the beginning, 'We are putting in an application about X or Y', and we say, 'Under our probity rules we cannot give you any advice on the likely success or otherwise of your application,' we get very little lobbying.

**Senator IAN MACDONALD:** Sure.

**Mr Thompson:** Every person on the assessment panel has to sign a conflict of interest statement and there is a set of probity guidelines that apply to people involved in the process.

**Senator IAN MACDONALD:** What program did this come out of? It is Caring for our Country, but what is it—the National Grants Program or something?

**Mr Thompson:** That one came through the open call component of the business plan, where the calls were made for projects that addressed criteria for coastal zone management.

**Senator IAN MACDONALD:** Is there any other awarding of contracts in that open call program that are up around or exceed that amount of grant?

**Mr Thompson:** Yes, there are.

**Senator IAN MACDONALD:** What are they?

**Mr Thompson:** There are quite a few. The Community Action Grants are the ones where small grants are available up to \$20,000. Under the open call component projects can vary in size from around \$50,000 up to millions of dollars. I can think of one—the Grains R&D Corporation in conjunction with the grains industry—that was \$5 million over four years.

**Senator IAN MACDONALD:** Is there a maximum?

**Mr Thompson:** There was no maximum.

**Senator IAN MACDONALD:** And you say that one went to the grains industry?

**Mr Thompson:** The grains industry had one for \$5 million. You might be familiar with the camel project in Central Australia. I think that was the largest one, at \$19 million.

**Senator IAN MACDONALD:** These were all some time ago?

**Mr Thompson:** Yes.

**Senator IAN MACDONALD:** I mean in this round.

**Mr Thompson:** In this round some areas of the program had size limits on them but there would have been other larger ones. Just looking at our list, there is one for \$1.2 million, a water quality improvement project on the Great Lakes of New South Wales; \$789,000 for the Maroochy Landcare Group. A \$700,000 project is not of unusual size.

**Senator IAN MACDONALD:** The awarding of the grants has been publicly listed somewhere?

**Mr Thompson:** Yes, they have. They are all listed on our website.

**Senator IAN MACDONALD:** Okay. Did you say you would come back to me on what checking your department does to the groups that actually apply for these funds?

**Mr Thompson:** Yes, I think we have said we can come back to you on that. As I said, the essential element is that the groups are legally incorporated et cetera, but we will take that on notice.

**Senator IAN MACDONALD:** There must be some check so that I and five of my friends cannot get together, incorporate and think of a good project that has nothing to do with me or where I live, what my occupation is or of my interest is and then just apply for some funds. You must do some checking to make sure there is relevance?

**Mr Thompson:** We will check on the relevance of the project, the likelihood that the groups concerned can deliver on the project and their connection with the area. That is an evaluation process which takes place. It does not necessarily mean, though, that the group has to live in the area or that the group applying for it is new or old. We are really looking at the capability of the group to deliver whatever the activity involved is.

**Dr O'Connell:** For example, Senator, quite a few Coastcare groups would have people from all sorts of backgrounds; they just happen to have a particular interest in a particular part of the coast and they want to maintain it or keep it clear of weeds or whatever else. But whether somebody is a teacher or a public servant is almost neither here nor there. It is a question of: is that body capable of doing the job, is the job worth it and is it good value for money? So I think the—

**Senator IAN MACDONALD:** I am not for a moment suggesting that the head of the CFMEU in Adelaide does not have an interest in Sceale Bay, which is a fair way from Adelaide—but perhaps he has a beach house or something up there. I am not suggesting that. But it just seemed to me and to a lot of the locals who have reported this to me that it was a fraction odd. Does the website give an indication of the reasons why this project was selected over others?

**Mr Thompson:** No, the website simply lists the name of the project, the group, the amount of money and a brief description.

**Senator IAN MACDONALD:** Could you, perhaps on notice, give me an indication of the basis on which this project was selected—for example, good for Aboriginal employment, good for fixing the dunes or whatever?

**Mr Thompson:** We do have a record of the basis on which the decision was recommended, yes. We can do that.

**Senator IAN MACDONALD:** Okay. Thank you. With the open-call grants, what money was actually awarded and what was the total number of applications received?

**Mr Thompson:** For 2010-11, \$337.9 million over three years was approved under the total business plan. The split-up of that included 311 projects out of the open call. We do not have the number of applications here.

**Senator IAN MACDONALD:** Can you get that for me on notice?

**Mr Thompson:** Yes.

**Senator IAN MACDONALD:** So 311 projects were awarded funds out of the open call and, on notice, you will give me how many applications there were. What was the total funding for those 311 projects?

**Mr Thompson:** I believe the total amount of funding was \$337.9 million.

**Senator IAN MACDONALD:** \$337.9 million—out of the total \$347 million for the grants, I think you said earlier, didn't you?

**Mr Thompson:** No, that was the number I read out, the \$337.9 million.

**Senator IAN MACDONALD:** Okay. So that is for the 311 open-call grants that were actually granted?

**Mr Thompson:** Yes.

**Senator IAN MACDONALD:** And you are going to get me, on notice, the total number and value of applications.

**Mr Thompson:** Yes.

**Senator IAN MACDONALD:** Does the suggestion that this group is going to—

**Mr Thompson:** Sorry, Senator; I was just checking. That includes the money that was approved for the funding of the regional bodies through the business plan as well, because they also had to put their submissions in through the business plan.

**Senator IAN MACDONALD:** The 311?

**Mr Thompson:** The \$337.9 million is the total expenditure under the business plan, and \$183.1 million of that is money that went to regions.

**Senator IAN MACDONALD:** To the regional bodies?

**Mr Thompson:** To the regional bodies, as base funding. So there was \$154.8 million that went to the competitive round.

**Senator IAN MACDONALD:** The open call competitive round?

**Mr Thompson:** Yes.

**Senator IAN MACDONALD:** Is that the right designation—the open call competitive round?

**Mr Thompson:** Yes.

**Senator IAN MACDONALD:** Of the 154 million who got it—can you give me the details?

**Mr Thompson:** I can give you the details. The 311 projects was the number that received funding for that open call. The number who applied would be a number somewhat larger than 311, but I just do not have that number. The bill is twice that big.

**Senator IAN MACDONALD:** Does the department, in awarding this, particularly for a proposal that said it was going to produce documentaries, in any way assess what the documentaries might be promoting, bearing in mind—and perhaps the department did not know this—that there are, I am told, five people involved, so the documentary will be focused on the views of those five people? Does that sort of assessment come into the department's checking process at all?

**Mr Thompson:** The application will normally outline the nature of the message that the people wish to promote via documentaries, publications or brochures, and we actually encourage people to communicate their outcomes of their project. The other thing we do is to ask that people consult with us as they prepare material for public release. That is a normal part of our contract. We are not in the business of controlling or vetting everything that goes out, but we do ask them to consult with us to ensure that they understand that we are interested in the quality of the work and how the work might contribute to broader objectives, or if there is anything in there that might potential embarrass themselves or other people in natural resource management, landcare, coast care or that sort of thing.

**Senator IAN MACDONALD:** It is important to me that people have applied to join this group but have not been able to—this is local people who have applied to join the group. Is that something the department would check?

**Mr Thompson:** If someone made a representation to us along those sorts of lines, it is certainly something we would look at. But, no, we have not received any correspondence or calls along those sorts of lines.

**Senator IAN MACDONALD:** Thanks for that. I will say to the people who have raised it with me, if there is a concern about this supposedly being an open group, that anyone can join, and if they have applied to join and been knocked back or have not been answered, I will get them to send you details.

Is the department aware that this project is in an area which is in rather a state of controversy at the moment over no-take zones in fishing both from a federal and South Australian state government point of view? I understand that there is a lot of discussion in the local community about these no-take zones.

**Mr Thompson:** I am not aware of the location of the specific project but we are aware of controversy over marine protected areas, both Commonwealth and state, in South Australia and in other areas at the present time.

**Senator IAN MACDONALD:** But, with regard to Scaale Bay, there is no suggestion in the application or in the department's assessment that any of this money will go towards a particular lobbied outcome in relation to those sorts of issues?

**Mr Thompson:** I do not have the application in front of me, and I do not have the assessment by the various panels, so I could not say whether or not there is any suggestion of that sort.

**Senator IAN MACDONALD:** I have raised those issues and perhaps you can give me information, on notice, about that. I am going to be able to look up for myself how many grants were around that amount of money.

**Mr Thompson:** Yes.

**Senator SIEWERT:** Can I go back to the review. I understand the formal submission period closed on Friday. Is that correct?

**Ms Lauder:** Yes, that is correct. It closed on Friday.

**Senator SIEWERT:** Mr Thompson, you said earlier that you were expecting to get some more submissions.

**Mr Thompson:** We had an agreement with some people, as I understand it, to receive some late submissions.

**Senator SIEWERT:** If people do want to get a late submission in, they can?

**Ms Lauder:** Yes, they just have to contact us.

**Senator SIEWERT:** Can I go to the issues around the government's issues papers. Can you take us through in a little bit more detail of what the process will involve from here?

**Ms Lauder:** There are a number of issues papers that the two departments are preparing. Our expectation is to make as many of those as possible public. That will be by loading them up on the review website. Most of them are being completed within the next couple of weeks. We are attempting to make as much of the information that we are working on openly available.

**Senator SIEWERT:** Let us go to which issues they are and then let us talk about what is public and what is not.

**Ms Lauder:** We have not actually made that decision. I can give you an example of some of the issues papers that are being written. Because they have not been finalised, we have not yet made the decision about which ones will be made public and which ones will not.

**Senator SIEWERT:** I still want to talk about that later. What are the issues?

**Ms Lauder:** The sorts of things are involvement of local government in the program, biodiversity conservation, Indigenous land management—these are all the sorts of issues that have come up through the consultation and how issues that were raised could be improved, dealt with or changes made. There is also community skills, knowledge and engagement, business and industry engagement, weeds and pests, northern and remote Australia, land care, world heritage, regional governance, and efficiency as a program. That is just a snapshot.

**Senator SIEWERT:** Thank you. Will there be more? Is that comprehensive? There are lots there; I acknowledge that.

**Ms Lauder:** I read out about half. Do you want me to literally read them all?

**Senator SIEWERT:** If you could.

**Ms Lauder:** Biodiversity conservation, MERI strategy—monitoring, evaluation, reporting and improvement—Indigenous land management and IPAs

**Mr Thompson:** That is Indigenous protected areas.

**Ms Lauder:** Indigenous engagement in Caring for Our Country.

**Senator SIEWERT:** Two seconds: Indigenous land management and IPAs. You have mentioned Indigenous land management before.

**Ms Lauder:** Yes. I have probably just repeated it the second time round.

**Senator SIEWERT:** That is actually slightly separate from IPAs.

**Ms Lauder:** Yes.

**Senator SIEWERT:** Are there two or are you combining—

**Ms Lauder:** At this stage, they are riding separately. Because it was such a big issue with Indigenous, we thought it would be better to do it in bite-sized chunks and then look at making sure they align.

**Senator SIEWERT:** That is fine. I just wanted to double-check that. So IPAs—I interrupted you, I beg your pardon. What came after that?

**Ms Lauder:** Indigenous engagement in Caring for Our Country—so the actual engagement of partnerships with Indigenous people. There is also sustainable agriculture, weeds and pests—I have possibly already said that—

**Senator SIEWERT:** Yes, you did.

**Ms Lauder:** There is Reef Rescue, coastal hotspots and critical aquatic habitats, the national reserve system, world heritage and regional NRM delivery challenges.

**Senator SIEWERT:** You are going to be writing these internally? Is that the idea?

**Ms Lauder:** Yes.

**Senator SIEWERT:** The purpose of the issues papers is what?

**Ms Lauder:** It is to inform the review. The community consultation, the public consultation, was a big part of the process but we did not want to do a review based purely on what people wanted or thought. It was important to do an analysis of what we have done to date, what the feedback has been, what the achievements or delivery has been and what the options are for moving forward.

**Senator SIEWERT:** So the time line for writing these issues papers is?

**Ms Lauder:** They are nearly complete so we are expecting them to be completed within the next one to two weeks.

**Senator SIEWERT:** Will there be an external review process, an expert review process, of the issues papers?

**Ms Lauder:** At this stage our plan is to make as many as possible public but not have an external review of the papers.

**Senator SIEWERT:** And why as many as possible public?

**Ms Lauder:** Until we see them all, we are expecting that some may include, for example, some confidential budget information. An option that could be open to us is that these could be edited to take out the confidential information. That is the only issue for us.

**Senator SIEWERT:** Is the process that once they are released you will invite some comment on the papers? What happens from there? What happens if I violently disagree with something you have put in the papers?

**Ms Lauder:** The online discussion forum will remain open for a bit longer; so, although we have closed submissions, the discussion will continue. People will be able to see issues papers and, if they have comments or issues on them, will be able to make those comments, and we will take that into consideration.

**Senator SIEWERT:** And over what period of time will that happen? A month? Two months?

**Ms Lauder:** My understanding—I will correct it on the record if I am wrong—is that the online forum will continue until the end of June.

**Senator SIEWERT:** So you are anticipating all these papers will be up. I know you said you were just about to finalise them.

**Ms Lauder:** Yes.

**Senator SIEWERT:** You are reporting to the ministers when?

**Ms Lauder:** In early July.

**Senator SIEWERT:** I will ask again anyway. That will go to the ministers and the ministers will consider when they are going to make that public. Is that right, Minister? Have you established the time line for when you will be making the report of the review process public?

**Senator Ludwig:** It is June or July. It is a matter that I have to consult Minister Burke and the board about as well. I have not established a time line. The direct answer to your question is no, but the time line seems to speak for itself. Secondly, with all of these things, as I say to the committee, it is my general intention to make things public as soon as possible where I can. There is always a caveat, I am sorry, but at such time as they provide us with a report Minister Burke and I can decide on how we progress it from there.

**Senator SIEWERT:** I always need to check. Thank you. Is there going to be another process before finalising the report where you go back to the chairs or to an expert group?

**Mr Thompson:** We expect there to be a process. We would go back, running ideas past targeted consultation with key stakeholders or people who had made particularly influential submissions. If we get a submission that raises a whole new way of doing things, we might explore it with them. But we do expect to have some sort of roundtable or targeted consultation with the key stakeholders in the future.

Also, some of the issues that have been raised we will continue to explore with the community and relevant stakeholders on a continuing basis. For example, we had a workshop last week or the week before on landscape-scale conservation. That sort of work will continue. We are doing work with a range of stakeholders on sustainable agriculture, and we will continue that work with those stakeholders. Ideas that come out of those fora may well feed into the targeting and more detailed design of programs in the future.

**Senator SIEWERT:** I know we had this discussion in the last estimates. If I understand correctly, some of the findings may be implementable in the future business plans and then be implemented in subsequent funding. Some of them may not be able to be accommodated in the business plan for this particular program period and may inform decision making into the future.

**Mr Thompson:** That is true. Things that can be taken into account quickly will be. Things that go to the fundamental design or priority setting of the program may well have to wait till a new program is put in place.

**Senator SIEWERT:** The next iteration. Thank you. I know I have to ask specifically about crazy ants next door tomorrow, but you said it was out of money from the existing program. Where does that actually come from?

**Mr Thompson:** It might be easier to ask that question tomorrow, Senator, but the notional allocation of funds within the budget takes into account priorities at the time and looks at what sorts of activities are most likely to achieve the outcome that is sought from that area of activity.

**Senator SIEWERT:** So that funding has not been previously allocated—it was in the pool of money that was allocated but not allocated to specific projects?

**Mr Thompson:** It would from money that is not committed to a particular project.

**Senator SIEWERT:** Okay.

**Mr Thompson:** There was no contract in place. It would be money that could have been spent on other things.

**Senator SIEWERT:** I will chase that down with the environment portfolio tomorrow. I would like to turn to the approach for this round. I know that the business plan has been released and applications close on 30 May. That is correct, is it not?

**Ms Lauder:** That is correct, except for the regional NRM bodies. Theirs close on Tuesday.

**Senator SIEWERT:** And this is for their base level funding?

**Ms Lauder:** Yes.

**Senator SIEWERT:** In relation to the process from here for this round of funding in terms of assessment, can you take me through that process?

**Mr Thompson:** Yes. It is a similar process to last year. Applications are being received electronically, though, if people cannot access the electronic system, hardcopy applications can be accepted. All the applications that pass the preliminary eligibility test—and even those that do not that eligibility test but are noted as not eligible—go into preliminary screening by panels that are based on the state. Each of those panels has three external members—one of whom will be chair—and officers from the department that have state and policy expertise. Those panels can also draw on relevant departmental advice.

**Senator SIEWERT:** Sorry, but can you take one step back? There are three external, which means three experts in each of the states. Is that what you mean?

**Mr Thompson:** Three persons in each state who are external to the government.

**Senator SIEWERT:** And then how many government people are on it?

**Mr Thompson:** Usually we have three government people as well.

**Senator SIEWERT:** So it is a six-member panel?

**Mr Thompson:** Yes. We will then supplement that panel with additional support and advice as required, such as on Indigenous or technical issues related to agriculture. They can also draw on particular departmental policy advice if it is needed. That can arise in weeds and pests or world heritage or coastal zone management. The outcomes from those panels are collated by departmental staff. Then we have a national moderating panel which has 10 members comprising the chairs of each of the state panels—so it is a community person coming forward from those state panels.

**Senator SIEWERT:** Who selects the chair?

**Mr Thompson:** The chair is approved by the minister or ministers against recommendations made by the department. We also have a new independent external community member as chair of the moderating panel. That person is chosen less for their expertise and knowledge of natural resource management—though they will have some—but are really chosen on their capacity to understand different assessment processes and work that process through.

**Senator SIEWERT:** And to facilitate.

**Mr Thompson:** A facilitator, yes.

**Senator SIEWERT:** I will come back to the rest of it in a minute, but you select the chair and recommend the chair from each state to the ministers?

**Mr Thompson:** Yes. We also recommend the chair to the national moderating panel. As I said, that is made up of the chairs of the individual panels plus the new chair, and then we will have two government senior executive officers providing advice on that panel—one with an agriculture/Landcare perspective and one with a biodiversity and heritage type perspective.

**Senator SIEWERT:** How do you choose the chairs in each state? Do you call for nominations? Do you have a list that you consider?

**Mr Thompson:** We do not call for open nominations; we draw from a list of people that we have involved in a range of assessment processes relating to natural resource management, sustainable agriculture and environment. So it will be people who are or have been on assessments now or in the past, people who are on notice new assessment panels of the state or people who might be on regional bodies, people from R&D corporations, people who have had experience in picking projects in these sorts of areas.

**Senator SIEWERT:** Is that list publicly available?

**Mr Thompson:** It is not a public list.

**Senator SIEWERT:** How does a member of the public or an NRM group find out who is making the decisions on the assessment panels?

**Mr Thompson:** We have normally made the membership of the assessment panels public after the process. I am not sure what the timing is this year. The reason we were not in the past making them available before the process commenced was that some of those members said that they were being lobbied quite heavily during the period and that they preferred that their names not be made public. We would normally make them available after, but if someone were to ask for those lists to be made available I am not sure that we could say no.

**Senator SIEWERT:** It just worries me that there is a process here that is spending a large amount of money, and decisions are being made that people do not know about until after the fact. I appreciate the issue around lobbying. Having been on many assessment panels, I understand that. But there are processes you can put in place to ensure that that does not happen or to minimise it and scare people off.

**Mr Thompson:** These panels do not make the decisions; they make recommendations, which go through to ministers.

**Senator SIEWERT:** I appreciate that. We did not make decisions either on the panels that I have been on; we made recommendations to ministers. It is always the ministers in the department that make the decisions. It just seems to me a pretty secret process. If somebody wants to be involved in the assessment process, how do they get involved? In the past it was nominated by the community—and I understand and I have been through the arguments about not being representative anymore, et cetera—but it seems to me you have gone completely the other way now; now you make the decisions and the community is not involved at all.

**Mr Thompson:** Most of the panels have a majority community membership and we recommend them on the basis of their connections and experience with the community.

**Senator SIEWERT:** It still seems pretty in-house to me. If you could table the names of the people who are on the panels, that would be appreciated.

**Mr Thompson:** Okay. We can do that.

**Senator SIEWERT:** Thank you. When is the assessment process going to finish?

**Mr Thompson:** We expect to have recommendations to ministers in early August.

**Senator SIEWERT:** What is the time line for the production of the next business plan?

**Mr Thompson:** The time line for the next business plan would roughly be the same as this year, except, because it is the last year of the program, the details of how wide the business plan might be and what areas we might call for funding under is still under consideration. We will have to take into account the nature of the projects that are approved this year round, because with only one year to go we would want to look for gaps. So next year's business plan could be quite different to this year's, so I cannot give you an answer about the exact timetable. But the aim will be to again have projects announced as soon as possible in the 2012-13 financial year.

**Senator SIEWERT:** The issue around environmental stewardship and the extra \$84 million, I presume I should go next door to ask about that?

**Mr Thompson:** It would be better to ask those questions of the staff from Environment; it is an appropriation that comes to that portfolio and they know the detail.

**Senator SIEWERT:** Okay. But that is new money, not out of—

**Mr Thompson:** That is new money, not out of Caring for our Country.

**Senator SIEWERT:** You already said that the \$10 million is too?

**Mr Thompson:** Yes.

**Senator SIEWERT:** They are the only additional new programs?

**Mr Thompson:** The \$300,000 for the new projects on the north coast of New South Wales.

**Senator SIEWERT:** I beg your pardon. Yes. Thank you.

**Proceedings suspended from 18:29 to 19:29**

**CHAIR:** We will now recommence. Senator Back, I believe you have questions.

**Senator BACK:** Thank you, Chair. I just want to go to the Australian Feral Camel Management Project, if I might. In 2009, Mr Thompson, funds were allocated for that project. Is that right?

**Mr Thompson:** Yes, they were.

**Senator BACK:** It was \$19 million?

**Mr Thompson:** Yes.

**Senator BACK:** Can you give us some idea of the progress of funding and the success or otherwise of the scheme to date?

**Mr Thompson:** The project has commenced, and the year 1 target of removing 15,000 camels was well exceeded. Something like 23,340 camels were removed.

**Senator BACK:** Were they culled?

**Mr Thompson:** Yes, they were. In the second year the target is 143,000 camels; 11,000 have been culled, but the extensive and unseasonable rainfall across Australia has hampered access to camels and made them far more widely distributed, so culling operations have been more difficult. As a result of that, the proponents are changing their mode of operation to focus the culling operations around the semipermanent watercourses and also to put in place a strategy to target the operations so that as the country starts to dry out they will be in a place to cull the camels as they start to move towards the sites of environmental significance or through the pastoral country.

**Senator BACK:** How long is the project scheduled to go for with the current \$19 million of funding?

**Mr Thompson:** It is a four-year project. It is expected to go for another two years.

**Senator BACK:** Is that the only funding allocated to the project?

**Mr Thompson:** Yes, it is, Senator.

**Senator BACK:** So there are no other sources of revenue other than the Caring for Country \$19 million?

**Mr Thompson:** No, we are funding the \$19 million project. But the culling of camels in Central Australia is also receiving some funding from each of the jurisdictions and, where the jurisdictions are undertaking their own camel culling programs, as has been the case in the Northern Territory, the two projects are done in such a way that they coordinate when the culling takes place and when helicopters and the like are available.

**Senator BACK:** So given, as you say, the rainfall and the access to feed, they have presumably gone away from the traditional water sources. So has anyone been able to get any indicator at all as to what their population is doing and the extent to which it is actually expanding again?

**Mr Thompson:** I am not an expert on camel biology but with good conditions one would expect the camel population to increase. But camels have a relatively long gestation period and produce single young or twins at the most. The success of their reproduction would be

higher, but the total population increase would still take a little while to build up. It is not like the explosion you might get with rabbits or something like that.

**Senator BACK:** Exactly. But there is no doubt at all that the evidence coming to me is that the population is expanding, and we would expect that.

**Mr Thompson:** We would expect that.

**Senator BACK:** Seeing that it is unlikely you will probably be able to cull many more and that you will fall way short of the 143,000, is it likely then, given seasonal conditions, that the program will be extended until the \$19 million is expended? It is quite possible, is it not, that in this year and probably next year it will be difficult to meet any sort of reasonable culling targets?

**Mr Thompson:** We have not made a decision about whether to extend the project or not, but we are closely reviewing with the proponents to see what the most effective method is now of culling camels and implementing the project. We will look at the effectiveness of the measures in place over this year and we will also look at taking into account what weather patterns emerge over the next 12 months. So there is no firm answer as to extensions or not at this stage.

**Senator BACK:** Who advises the government? Is there a feral camel advisory committee and, if so, who sits on that committee? How does government get its advice on this issue?

**Mr Thompson:** There is no standing committee, so to speak. The project is being implemented by a group that were associated with the former Arid Lands CRC, so they are experts in their own right. Advice is also sought from experts in feral animal control around Australia, from Commonwealth and state committees, and the policy direction for what we are doing about camels is consistent with the National Feral Camel Action Plan that was agreed last year, I think.

**Senator BACK:** Is the Desert Research CRC still in existence or has that been now wound up?

**Mr Thompson:** That CRC is wound up. Their commercial arm, Ninti One, still exists—it is implementing the project.

**Senator BACK:** So it is continuing to oversee the project?

**Mr Thompson:** Yes.

**Senator BACK:** And apart from culling, can you tell me what other options, if any, are being explored to try to actually reduce numbers?

**Mr Thompson:** Culling is the main one that we are funding, because it is the most cost-effective. The work that Ninti are doing also works in with those people who want to do some commercial harvesting alongside that or building the capacity of Indigenous communities to utilise camel culls as a source of income.

**Senator BACK:** And the live export? I am not advocating live export, having travelled with camels on ships to the gulf. They are not the most pleasant travelling companions. But it is not intended to look to try to expand a live cattle trade to the gulf?

**Mr Thompson:** My understanding is that, for wild camels in remote areas of Australia, running a live camel export program is not all that cost effective. Some individuals can do it for some of the camels that might be located in particular areas, but to establish a full industry

on that basis is quite difficult. First, there is the issue of market access, but, second, there is having a logistics chain for moving large animals across Australia and then on to boats.

**Senator BACK:** There is no doubt there is a huge demand for them in the Middle East, but, as you say, it is difficult. Within that \$19 million, is there any capacity for some funds to be expended within the actual Aboriginal communities where the damage done by the camels is evident—with water points, tanks, taps and even air conditioners being destroyed? Is there any allocation under the program to effectively fund repairs to the damage they cause?

**Mr Thompson:** No, the program does not fund repairs to infrastructure damage, but the program does fund the culling of camels, targeting those areas that need protection.

**Senator BACK:** Finally, of the original \$19 million, can you tell me just how much of those funds are unexpended?

**Mr Thompson:** In year 1 we spent \$2.5 million. So far in 2010-11 we have spent \$4.5 million. To date we have spent \$7 million, so that is \$12 million unexpended. We would expect to spend a bit more before the end of the financial year.

**Senator BACK:** But I guess it is the fact that, with seasonal conditions having changed the way they have, it is unlikely that in the original four-year period you will actually be able to get to the numbers that need culling.

**Mr Thompson:** Unless weather conditions severely change for the worse, it would be difficult to get to the number of camels we expected to cull at the beginning of the program in a cost effective way. So we are looking at how we can most effectively implement culling operations and remain cost effective.

**Senator BACK:** If the target was 143,000 in the year 2, do you know what the target was in years 3 and 4 originally?

**Mr Thompson:** I might have to take that on notice. I do not have the detail. There were targets set for each year and the plan was for a ramping up of the rate.

**Senator BACK:** Thank you.

**CHAIR:** We will move to fisheries.

#### **Australian Fisheries Management Authority**

[19:38]

**CHAIR:** As is normal for estimates, we integrate AFMA with the departmental executive.

**Senator SIEWERT:** In 2009 I asked questions about the proposed boundary changes to the Commonwealth North West Slope Trawl Fishery. Where is the process up to? I understand there has been some recent movement on the proposed changes.

**Dr Troy:** In December last year, officers from AFMA and the Western Australian Department of Fisheries met with Commonwealth and state operators to discuss options for amending the offshore constitutional settlement arrangements. A key outcome of that meeting was that industry voluntarily agreed to set up a closure in the North West Shelf trawl fishery area, covering the same area and offering the same level of protection as the former AFMA legislated closure. This closure will remain in place until September this year while we are trying to renegotiate and review the Western Trawl Harvest Strategy. We are establishing a joint Commonwealth-state harvest strategy working group to help in developing

complementary management arrangements across both sectors and we are still waiting on nominations to that group from the Western Australian Fishing Industry Council, after which we will convene a meeting of the working group.

We have had port visits with Commonwealth and state industry members in the last few weeks to discuss catch history, target species and to develop proposals for the realignment of the boundaries, but none of those meetings were particularly well-attended by Western Australian industry operators, so we have not made much progress.

**Senator SIEWERT:** Thank you. Sorry to be confusing, but we are talking about two areas up there, aren't we?

**Dr Troy:** That is right.

**Senator SIEWERT:** You are talking about the one for which AFMA agreed to the temporary closure. That is further up the coast, isn't it, than the area that is the 200-metre isobath closure?

**Dr Troy:** Yes.

**Senator SIEWERT:** The one that you were just talking about is on track, by the sound of it.

**Dr Troy:** Yes.

**Senator SIEWERT:** No-one turned up, but the process is underway.

**Dr Troy:** In both instances, there is a process underway, but the more northern portion is the area where industry has agreed to a closure.

**Senator SIEWERT:** Where are we up to do with the other one?

**Dr Findlay:** I might be able to help. At the moment we are dealing with both of them as part of a broader package rather than dealing with them individually. There were various moves to say, 'Let's deal with one and deal with the rest later.' We are not keen to see that split. We would rather see it all sorted out at once.

**Senator SIEWERT:** I appreciate that. Even if they were handled together, there is still a second part to it, in terms of where you are up to with the other one.

**Dr Findlay:** As I said, we are trying to deal with them concurrently. They are all defined by the 200-metre isobath line and we want to redraw that line once rather than having to do two or three tranches of negotiations.

**Senator SIEWERT:** Is it proposed that the second area is opened then? That is what I presumed from your comment.

**Dr Findlay:** I am not sure. At the moment, the existing boundaries remain in the fishery until the line is redrawn.

**Senator SIEWERT:** Yes, but neither of them, as I understand it, at the moment are being fished.

**Dr Findlay:** The levels of effort are very low, on our side—yes.

**Senator COLBECK:** We are talking about trawling?

**Senator SIEWERT:** Yes. You are in discussions. Where is the industry up to with the second one?

**Dr Findlay:** It depends on which industry you are asking us questions about.

**Senator SIEWERT:** The trawling industry.

**Dr Findlay:** They would obviously like a speedy resolution to this issue so that they can get a clear definition of what their grounds are likely to be into the future and get access to some of the grounds that at the moment they are excluded from.

**Senator SIEWERT:** In other words, they will agree to the closure of the first one but not the second one?

**Dr Troy:** I might be able to assist here. There are two areas. The area further to the north is an area where the actual 200-metre isobath is—if I get this right—and it is inshore of the boundary. That results in Commonwealth operators being excluded from the area. The area to the south is the opposite. Sorry—I have it around the wrong way. Commonwealth operators could go into the area to the north but have voluntarily decided not to. In the area to the south, because of the way in which the boundary is drawn, Commonwealth operators are excluded from areas that are in fact deeper than 200 metres. Neither area affects state operators because their entitlements go out to the AFZ. There is no suggestion of a closure in the southern area because it is more an expansion of the area available to Commonwealth operators rather than a closure.

**Senator SIEWERT:** As I understand it, at the moment trawlers have not been to the one further to the south until now.

**Dr Troy:** That is correct. Because of the way in which the boundaries are drawn, they could not fish because the boundary is offshore of the 200 metres.

**Senator SIEWERT:** That is right. But the argument being put is that, because it has not been trawled, that area is actually in good condition and there are ecosystems there that will be damaged by trawling. Have you heard that one?

**Dr Troy:** I am not aware of that, no.

**Senator SIEWERT:** Okay. Maybe I should get some people to put some submissions into you. I know that we have discussed this in this forum before.

**Dr Findlay:** Back in 2009 we were certainly hearing those sorts of commentaries.

**Senator SIEWERT:** What I want to know is: what studies have been done? As I understand it, at that time there was going to be some further work done to look at the ecological values of that particular area. Has that work been done?

**Dr Findlay:** Not that I am aware of, no.

**Senator SIEWERT:** Why is that?

**Dr Findlay:** At the moment we are still at what I would call stage 1 of a discussion that is far from over, and at the moment it is essentially giving the industry what they should have always had, and it would be part of a broader risk assessment process which we run for all of our fisheries.

**Senator SIEWERT:** So when is that assessment going to be done?

**Dr Findlay:** It would be based on our priorities. Our priorities are based on the size of our fisheries. It is not a very big fishery, and at the moment up there we are not looking very large impact, so it probably would not be on the top of our list.

**Senator SIEWERT:** You are saying that it would not be?

**Dr Findlay:** Scheduling a time for it? No, it would not be on the top of our list at the moment.

**Senator SIEWERT:** So that area would not be released until that study was done?

**Dr Findlay:** I am not saying that, no.

**Senator SIEWERT:** In other words, there is a potential that that area will be opened before you have done the study and before you actually know what is going to be lost?

**Dr Findlay:** That area has been studied extensively—the North-West Slope.

**Senator SIEWERT:** That particular area?

**Dr Findlay:** This is a line that goes all the way down the Western Australian coast, so it depends which particular area you are referring to. But that area has been subject to extensive studies by CSIRO, and those would be part of our risk assessments normally.

**Senator SIEWERT:** The particular area that I am talking about is the area that is now proposed to be opened and that, as Dr Troy has just said, has not been subject to trawling because of where the line is.

**Dr Findlay:** I am saying that there is lots of that area; there are little bits of it all the way long.

**Senator SIEWERT:** So you mean there are more areas that you are considering?

**Dr Findlay:** What we are trying to do is to redraw the 200 metre isobath about where it was supposed to be originally drawn. That means that, where the line has been incorrectly drawn, there are little bits and pieces all the way along that edge.

**Senator SIEWERT:** I understand that this one is about 6,000 square kilometres.

**Dr Findlay:** If you can give me some more details, we can go and have a look and see which areas you are referring to.

**Senator SIEWERT:** Maybe what I will do is put some questions on notice about the exact location.

**Senator COLBECK:** Dr Findlay, you are right: this was raised in 2009. My recollection is that the minister provided a moratorium, if you like, on the process for two years. Is that right? You might be able to remind me of the time frame, but there was a moratorium provided on the recognition of the new 200 metre line.

**Senator SIEWERT:** To June 2011, I understand.

**Senator COLBECK:** That is my recollection, but rather than going on that—

**Dr Findlay:** This is the area up to the north that Senator Siewert is referring to.

**Senator COLBECK:** Yes, that is correct.

**Dr Findlay:** Not the other line. So, just dealing with that northern area, the original closure that AFMA had in place for quite a number of years was due to expire in about 2009. When we were talking about this last time, we agreed to extend the closure up to, I think, December 2010. It is that closure which has now been removed because we said to Western Australian fisheries that if we did not get enough progress we would remove that closure, and then the industry has voluntarily agreed to maintain the closure.

**Senator COLBECK:** That is the northern area.

**Dr Findlay:** That is the northern area.

**Senator SIEWERT:** That is the northern area, not the southern area.

**Dr Findlay:** The southern area of those boundaries stay in place until there is agreement to change.

**Senator COLBECK:** I understand that. My question was: we were given a time frame to actually start to deal with it, we have gone through that 18 months, effectively, past the end of last year—so we are nearly at two years—but we are obviously still not anywhere near getting it resolved, so how long is it going to take to get it sorted out?

**Dr Findlay:** As I said, at the moment AFMA has removed its closure, and we were hoping that the fact that that closure has now been removed would provide enough incentive for the Western Australian government and Western Australian operators to come to the table and have effective negotiations about a better set of lines for the future. We are still hopeful that that negotiation will occur. Unfortunately, I cannot put a time frame on it at this stage; I would like to see it happen as quickly as possible though.

**Senator COLBECK:** Is it worth the effort?

**Dr Findlay:** We have a number of operators who certainly think it is.

**Senator COLBECK:** Those who want to get access to new grounds and those, on the other side of the argument, who do not want them to get access to the grounds that they are currently working in—for their various respective interests.

**Dr Findlay:** There are obvious incentives on both sides, but from our perspective we would say that those are grounds that should have always been made available to those fishers and it was an accident of regulation and nothing else that precluded them.

**Senator COLBECK:** Wasn't it more around the method of measurement at the time?

**Dr Findlay:** That is what I am saying: it was an accident; it was not intended.

**Senator COLBECK:** It is because we have gone to a different method of measurement and we have a different line that has brought this issue about.

**Dr Findlay:** That is right.

**Senator SIEWERT:** I have to leave and I will come back. I am sure Senator Colbeck has lots of questions.

**Senator COLBECK:** Is AFMA subject to the productivity dividend?

**Dr Findlay:** Yes.

**Senator COLBECK:** What is the potential impact on AFMA of that process?

**Dr Findlay:** We have had a reduction in our departmental appropriation this year. There are quite a number of detailed changes with regard to our budget changes and I am sure Mr Bridge can take you through those if you want to go there. The key result is a reduction of \$2.7 million overall in our departmental appropriation, of which several hundred thousand—the exact figure escapes me at the moment—is the additional efficiency dividend.

**Mr Bridge:** It is \$114,000.

**Dr Findlay:** The additional efficiency dividend is \$114,000. These changes reflect two main issues. One of them is with regard to the success of the programs dealing with illegal foreign fishing incursion. This means we now have far less demand for follow-up investigations to prosecute boats found on our side of the line under both the northern and southern programs. This has meant we have been able to budget for fewer staff in that area. Over the last few years, we have been investing quite heavily in our ICT and some co-management trials. Again, we have had additional staff funded under an approved operating loss for that period. Those trials are now coming to an end and becoming business as usual, and we have had a commensurate reduction in the number of staff linked across the agency to those various projects of about eight. So, a total of 15 staff and \$2.7 million down.

**Senator COLBECK:** What about the impact on direct services to the industry? I do not think it is a secret that industry have been concerned about the fee impact on industry, particularly—I think we have discussed it before—we have had a rationalisation in the number of players in the industry, cost recovery requirements of the agency and therefore more load spread on fewer players and the resultant impact on fees. While I recognise that there have been some efforts in trying to mitigate that cost through cameras instead of physical surveillance on boats and that sort of stuff, what are the projected impacts on the fee structure?

**Dr Findlay:** You raised two issues. One is about direct services immediately. I note that we are currently sitting at 191 staff. Our budget for next year will show us going back to up to 198 staff. In terms of overall impact, I would expect reasonably minimal impact on our delivery of services to our stakeholders.

On what we are doing to reduce costs, as I mentioned earlier, we have been trialling co-management in a number of our fisheries to look at places where industry might be able to deliver functions better than we can: for example, pooling of quota or otherwise electronic submission of catch documentation. As you would be aware, we have introduced a GOFish system, an online banking system equivalent, whereby fishers can access their entitlements and electronically trade and make transactions that were previously done on a paper based system. This has significantly reduced the costs for those transactions and we are seeing about two-thirds of all transactions, where that system is enabled, being done through the GOFish system.

You mentioned the electronic monitoring trials where we are quite keen to see cameras and other systems put in place where we can reduce the cost to industry of having on-board observers by using cameras. We think there are some real savings there and the trials have borne that out. Similarly, there is an electronic logbook database system. At the moment logbooks are filled in manually in most fisheries and submitted to AFMA in hardcopy paper form and we have people then sit and punch that information, at reasonable expense. If we can move more and more to e-logs we can continue to reduce the costs to industry.

In addition to the things we have already done, we are looking to sublet part of our office space. That would save in the order of \$500,000 a year which, again, can help us defray some of the cost to industry. We are also borrowing off DAFF contracting processes for things like travel and potentially the grad program, to reduce our direct costs of having to run those systems separately. We are also looking to install videoconferencing facilities to help our

internal communication between the Canberra, Darwin and Thursday Island offices to minimise our travel costs between those offices.

So we are very seriously committed to getting the costs down for industry. This year we are expecting the cost recovery—well, it is not finalised yet for 2011-12—to be about \$13.8 million in total. That is very close, within one per cent of the range over the last five or six years—hover around those sorts of figures, a little bit more and a little bit less than that, but about that sort of number.

**Senator COLBECK:** What are your projections for your fee levels at this stage?

**Dr Findlay:** The current levy and research costs we are projecting at this stage—not finalised—to be around \$13.2 million budgeted cost, with an additional \$600,000 collected through fee for service, as I mentioned, for things like observers and our GOFish system, which puts it very close to the range for the last couple of years.

**Senator COLBECK:** Are we talking up or down?

**Dr Findlay:** Over the current year, it would be a two per cent increase. But, going back to, say, 2006-07 and 2007-08, it would actually be a three and nearly five per cent decrease. I am saying within a few per cent of the levels for the last five or six years. You might recall, Senator, we made a commitment a number of years ago to keep our levies around the 2005-06 level, to try and put a cap on costs. This coming year, 2011-12, cost recovery would be only one per cent higher than the 2005-06 level, and we think that is a pretty good result.

**Senator COLBECK:** I saw a presentation last week about the use of RFID technology and mobile phones for observing activity on fishing vessels. It was out of the UK. I think 'See Fish' was the name of the company. That looked to have some opportunities for providing good levels of data in real time. Is any work being done on that?

**Dr Findlay:** Yes, we have been looking at the mobile phone network as a way of increasing these sorts of functions we can deliver on board boats. One of the problems at the moment is that the mobile phone network in Australia does not actually cover a lot of the areas of the Commonwealth fisheries, so we are still very dependent on direct satellite systems, including our Inmarsat C system at the moment, where we communicate in real time with the vessels about what is going on at sea. That has been quite useful, but it is still based on the Inmarsat C system, which costs about 40c per transaction, and that is obviously quite a high cost for transmission. If we go back onto the mobile phone network, we would hope we could eventually get more and more of our boats across onto that and then we could bring the cost right down and look at more of those sorts of services in a real way.

**Senator COLBECK:** I suppose in that circumstance the densities of service are a lot stronger and potentially the signal strengths would be more available in the sorts of locations that they were dealing with.

**Dr Findlay:** Yes, that is certainly the experience both in North America and Europe; the mobile phone systems are more usable for this sort of technology than we have in Australia at the moment.

**Senator COLBECK:** We saw recently both Coles and Woolworths making announcements in respect of sustainable choice fish. Have AFMA had any discussion or interaction with Coles and Woolworths in relation to their claims on those two species—specifically they were, I think, yellowfin tuna and orange roughy?

**Dr Findlay:** Yes, We have, and DAFF may also have some comments on this; I am not sure what DAFF has done in this space. On the AFMA issue, I wrote to both Coles and Woolworths just recently, making a few comments with regard to their schemes. We obviously support sustainable sourcing programs and think these sorts of schemes are a great idea. We were concerned by some of the inaccuracies with regard to the delisting of yellowfin tuna and orange roughy. In the case of orange roughy, there is certainly no debate about the fact that it was hit very hard but the five stocks currently supporting a commercial fishery in Australia are not listed as overfished or subject to overfishing and, therefore, we felt that the delisting process was not a reflection of the actual management arrangements in place. In the case of yellowfin tuna, 99 per cent of Australia's yellowfin tuna catch comes from the Eastern Tuna and Billfish Fishery which accesses the Pacific stock. That is not a stock that is considered to be subject to overfishing or considered to be overfished so, again, we feel that it was not based on the best available information and we have offered our assistance to Coles and Woolworths to contact us with regard to future consideration of these sorts of proposals.

**Senator COLBECK:** Have you had any response from Coles and Woolworths in relation to the advice that you have given?

**Dr Findlay:** We have had a short response from Woolworths, basically of the view that they had appropriately assessed the reports, referring in their letter to listings underneath the EPBC Act for orange roughy and the Indian Ocean Tuna Commission's classification for yellowfin tuna in that ocean.

**Senator COLBECK:** In the Indian Ocean?

**Dr Findlay:** In the Indian Ocean where we catch less than one per cent of the Australian catch.

**Senator COLBECK:** My understanding is that most of the yellowfin tuna comes from the Eastern Tuna and Billfish Fishery.

**Dr Findlay:** That is correct. Ninety-nine per cent of the yellowfin tuna is caught in the Eastern Tuna and Billfish Fishery.

**Senator COLBECK:** Did you have any discussion or interaction with Coles and Woolworths prior to these announcements?

**Dr Findlay:** No, we did not.

**Senator COLBECK:** Have they given you any advice as to where they did get the information to make the assessments?

**Dr Findlay:** Their press releases refer in both cases to partners, one the Sustainable Fisheries Partnership and the other WWF. According to their correspondence and also their press releases, they defer to information provided to them by those groups.

**Senator COLBECK:** So the first one was the Sustainable Fisheries Partnership?

**Dr Findlay:** That is my understanding, yes.

**Senator COLBECK:** At this stage it appears that we have got ENGOs driving those commercial decisions that are being made by Coles and Woolworths.

**Dr Findlay:** That is a matter for Coles and Woolworths.

**Senator COLBECK:** I understand that. Has the department generally had any interaction with Coles and Woolworths on these issues?

**Mr Thompson:** We have not had any direct interaction as far as I am aware with Coles and Woolworths on these specific issues. We have had informal consultations from time to time with various environmental NGOs who are involved in these sorts of things—WWF and the Marine Stewardship Council—and they have indicated that they were pursuing these sorts of initiatives, but we have had no direct discussion with Coles and Woolworths.

**Senator COLBECK:** I just find it a little bit hard to understand how they can claim to be making an informed decision yet they are not talking to the department that administers it or the agency that sets limits and allowable catches in the context of maintaining a sustainable fishery. I know there is probably nowhere you could go with it, but it just concerns me that a lot of these decisions are being driven out of campaigns and are not necessarily about facts and realities in relation to some of these matters.

As to southern bluefin tuna, how far are we through with the final information on the latest aerial survey? I think that we were about halfway through when we discussed it last time around.

**Dr Begg:** The results for this year's aerial survey have just been uploaded to the CCSBT, or the Commission for the Conservation of Southern Bluefin Tuna's website, so that data is now available.

**Senator COLBECK:** When was that uploaded?

**Dr Begg:** On Friday or over the weekend.

**Senator COLBECK:** So given that I have not had a chance to have a look at it yet, where does it show us heading?

**Dr Begg:** There have been positive signals again this year.

**Senator COLBECK:** We did have a discussion about it at the last estimates and my recollection of the way it was portrayed to be—not by you but by some of those who were looking at the data—was that halfway through the aerial survey even at that stage it was well and truly stronger than it had been the year before for the whole season. So can you give us a sense of scale for where we are at it?

I know that we have to maintain a cautious approach to this, so I am not advocating anything other than being responsible with it.

**Dr Begg:** I have not seen the final results yet, but the preliminary data we saw at an industry meeting down at Port Lincoln earlier in May indicated that the result for this year was one of the highest that we have seen throughout the series—and I do not expect that to change too much from what has been finalised.

**Senator COLBECK:** So it was one of the strongest results that we have seen in the series. Do we have a reference point for that?

**Dr Begg:** I think the first year of the aerial survey was around 1992, so it would be up around that level.

**Senator COLBECK:** So it would be comparable to those sorts of levels—okay. Where do we see this feeding into the quota negotiation discussions that are coming up later this year? Obviously, that is going to be a pivotal and, I expect, quite earnestly fought.

**Dr Begg:** In terms of the science, there is the scientific committee meeting, which will take place from mid- to late July. That data, including all the most recent data, such as the Japanese CPUE data, will be used in an assessment that will be conducted and finalised at that meeting. Similarly, there will be further management procedure testing and results presented at that meeting as well. So that data and the results from the assessment and the MP testing will then feed into commission meetings that will occur in August and also in October.

**Senator COLBECK:** What are we doing to ensure Australia's interests in this overall process? I think it must be at that meeting that the reconsideration of Japan's penalty, if you like, is to be dealt with. Obviously, there is a significant concern in the industry that we might have acted a little prematurely in the significant cut that we took two years ago and that we are working our way through now—this is an industry perspective. Where do we sit as far as that process is concerned?

**Dr Dickson:** Senator Colbeck, we outlined at the last estimates hearing, I think, the range of issues that were going to be considered this year, and that did include a review of the Japanese penalty and the allocation decisions on how to divide up the pie, as well as making the decisions on the management procedures. So they are all the matters. I think it is fair to say that we are pretty much at the same position as we were then, apart from the fact that we have done a lot more work on the science in preparation for the science committee meeting in July, and the aerial survey work.

**Senator COLBECK:** Okay. I am still concerned about ensuring that we have a strong representation in respect of Australia's interests as part of this process. I think you are off to some other role, Dr Dickson; is that correct?

**Dr Dickson:** That is right, yes.

**Senator COLBECK:** If it is what I think it is, I am not sure whether congratulations or commiserations are in order! I certainly wish you well. We now have our fourth commissioner in two years. I do not mean to cast aspersions—I nearly went down the 'nasturtiums' track, because I have been using that lately—on Mr Aldred, but he is our fourth commissioner within a short time. And there appears to be a level of confidence in your efforts over recent times, and I am happy to put that on the table. I am just concerned about us making sure that our interests are well managed.

**Dr Dickson:** I think that is probably a question for the secretary.

**Senator COLBECK:** Dr O'Connell, I am sure, is going to express confidence in Mr Aldred!

**Dr O'Connell:** I will of course express confidence and also remark that when we do have a change there is normally the worry that people will have about the loss of familiarity and the new person coming in. I recall something quite similar with Dr Dickson and, as you say, people are very comfortable and confident. It is not ideal to have the changes as quickly as we have, but these things are beyond our control. But I would be very confident we can put—

**Senator COLBECK:** The industry see this as probably the most important year in a decade—

**Dr O'Connell:** The commissioner does not just do this job on their own; we have a large support for the commissioner, so we will carry on with that. Certainly we will not be putting forward a delegation which is not a strong delegation.

**Senator COLBECK:** I would expect nothing else, but industry went through the process of the cut in 2009, which I think did disappoint the industry at that stage in proceedings—they did kick up a bit of a fuss about that. Recognising that there needed to be some care around the overall stocks, I suppose I just want to reinforce my perspective, so I am making sure we do not get disadvantaged by the fact that you have this fairly significant issue with the Japanese quota coming back into the process.

**Dr O'Connell:** I would like to comment, in case there is any misunderstanding, that there was no question about the performance of the complete delegation right through that process. All our objectives were properly met at the time by the delegation.

**Senator COLBECK:** I will not dispute that your objectives were met by the delegation. I am not sure that that necessarily met the industry's expectation, so there is a bit of a difference there—and I accept that that might be a difference.

**Dr O'Connell:** I was distinguishing between different people's interests and the—

**Senator COLBECK:** And it is fair to make that distinction. Have we seen any of the information at this stage on Japan's catch rate?

**Dr Begg:** That information has also just recently been submitted to the commission website. I have yet to have a chance to look at that.

**Senator COLBECK:** But you have no sense of what that shows?

**Dr Begg:** I think the initial indication was that, again, it was a fairly positive year.

**Senator COLBECK:** Do we have anything further on the close-kin genetics project?

**Dr Begg:** It is not much different to where we were at the last estimates. CSIRO received the additional funding through the FRDC to do an additional 7,000 samples. Those samples are currently being processed. CSIRO have informed us that they are still on time and are expecting to have a draft report sometime in September.

**Senator COLBECK:** Can you confirm the number of DNA matches in the first half of the project?

**Dr Begg:** I would have to get you the specific numbers on notice.

**Senator COLBECK:** Has any of this information been compiled to give an assessment of the stock at this stage? Or is it all too fresh to the system?

**Dr Begg:** No, it has not been compiled.

**Senator COLBECK:** Over what time frame are we looking to get that information available?

**Dr Begg:** A number of processes still need to occur once those results come in. If it is on time, we are looking at a draft report in September. The data and the results from that would obviously need to be examined. Before any incorporation into the assessment or other processes, the scientific committee of the CCSBT would want to look at and discuss those results, what they might mean and how they could be incorporated into future assessments.

**Senator COLBECK:** Has there been any assessment as to why the stocks appear to be stronger than they might otherwise have been thought to be? Has any work been done to get a view on the strength of the spawning biomass and also the overall assessment of the stock?

**Dr Begg:** The assessment will occur this year, in July, and the results from that will feed into the commission meetings later in the year.

**Senator COLBECK:** But there is no view on why we are seeing the results that we are at this stage?

**Dr Begg:** As I said, that will occur throughout July at the SC meeting.

**Senator COLBECK:** So the speculation, if you like, on the reasons for the improvement in the figures around the stocks will be done as part of the assessment process?

**Dr Begg:** That is correct.

**Senator COLBECK:** When does that information get formally released?

**Dr Begg:** All of the SC documents do not get formally released until the end of the commission meeting, which is in October, and then only some of those results in. So the Scientific Committee meeting report, for example, would be released post the commission.

**Senator COLBECK:** Who would get access to the data that is being put together around the assessment process in July?

**Dr Begg:** All the members have access—

**Senator COLBECK:** The member countries?

**Dr Begg:** That is correct.

**Senator COLBECK:** Okay. What about specifically interested parties to that—like the industry.

**Dr Begg:** We have recently tightened up our data confidentiality access and that includes access to the website. The reason for that is because in order to continue our discussions with members around access to date are that perhaps we have not been able to receive in the future—

**Senator COLBECK:** Or in the past?

**Dr Begg:** Sorry, in the past—

**Senator COLBECK:** I would like to get it to the future stuff as well—Melbourne Cup would be a good first start!

**Dr Begg:** It would be good! Part of the discussion has been around tightening up those data confidentiality processes, including access to the data on the website. If interested parties wish to access certain data, we are now introducing a process where they basically put in a data request to the department and that is considered.

**Senator COLBECK:** So who has not been providing information into the system to date because of the accessibility of the data?

**Dr Dickson:** There have been quite a few issues raised by other countries with respect to requests for the fine scale data. There have been concerns about confidentiality, which has been one of the reasons they have not been willing to provide the data. This has been a perennial concern, I understand, and it certainly came up in the meeting I attended.

**Senator COLBECK:** So how does anyone outside the system actually assess the process, what the stocks might be or any of that information without specific access? I am not sure that that is necessarily going to be met with a deal of enthusiasm, particularly from the industry.

**Dr Dickson:** As Dr Begg said, on request for data that is on the confidential area, including the reports, we would make that available to them on a case-by-case basis.

**Senator COLBECK:** So you may be prepared to provide confidential briefings to certain parties on some of the information—

**Dr Dickson:** On some of the information on a case-by-case basis, for example, on the stock assessment reports. As you are aware, the industry also attends the Scientific Committee meetings, so they have full access to the discussions that occur in those meetings.

**Senator COLBECK:** Yes, but doesn't that restrict them in what they can actually get access to as part of this process if access to the data is being closed down?

**Dr Dickson:** The confidentiality is around the data that member countries put in of their own data, where they want to keep it confidential, but there are other parts of the website where the publicly released information is and there is also the requests that interested parties like the industry or NGOs can make for information and data. As I said it would be on a case-by-case basis. We would not release confidential data provided by another country to our members; it would only be the aggregated information.

**Senator COLBECK:** How much of our data is not released publicly at the moment? What don't we release?

**Dr Dickson:** I will have to check on that. Do you know, Gavin?

**Dr Begg:** Our data in terms of our fleet would be subject to our domestic data confidentiality rules.

**Senator COLBECK:** So big unit holders, catches and catch locations would not be—

**Dr Begg:** Information on individual farming practices, for example, is not available.

**Senator COLBECK:** Their farming practices.

**Dr Begg:** Growth rates and things like that.

**Senator COLBECK:** I am more interested in the broader fisheries data. I can understand people being cagey about where they catch their fish; that is IP of sorts that they would not want released. My understanding is that that is a fairly broad thing across fisheries. We do not go out there telling everyone else where the boat moored next door catches its fish; if they want to talk about it over the gunwale that is fine. Is that the sort of information that other countries are wanting to have sourced? Why would the stocks report not be publicly available?

**Dr Begg:** The results from the stock assessment are part of the scientific committee meeting report and, post the commission meeting, that report is publicly available.

**Senator COLBECK:** Is it right that we are looking into a modified management formula and procedure as part of this current negotiation process?

**Dr Begg:** Yes. Part of the SC's agenda is to develop and test a number of management procedures. We have two different types on the table at the moment and a number of variants of those.

**Senator COLBECK:** If the management procedure shows quota can be increased, where do we stand as far as that is concerned, or is it too early to say without the stock assessment process?

**Dr Begg:** It is certainly too early at this stage, and, again, that is a commission level decision. So the results from the MP testing and the stock assessment will be fed through to two commission level meetings, one in August and one in October.

**Senator COLBECK:** I understand it is a commission decision but it is Australia's position going into that process that I am interested in. The 1994 meeting agreed that Australia and New Zealand would get a higher share of the quota at some stage. Given that New Zealand got theirs in 2009, where do we sit as far as that process is concerned? Is that still on the table?

**Mr Thompson:** My understanding of that—and we will correct the record if I get this wrong—is that that agreement in a sense still stands. New Zealand took advantage of that last year. That will be part of the deliberations when the quota assessments are done later this year, at the same time as Japan's penalty is looked at.

**Senator COLBECK:** I think New Zealand—my notes say 2009, which would have been in the last cycle—

**Mr Thompson:** Sorry; it is the one before last.

**Senator COLBECK:** We are not disagreeing on that. Under what process would they, using your terminology, take advantage of that process?

**Mr Thompson:** That was part of the negotiation in that 2009 assessment. I was not part of the delegation or privy to the detailed discussions at the site, but one of the significant factors is the difference in absolute magnitude between the Australian and New Zealand quotas and New Zealand's being much smaller than Australia's. The process for this year will be part of the negotiation framework for the commissioner's meeting later this year.

**Senator COLBECK:** So, because theirs was proportionally a much smaller increase in terms of net tonnage—

**Mr Thompson:** That would have been one of the factors because, if Australia had taken theirs up, it would have been quite material.

**Senator COLBECK:** And in a climate where the inclination was to go in the opposite direction it would have been much more difficult to argue.

**Mr Thompson:** It would have been much more difficult to argue and because Australia and Japan are both the major takers of southern bluefin tuna at the present time. We have a situation where Australia and Japan are broadly at the same level of quota, but negotiations will continue this year.

**Senator COLBECK:** Okay. In the draft marine reserve for south-west released a couple of weeks ago by Minister Burke, the large no-take zone across the bottom of that impinges fairly significantly. The Bight weather aerial survey shows large concentrations of SBT. How do you handle a highly migratory species like SBT in the context of that zone and what has been the interaction with the other departments on that process?

**Mr Thompson:** We have discussions with Environment on the marine protected area declarations and we feed information in about where catches are taken and what arrangements they put in place. But the final decisions on those are matters for Minister Burke. The areas of no-take or reserves or areas where trawling or whatever are not permitted are still subject to consideration during this consultation period. So industry should be putting in their views on

that. I would have to check, but my understanding was that within many of those reserve areas that migratory pelagics like bluefin tuna were not going to be subject to essentially the conservation area status—that the take of free-swimming pelagics were still going to occur.

**Senator COLBECK:** I would have to go back and check that but my recollection is in relation to the fairly significant area across the bottom and through into the Bight was a no-take zone. I was particular concerned about how that might interact. Perhaps I can go back and have another look at that and put something on notice.

**Mr Thompson:** Our understanding was that there was not a significant overlap.

**Senator COLBECK:** Okay. So while the tuna might very well migrate through that area—yes it is the large green splotch across the bottom, which I think is no-take. But there is no overlap to the areas where they actually take the tuna.

**Dr Begg:** Most of the commercial fishing is well to the east of that, and it certainly does not interact with that large south-west corner green zone.

**Dr O'Connell:** Just on a point of clarification, I think there is an area that is relevant in terms of proposed no-take which may well be relevant to both the area where the current surveys are done and then potentially to the fishery. So certainly to the degree that there is a matter of interest for that fishery we will be closely interested in that as well.

**Senator COLBECK:** I was aware particularly of overlap in relation to the survey. I have been through and had a good look at a couple of the previous reports and so have some sense of where those actually run. But, again, I am interested in the interaction in that fishery and how it might impact on the management of the fishery itself. I would not have thought that it would have had an impact on the aerial survey given that there is not too much interaction with the ocean itself, hopefully, apart from having a view from a fair way up.

**Dr Dickson:** It is probably something you could ask the environment department, but it is not something that they made us aware of in all the discussions we have had on this about any impact on SBT. Given there is a bit of complexity here, it is probably best to take this notice and get a comprehensive answer to you on the proposed marine park for that region.

**Senator COLBECK:** Okay. Is there any specific role for DAFF in the development of the displaced effort policy—that part of that process?

**Mr Thompson:** That policy was pulled together essentially by the environment department. The normal intra-governmental consultation took place on that, but the policy itself builds very closely on previous policies in this space. We have not had a—

**Senator COLBECK:** I have seen a critique of the differences between the two, so I think I understand the relationship there. What about the gear assessments? What interaction and discussion has occurred between DAFF and Environment in respect of gear assessments? Have you been asked to do any review of those? I have had some concerns expressed to me about the gear assessments.

**Mr Thompson:** We have not been asked to provide a specific assessment of any of the gear assessments that are included in that.

**Senator COLBECK:** Anything from AFMA?

**Dr Findlay:** We were involved early on in terms of providing advice about the various gear assessments, but nothing more recently than probably about six months ago.

**Senator COLBECK:** Have you seen the gear assessments—and I am not going to ask you for an opinion, so don't be frightened that I might, because I know that I will not get one—that have been released as part of the process?

**Dr Findlay:** I have not personally, but I think staff in AFMA have certainly had a look at them.

**Senator COLBECK:** And the department?

**Mr Thompson:** I have not looked at them either, but staff have looked at them. When it comes to actual details of the effectiveness and use of gear, we do tend to rely on AFMA's more current expertise than we can maintain.

**Senator COLBECK:** That is fair enough. What about representations from the industry in relation to the gear assessments and concerns that are being expressed?

**Mr Thompson:** In the last few weeks since the material was released we have only received general representations from industry about these issues, largely relating to areas of closure and those sorts of impacts, not specifics about gear at this stage. They may come later or be going directly to the environment department.

**Senator COLBECK:** But, again, this is the agency—and I think we have had this discussion before—that I would have thought would be providing advocacy on behalf of the fisheries sector. The objectives of the environment department are somewhat different to what the objectives of this department might be, for obvious reasons. I am not trying to make any particular suggestion there, but there are concerns that are starting to be expressed about the gear assessments. How does industry effectively get those ventilated and what capacity is there for input into the process from this department?

**Mr Thompson:** We do not see our role as advocating for the industry on particular issues; we see our role as ensuring that industry has an opportunity to input and that the process being undertaken by the environment department is based on facts and best available information and those sorts of things.

**Senator COLBECK:** We would always like to see that.

**Mr Thompson:** As I said, we have not had any direct representations to us about gear. Throughout this marine bioregional planning process, SEWPaC have been having many meetings with industry groups and roundtables, and a number of industry groups have been making comments and submissions direct to SEWPaC, which SEWPaC have made us aware of.

The industry have not always let us know about all the issues they have been raising with the environment department. But, if they do have issues and they want to draw them to our attention, we could look at them and feed them in ourselves or provide advice to the minister about how these matters should be taken forward. Particularly if they are issues of inadequacy about consultation, factual errors or a range of issues that have not been taken into account, we would certainly be interested to know about them.

To date the issues about this process have largely been directed to the environment department or they have been broader issues about the importance of some of these areas to the overall profitability of fishery operations. When they say that a certain area has been taken, it might only be two per cent of our area but it is where 30 per cent of our profit comes;

therefore, our whole business becomes nonviable. We have been making sure that the environment department is aware of those sorts of interactions between seemingly small impacts with large effects.

**Senator COLBECK:** The assessments do form a critical part of the process because they then go on to form the management plans and what particular activities are permitted in the respective zones under the IUCN categories. They are pretty critical to the overall process, and I would have thought that this agency would be a good go-to, if you like, to provide that quality advice in the case of a report prepared by a consultant for the environment department and then perhaps an assessment of that process and the opportunity to pick up anything that might be raising a red flag to head off any of these particular concerns. Was there any consultation with the consultant that prepared those reports?

**Mr Thompson:** I am not familiar with the detail of whether or not there was consultation with the consultants during the preparation of that report. There was quite a lot of officer discussion with counterparts in the environment department during the process on sort of day-to-day issues and questions and those sorts of things. I would have to take on notice whether we saw the consultant's report or commented on it formally.

**Senator COLBECK:** I want to do a little bit on seismic work. There is a referral under the EPBC Act for BP applications in the GAB for a major seismic and exploratory drilling start. My understanding is that the tuna industry supports the developments but it has some concerns about the seismic survey taking place in the time frame, November through to April, that BP has applied for. Given that it overlaps the aerial survey time frame, has there been any consultation with the department in relation to that and any concern about that overlap?

**Mr Neil:** I will have to take it on notice to give you any detail. I understand that there has been an issue about seismic work in the north, where there was a question about the limited period when they could do the seismic work due to weather considerations and the fishing. My understanding is they have normally had a very good working relationship in relation to the seismic work and with the industry. On this occasion they do have a problem with the window available to undertake the seismic work as well as the fishing. I understood the issue was still being discussed between the parties. We could possibly provide you with more advice.

**Senator COLBECK:** If you could do that, I would appreciate it. I am not sure that we are talking about the same locations—

**Mr Neil:** No, I am not sure either.

**Senator COLBECK:** because the aerial survey work is done in the bight. I would have thought that, if there were overlaps in respect of that—there might be weather issues in the same time frame—

**Mr Neil:** I might be talking about a different area. I am sorry, Senator.

**Senator COLBECK:** But I would be interested in getting some data on that as well. While we are dealing with seismic, we will go to scallops. Can you give us an update on any further activity, discussions or interactions in relation to potential impacts on scallops through seismic work?

**Mr Thompson:** The initial work that was done with AFMA funding and work by the CSIRO and the Tasmanian Aquaculture and Fisheries Institute could not find any evidence of

impact of seismic work on the health or survival of commercial scallops. I understand that the Institute for Marine and Antarctic Studies, which is the new name for TAFI, are developing a new research project to investigate the seismic impact on both lobster lava and scallops. Then they are looking for potential sources of funding. The indications we have had are that preliminary discussions are hopeful that they will get funding both from the FRDC and the petroleum exploration sector, who may well put some money into this research as well. Research to date has been inconclusive. They have found no evidence—

**Senator COLBECK:** We have discussed that evidence before and that was one pass of the seismic testing, from my understanding of what has gone on, whereas the area that is of concern was subject to 60 days of continuous seismic testing. My understanding of what is happening is that the flight reaction of the scallop is such that, when it is hit with a ping it takes off, but when it is hit with continuous pinging, such as occurred in these beds, the scallop muscle fills with lactic acid and effectively holds the scallop closed and it ends up potentially starving. That is how it has been put to me by industry, but my understanding is that the testing that was done involved only one pass rather than much more intensive impacts that it had been subject to in two of the three zones that we were concerned about.

**Mr Thompson:** That is the information that industry has provided to us as well. James may have some more up-to-date material on it.

**Dr Findlay:** No, I do not.

**Dr Troy:** I do not have any more to add to that.

**Mr Thompson:** We are conducting further research.

**Senator COLBECK:** We are now looking to see some additional research based on the work that the former TAFI, now named something else, is going to undertake. Is the department aware of the research by the Technical University of Catalonia, led by Michael Andrew, which found seismic testing caused the death of cuttlefish, octopus and squid?

**Mr Thompson:** I am not aware of the detailed research. I am aware of reports in science magazines about that work, but I have not seen the detailed research. I do not know whether Gordon, Gavin or anyone is familiar with the literature.

**Senator COLBECK:** Are you involved in any discussions with the exploratory sector as far as the negotiations are concerned to get some joint research projects up or is that being done basically through the FRDC and the industry?

**Mr Thompson:** It is largely being done by the FRDC and the industry. We have been made aware of the discussions, and the indications that I have received are that they are quite constructive but that they have all been by the FRDC and industry.

**Senator COLBECK:** I am not sure about how constructive they are running just at the moment. I asked some questions at last estimates about the impact of the extreme weather events up the east coast. We talked about some water quality monitoring, particularly in some of the areas outside the estuaries. Do you have any updates on any findings or any work that might have been done on that?

**Mr Thompson:** I have no update on the findings. We would have to take that on notice as to what the results, if there are any, are.

**Senator COLBECK:** As part of that question could you see if there are any particular sectors of fisheries that have been more significantly impacted than others. The work is continuing, is it?

**Mr Thompson:** The water quality monitoring work—there was some done straight after the cyclones. I know some results of that were made available. I am not familiar with all of them. I think some of them showed that, because of the sheer volume of water, some of the impacts were actually less than we might have otherwise expected. There was a dilution effect.

**Senator COLBECK:** And strong flushing perhaps or something.

**Mr Thompson:** Yes. The ones further north in the Barrier Reef—that work is continuing.

**Senator COLBECK:** Can you tell me how long that is proposed to continue for? Or is that just part of an ongoing water quality monitoring process?

**Mr Thompson:** In the Barrier Reef, there is an ongoing water quality monitoring process, but we supplemented that with additional funds to do a more indepth and broader one. I think it was about 12 months worth of funding. So we will probably get results finalised after they have analysed them following the current wet season.

**Senator COLBECK:** What about significant property and gear losses reported in fishing fleets, particularly from Yasi? Do we have any information on that?

**Mr Thompson:** We have anecdotal information; we do not have anything specific. The main information we received was significant damage to port facilities, moorings and those sorts of things.

**Senator COLBECK:** I am probably straying into an area I know the minister has responsibility for, and he is probably going to tell me I have to ask questions about capacity to access and support for that somewhere else, is that correct, Minister?

**Senator Ludwig:** You should just ask your question and we will see how we go.

**Senator COLBECK:** Is there a capacity for the fishing industry to access support under programs run by the government for gear loss and damage as a result of Yasi?

**Senator Ludwig:** When you say 'support'—

**Senator COLBECK:** There are a number of programs the government is running—I accept that and I know that you have responsibility—

**Senator Ludwig:** Can I reverse it then: have they made any applications through the NDRRA? This is outside this portfolio, but I am here to try to assist the industry as much as we can. The difficulty is that, if they are not under NDRRA, in other words, if the flooding event and their businesses not cannot access NDRRA funding, then of course there would not be any available assistance. My question is the reverse though: have they at least sought advice from QRA, the Queensland Reconstruction Authority, or examined the NDRRA guidelines as a business that has been affected by the flooding events in Queensland to make application, at least so that they can have their—

**Senator COLBECK:** Would you get advice of the fact that they would have made those applications?

**Senator Ludwig:** I have not seen advice as to whether they have or have not. My question is more the reversal to you put out there as to whether they have. I accept that you may not be able to answer that.

**Senator COLBECK:** And I am trying to volley it straight back. I am just interested to know—

**Senator Ludwig:** As I recall, without the brief before me, one of the challenges is that there is no damage to their property. It is clear if you are in a flood event, Cyclone Yasi, and you are in a farm business and you have lost your fences or your building, it is pretty straightforward. For fishers, it is a different kettle of fish, so to speak. But what they should be doing is at least making their circumstances known to the Queensland Reconstruction Authority. Because, even if they are not within the NDRRA guidelines, there is a range of other support and programs. There is business support and the business task force, which has been linking businesses with those who cannot claim for assistance under the NDRRA guidelines. It is not simply: can I get assistance from the government under the NDRRA guidelines? My question more broadly is: have they at least let QRA know their circumstances so that, if there is someone out there who wants to assist them, then they can find that assistance and have it provided to them. That still may not give them any joy, but in these circumstances, particularly given the nature of the issues they may have suffered as a consequence of the flood events in Queensland, my advice always is: ask the question.

**Senator COLBECK:** If you do not ask, you do not get.

**Senator Ludwig:** In that instance I encourage you to raise it when this comes before the NDRRA in the AG portfolio as well.

**Dr Findlay:** I have more information to add just on the assistance sought by the fishing industry. As part of our issuing of levy notices this year we said to levy payers that, if they were having problems after the South-East Queensland floods or as a result of Cyclone Yasi, they could enter into arrangements to pay or delay the payment of their levies to assist their cash flow and their business. We have had three specific requests as a result of that and entered into arrangements with those people to delay the payment of the levies. We have had an additional 37 requests that have not specifically mentioned natural disasters as a cause, but some of those may also be linked to natural disasters.

**Senator COLBECK:** I suppose going through the process of dealing with those requests would draw out the issues and the reasons for the request in the first place.

**Senator Ludwig:** Just to finalise that: if they have suffered direct loss as a consequence of the Queensland floods or Cyclone Yasi, they should raise the issue about whether or not they are entitled for any loss or damage. My advice always is: do not sell your assets; ask the question first.

**Senator COLBECK:** That advice is appreciated, thank you, Minister. I want to ask questions about the extension of the ban on gillnets around South Australia and its impact on South Australian fisheries. Can you give me some advice on where that is at.

**Dr Troy:** On 27 April AFMA introduced a package of measures to improve the protection and monitoring of Australian sea lions and other wildlife interactions in the gillnet fishery. That was to take effect on 1 May, which was the start of the new fishing season. The

measures included closing additional areas in South Australia around the high-risk sea lion colonies, which were generally the small colonies.

**Senator COLBECK:** I think we have talked previously about the report that was done on this. We have had some discussion about that report.

**Dr Troy:** That is correct. At the last estimates you asked about the sea lion management strategy and the process of quarterly review. In addition to closing areas to gillnet fishing around those high-risk colonies, we now require 100 per cent observer coverage for gillnet operations in the area known as the Australian sea lion management zone and have instituted more precautionary bycatch trigger limits for sea lion interactions in those waters. We also instituted a 10 per cent observer coverage requirement in the remainder of the gillnet fishery to monitor wildlife interactions. That is in the waters predominantly around Tasmania and off Victoria, Bass Strait. We have also provided for the use of cameras in the Australian sea lion management zone in place of onboard observers as a means of providing a more cost-effective method.

**Senator COLBECK:** So in the area where it is 100 per cent observer based there is capacity to go to a camera process?

**Dr Troy:** Yes, and we have provided some provision to pay for the installation of cameras for a small number of operators. We have also made some provision to allow gillnet operators in that area who have been affected and who have had a history of fishing in that area and shown a significant proportion of their catch to come from that area to use hooks instead of gillnets to again allow them some capacity to maintain fishing operations in the face of those measures. We have put in place a number of measures to minimise the interaction with seabirds associated with gillnets. That is a prohibition on discharging offal while nets are being set and a requirement to essentially clean nets, so remove biological material from nets, before they are redeployed.

**Senator COLBECK:** What about the length of the nets? Was there some discussion about the length of nets as part of that process? What was the outcome of that?

**Dr Troy:** The current restriction on the net length is 4,200 metres. There is discussion taking place about potential relaxation of that length restriction across the fishery more broadly, but that is not associated with the sea lion measures specifically.

**Senator COLBECK:** So that is a separate and ongoing process?

**Dr Troy:** Yes.

**Senator COLBECK:** What is the time frame for dealing with that?

**Dr Troy:** Within this year. It is currently under discussion with industry and we are expecting to have that discussion with the relevant resource assessment group and management advisory group and take a recommendation back to the AFMA commission within the next four months.

**Senator COLBECK:** What consideration was given to the financial viability of the fishery by imposing things like observer requirements? Did that form part of the overall consideration of imposing these measures or do other elements of the sea lion plan, for example, provide an overriding weight in respect of the decision-making process?

**Dr Troy:** We had to give primary effect to our legislative objectives, which are about sustainable management of fishing. There is also an objective about maximising the net economic returns to the Australian community but, while we seek to manage individual viability of fishing operations where we can, the issues to do with sustainability are pre-eminent in our considerations.

**Senator COLBECK:** How many players across Victoria and South Australia would be involved in this particular fishery?

**Dr Troy:** In the area that is directly affected by the temporary order, there were 15 gillnet boats fishing in South Australia between 1 July 2009 and the end of December last year. Of those 15, 13 spent more than 30 per cent of their time there, so in setting up some conditions around establishing history to be allowed to use hooks instead of gillnets, 14 of those boats qualified to use hooks. There are 62 gillnet boat statutory fishing rights that would potentially have access to the Australian sea lion management zone. Given this temporary order, it is unlikely more boats will be moving into that area—in fact, the reverse is probably true.

**Senator COLBECK:** What about concerns that boats are moving out of that zone into other parts of the fishery and are therefore placing additional pressure on the fishery in Victorian waters?

**Dr Troy:** That is a concern. The fishery is managed through output controls, so there is a total allowable catch for the main target species in the fishery and that catch is not set up into different sectors.

**Senator COLBECK:** So it is managed across the whole zone rather than 'sectorised', if you like?

**Dr Troy:** Yes.

**Senator COLBECK:** So how do you deal with the increased effort in the area because people are making the natural decision to go where it is easier to fish and perhaps more cost effective?

**Dr Troy:** That will have an effect on the level of catch and we will monitor that and adjust the total allowable catch as appropriate as time progresses.

**Senator COLBECK:** So the potential impact of the process may be that those in Victorian waters that had a viable industry end up not having a viable industry because fishers from other areas move across.

**Dr Troy:** In setting total allowable catches or managing by output that is often the case. We do not control where people go to fish; we control the total amount.

**Senator COLBECK:** I know, but by restricting in one area you create a displaced effort that might move into another. That is effectively what we are talking about.

**Proceedings suspended from 21:00 to 21:14**

**Senator COLBECK:** We were talking prior to the break about the potential contraction of capacity in the sector due to closures. What is the status of a licence in that particular fishery under the act? What is the legal status of a licence in that fishery? Does it have any compensable elements to it?

**Dr Findlay:** Statutory fishing rights are issued under the respective management plan for the fishery and in theory only survive for the life of that plan, so if the plan goes away then

those licences go away. Generally in practice those licences have quite a large amount of longevity around them. We have never paid compensation for changing permit conditions as they relate to pursuing our legislative objectives.

**Senator COLBECK:** So they have a life for the life of the plan?

**Dr Findlay:** That is right.

**Senator COLBECK:** So if the plan ceases the statutory fishing right effectively ceases?

**Dr Findlay:** Legally it is open to the government to extinguish the right with the extinguishment of the plan.

**Senator COLBECK:** I have asked questions previously about the status of various forms of statutory fishing rights and I understand there was some work being done on that because there were a range of different fishing rights, if you want to put it in that term. Has that work been finalised or has it just gone away? Has anything been formalised around that process? It goes back some time; it goes back probably two or three years.

**Mr Thompson:** I am not aware of any developments in the nature of a fishing right other than where we have been to date. The legislation, as Dr Findlay says, provides for essentially a right that has value but is somewhat less than a full property right in that it is governed by the act and the plan under which it is issued. It is really an access right, not a property right as such.

**Senator COLBECK:** You have effectively dealt with my specific question with respect to the potential for buyout, but that process has never been pursued before unless it is a broader industry such as the south-east process that occurred in I think 2005-06. I want to go back to terminated programs. It is my understanding that there were five of those in the budget: the Southern Bluefin Tuna Scientific Research Program, the Recreational Fishing Community Grants Program, the Southern Ocean Surveillance Continuation, the Fishing Structural Adjustment Package and the Illegal Foreign Fishing Vessels—High Seas Taskforce Initiative. What has been the impact of the cessation of the Southern Bluefin Tuna Scientific Research Program?

**Mr Thompson:** I am not sure which program you are actually referring to there. The work we do on southern bluefin tuna is continuing. It is funded through the fisheries research fund. Work done by ABARES and CSIRO is still continuing. Dr Begg seems to have more detail on that.

**Dr Begg:** Just to be clear, are you talking about the CCSBT scientific research program that used to have tag, recapture and things like that?

**Senator COLBECK:** It might go back a little earlier than just the last 12 months. There was funding allocated in the 2007-08 budget. There was nearly \$1 million effectively—\$999,000—according to answer to question on notice No. 157 from February's estimates. In that question I was asking about a range of things including staffing, which we have been through and talked about.

**Mr Thompson:** On the southern bluefin tuna question specifically, we think you are referring to a specific item which referred to funding for the Convention for the Conservation of Southern Bluefin Tuna, where we provided research money to them for tagging and other activities. That has ceased. But there has been no termination of any fishing programs in this

year's budget other than those that were foreshadowed before the structural adjustment package coming to an end.

**Senator COLBECK:** No, I understand that. The recreational fishing grants program was basically coming to an end as well.

**Mr Thompson:** The Fisheries Resources Research Fund continues. As I said, we are funding work on southern bluefin tuna. The aerial survey and other work will receive some funding from that.

**Senator COLBECK:** It is listed on the second page of your answer to question No. 157—now you have confused me because on the first page you have 157 and on the second page you have 156, unless I have the two questions combined. It says: 'Southern Bluefin Tuna Scientific Research Program, \$999,000'. Perhaps you should take that on notice.

We talked at the last estimates about the harvest strategy policy and that being due this year. Would you give us an update on that.

**Mr Thompson:** It is actually due in 2012—we expect to start work on it in roughly the middle of this year and provide the report to the minister during 2012. We are at the stage of developing some preliminary terms of reference, but we do envisage we will be consulting with other government bodies, industry, environmental NGOs and relevant stakeholders. We have foreshadowed that the review will be taking place to both industry stakeholders and the states. The states have a particular interest in how it operates because they see it as something that they might aspire to in some of their fisheries.

**Senator COLBECK:** So we are still preparing the plan?

**Mr Thompson:** We are still preparing the terms of reference and we expect to commence the work shortly.

**Senator COLBECK:** Your answer to question No. 160 said that you were going to commence in the first half of this year, so I suppose the commencement of the terms of reference is regarded as part of that process.

**Mr Thompson:** Yes. We have perhaps a month or so, but I still think it is the first half of the year.

**Senator COLBECK:** So you might just start within the first half of the year? Okay, I will let you off with that. Is there any update on the Recreational Fishing Industry Development Strategy project or is the answer to question on notice No. 163 relatively current in respect of that?

**Mr Neil:** The recreational fishing industry strategy should be released very soon. The committee, RFAC, is finalising it right now to present to the minister and the parliamentary secretary. We expect that that will be made publicly available quite soon. It is the report of the committee to the minister with their advice and suggestions for a strategy. That is just being finalised now.

**Senator COLBECK:** I think we might be at cross-purposes, because that was a process that was occurring through the time frame of the previous parliament and there has been some development work on that. If you go to question No. 163, you will see \$500,000 to coordinate national data collection for recreational fishing in Australia. We talked about a FRDC project

which was approved at its February board meeting this year to commence in July this year and scheduled for completion in June 2013.

**Mr Thompson:** They are the projects we are funding as part of the funds that were available out of the recreational fishing strategy. The work on those projects is still continuing; they are not completed. That question on notice is still pretty current.

**Senator COLBECK:** So I think about \$1.8 million was not expended as part of the development of the recreational fishing strategy, which is what Mr Neil is talking about being released shortly. That surplus funding was allocated to a number of projects that sat underneath that.

**Mr Neil:** There was \$2 million to accompany the strategy and RFAC advises on the projects that would constitute implementation of elements of the strategy they were recommending. We now have eight projects to a value of \$1.7 million which the minister has approved for funding under that scheme.

**Senator COLBECK:** I am not sure that at the last estimates we had the detail of what those projects were. If you can provide that to me on notice, I would appreciate that.

**Mr Thompson:** I think it might have been the estimates before that they were not available. I think they are all on the web now.

**Senator COLBECK:** Fine.

**Mr Thompson:** They are on our site and I think they are on the FRDC site as well, but they were not previously.

**Senator COLBECK:** There was some discussion about FRDC actually managing the projects, but as of last estimates I am not sure we had finalised what they might be. If they are on the website, I will check there.

**Mr Neil:** There have been two new additional projects since the last estimates.

**Senator COLBECK:** We talked in January about talks between Australia and the EU about AQIS and certification. The answer indicated, to use your terminology, negotiations had stalled. Have we managed to restart them?

**Mr Thompson:** In brief, no. Current exports to the EU are continuing under the paper based system that received certification from state fisheries managers for AFMA. That is acceptable to the EU. We tried to implement an electronic system, which would be cheaper and simpler, and run it off the back of AQIS system but we have not been able to reach agreement with the EU on the arrangements for such a system, so we are continuing with the paper based system.

**Senator COLBECK:** What are the EU's objections?

**Mr Thompson:** We are aware of the requirement for the vessel on which the fish were caught, the time the fish were caught and the location the fish were caught be identified. This was very hard to build into the AQIS system, but the paper based system seems to provide adequate verification for the EU that we know where the fish are coming from.

**Senator COLBECK:** So they want to know the boat, the location—

**Mr Thompson:** The EU requires the boat, the master's name, number and the fishing licence, date and location of capture, the landing weights, details of processing on board and then the export/import and transport details.

**Senator COLBECK:** And we cannot do that electronically?

**Mr Thompson:** We cannot do that electronically in a manner that satisfies the EU, because in a paper based system they accept facsimiles and photocopies of documents that are assessed as valid. You need some sort of electronic system that also has adequate validation, and that is actually a lot more complicated than presumably having a statutory declaration of a verified facsimile or photocopy.

**Senator COLBECK:** So you could not put it in an email?

**Mr Thompson:** It is not an email that they are after; it is an electronic system like the consignment notes that go out with aquaculture material.

**Senator COLBECK:** Why isn't it possible to put it into the AQIS stuff? Does this form part of the export certification process we are dealing with with AQIS tomorrow or is this another element on top of that?

**Mr Thompson:** AQIS certify for quarantine and health type issues. This is effectively a certification type reporting, a legal process. It is not a certification that is required or validated under the Quarantine Act. It is something that is added. Someone would have to pay for the system to be changed to do this, and it has to be done in such a way as to not interfere with the operation of the Quarantine Act. It is actually reasonably complicated. If it were simple it could be added to the quarantine system. It becomes complicated and potentially expensive but it is not AQIS's responsibility to certify the legality of the fish caught in Australia. That is not something that is covered by the Quarantine Act.

**Senator COLBECK:** So the European Union do not trust Australia to tell them their fish are caught legally?

**Mr Thompson:** The EU require details of how, when and where they are caught, which we can provide but not through the quarantine system. In a sense all fish caught in Australian waters are caught legally, because they are caught either under state legislation or Commonwealth legislation, but the EU wants a traceability mechanism back to the site, vessel and time the fish were caught—traceable right through to fillet.

**Mr Neil:** At the moment it is cost-effective for them to do it for the volumes that we have. We understand, on the advice of the state governments, that the system is working at current volumes.

**Senator COLBECK:** I understand all that but we had a discussion earlier about the cost impost on our fishery and trying to do something about minimising that. Here we have a mechanism—and, heaven forbid, that it might be considered an artificial trade or a non-tariff trade barrier. We have had exactly the same discussion in relation to illegal logging. Do you trust a government to say, 'Our fish are caught legally', particularly when you have high levels of governance, as we have?

**Mr Neil:** But in this case the cost impost would be greater if we tried to centralise it.

**Senator COLBECK:** In this case, our systems will not cater for it. As Mr Thompson said, that is not the job of AQIS—it is not what we say the job of AQIS is—so we are stuck with a

relatively expensive process which could be made more cost-effective if we do it electronically and perhaps even more efficiently, heaven forbid!

**Mr Thompson:** It could be if it were done electronically, but at the present time the EU requirement requires detailed information on each fishing event. So there are multiple certifications required in a consignment of fish, because the fish being provided to the EU may have been caught on a number of boats in a number of locations on a number of different dates, and they require individual certification for each part of the consignment. That is where the aqua system falls down—it picks up the whole consignment and traces that back through a reasonably centralised system. But, with fishing, you catch one fish in one spot and then some more fish a bit further away. They may be combined between both before they are sent to Europe. The EU wants individual certification of where each fish, effectively, in that batch came from, which we could not pick up electronically, but apparently, because of the volumes involved, the paper based system can cope at the moment, but it would become quite expensive if the volumes increased.

**Senator COLBECK:** Okay.

**Senator SIEWERT:** I would like to ask a question that might sound a bit dumb, but I am going to ask it anyway.

**CHAIR:** Will it lead to dumber ones?

**Senator SIEWERT:** No.

**CHAIR:** Okay—you can go for it. Please feel free.

**Senator SIEWERT:** I just want to ask about the budget, if that is okay. I am on page 219, under 'Agency resource statement'. Could you explain to me, please, under 'Proposed at Budget' for 2011-12, we have 44,872, and then the total estimate for 2011-12 is 60,098. What is the reason? I am sure there is a simple explanation, but I cannot obviously see it.

**Mr Bridge:** It is the special account balance—halfway up the page, \$15.226 million. It is the inclusion of that figure in that particular column.

**Senator SIEWERT:** Okay. So what you do to get that final figure is take the estimate of prior year and add that to the amount proposed at budget—is that what you are saying?

**Mr Bridge:** No, I am saying it is another figure that is taken into account in the total resources available to AFMA. It is the special account balance.

**Senator SIEWERT:** The special account is added to that to add in the total amount. You have to know to add that on to get that figure. Is that right?

**Mr Bridge:** It is included in the column 'Total Estimate', but it is not included in the previous column, 'Proposed at Budget'.

**Senator SIEWERT:** Okay, thank you.

**CHAIR:** That was not dumb, Senator Siewert; that was a good question.

[21:38]

#### **Australian Pesticides and Veterinary Medicines Authority**

**CHAIR:** Welcome, doctors.

**Senator BACK:** I will start with the issue of the mouse plague affecting South Australia, Victoria and New South Wales. It is my understanding that they are facing losses at the

moment of about \$100 million. Is that a figure consistent with what has been reported to the department?

**Dr O'Connell:** Are you addressing—

**Senator BACK:** I address that generally to the table. Minister, you have no doubt been—

**Senator Ludwig:** Biosecurity is on tomorrow, but we have APVMA, so if you want to talk about agvet chemicals—

**Senator BACK:** I do—yes.

**Senator Ludwig:** then we can talk about agvet chemicals. If you want to talk about mouse plagues, some of it will be the first line of response by New South Wales or Victorian governments. You could direct your question to them and ask them what they are doing in terms of their response.

**Senator BACK:** It was a preliminary comment to the officers in relation to—

**Senator Ludwig:** I did note that, so I thought I would treat it like that.

**Senator BACK:** availability of chemicals. Are you aware of the shortage of chemicals that are available in the affected areas to control the mouse plague?

**Dr Bennet-Jenkins:** Yes, we certainly are aware. We have had applications for permits. There are a number of registered products available, of course, but there is a shortage of those products. We have received applications to make more chemical available to users. One of those applications is currently under assessment.

**Senator BACK:** It is my understanding that at the moment one company has a product registered for use. Is that correct?

**Dr Bennet-Jenkins:** Yes. There are several products registered for use but primarily in crop protection.

**Senator BACK:** Is it still just the one company that has this product available on the market, to your knowledge?

**Dr Bennet-Jenkins:** I think there is more than one product available, but there are not many suppliers that can supply the product. We can get you a list of the products that are available on notice, if you would like.

**Senator BACK:** Yes, thank you. Are fenthion and dimethoate two of the chemicals that are most commonly used at the moment?

**Dr Bennet-Jenkins:** Fenthion and dimethoate are two chemicals used for fruit fly control. Are you asking a question about fruit fly control chemicals?

**Senator BACK:** I perhaps have a lack of understanding of the chemicals themselves. Are they not of any value in mouse plague control?

**Dr Bennet-Jenkins:** No, they are not useful for controlling mice.

**Senator Ludwig:** It would be off-label use if they were using those chemicals.

**Senator BACK:** We might have discovered something—how often is that the case?

**Senator Ludwig:** I was going to inquire about who was giving you that information!

**Senator BACK:** Yes, that is exactly right. What is the active chemical that is most commonly in use?

**Dr Bennet-Jenkins:** It is zinc phosphide.

**Senator BACK:** I understand that there is a company that has made application to you regarding the availability of the base chemical that could then be made available to farmers for them to mix with grain. Is that correct?

**Dr Bennet-Jenkins:** That is correct. We have an application before us to consider that. We are considering that application. The concerns with such a practice, of course, are occupational health and safety concerns. The applicant has provided us with some additional data, which we received on Friday, and the department of health is considering that information right now.

**Senator BACK:** It is an S7 poison?

**Dr Bennet-Jenkins:** Yes, it is a schedule 7 dangerous poison.

**Senator BACK:** So your evaluation of it, apart from its effectiveness, which presumably is established, would then involve the occupational health and safety issues associated with its on-farm use.

**Dr Bennet-Jenkins:** That is correct. That is the major issue with assessing this particular application.

**Senator BACK:** Can you give us any indication as to how long you think the department will take to make that evaluation or assessment?

**Dr Bennet-Jenkins:** It will depend on the strength of the data that has been supplied to us. When we have emergency permit applications such as these they can sometimes only take one or two days or one or two weeks to consider. It really depends on whether this data does address the occupational health and safety concerns that we have and that we can be satisfied that those risks can be mitigated for that use.

**Senator BACK:** So at this stage you are not really able to give us an indication as to where you are in that process?

**Dr Bennet-Jenkins:** No, other than to say that the health department is considering it.

**Senator BACK:** As the minister has quite rightly suggested, if I had read my notes more closely I would have realised I was looking at a new line of questions. Unless anyone else has questions on the mice plague or the chemicals to be used, I will go on, if I may, to fruit fly chemical use. Would you give us an update as to the status. As I recall, there was a question of the safety of those chemicals and whether or not they may be withdrawn from permit for use in Australia.

**Dr Bennet-Jenkins:** That is correct. Earlier this year we published the health report for dimethoate, which establishes the health standards for that chemical. The health report for fenthion had been published previously. We are currently working on the residue aspects, and the issues of primary concern are the public health aspects arising out of residues in food. Those assessments should be completed very shortly. We expect to be going out with those reports for public consultation and decision making in about July or August.

**Senator BACK:** Can you advise what the process has been or is with the horticultural industry? Is the horticultural industry likely to be affected should there be any change in the current procedures and protocols with the use of the chemical?

**Dr Bennet-Jenkins:** These chemicals have been under review for quite a number of years, so we have really involved them in the process all the way along and engaged them in that process to make them aware of what was coming. The industries are also quite familiar. The horticultural groups are particularly familiar with the registration assessment processes and can often do back-of-the-envelope calculations themselves, so they already have a fair idea which uses are in danger of being cancelled. This has been going on for a number of years, and last year they gave us quite large package of new data that they had generated quite specifically to support uses that they were concerned might not be supported. That is the data we are currently assessing.

**Senator BACK:** All of those aspects were taken into account in terms of your final report, presumably, to the minister—cost benefit?

**Dr Bennet-Jenkins:** Yes.

**Senator BACK:** Can you tell me whether any other chemicals are under investigation in the event that either or both of these are found not to be safe for use into the future because of food residue concerns? What other chemicals are available or what other control measures are available for fruit fly control in commercial orchards?

**Dr Bennet-Jenkins:** There is a separate group within DAFF, the plant protection office, which is looking at alternative methods for treating fruit flies. We are currently not assessing any new chemicals, but that is certainly one of the avenues for having replacement chemicals for these particular uses.

**Dr O'Connell:** Senator, we can probably go into some detail tomorrow when we have the people. We have a strategy in place that we have been working on with the industry players and the state colleagues to look at the potential for what replacements we could use either in treatments or practices and other things, and this has been an active process that we have had underway since it became clear that dimethuate and fenthion were likely to come into scope. Tomorrow we can probably go through it in some detail, if you want.

**Senator BACK:** That would be excellent if those officers would be available then—thank you. Can I now move to another and unrelated topic—that is, the issue of dichlorvos, which you would no doubt be familiar with, and of trichlorfon and its breaking down into dichlorvos and other agents. I think you would probably be familiar with the cases to do with alleged spread from a macadamia plantation into other areas, including residential and a fish farming enterprise. Are you familiar with the case? I think it has had plenty of media attention.

**Dr Bennet-Jenkins:** Yes, we certainly are very familiar with it.

**Senator BACK:** Could you explain to us what the current status is of the inquiry and the investigation and the concerns?

**Dr Bennet-Jenkins:** For the Noosa adverse fish health events?

**Senator BACK:** Firstly for the adverse fish and secondly for human health.

**Dr Bennet-Jenkins:** Queensland have set up a task force which has investigated these adverse fish health events. Our role in that has been to provide technical information to that task force in areas that they have been investigating, and we have been closely involved in that. They finalised their report last year, but it has not been released, because there is an ongoing court case between the fish hatchery owner and the macadamia farmer.

In addition, we have received some adverse experience reports which relate to the events at the fish farm and which we have assessed. On the basis of those reports, we have found that the role of pesticides is either unknown—we cannot establish that there has been a role—or has been unlikely, for those particular studies. So our investigation in relation to those adverse reports has been finalised.

Recently, earlier this year, we received some further reports which we are still assessing, but we are really awaiting further information from the Queensland department who do the actual investigation.

**Senator BACK:** I saw some correspondence when I was looking at this of a letter that had come from the department to the minister in which the writer was indicating a low- or no-volatility risk associated with the use of trichlorfon and the unlikely event of it breaking down into dichlorvos. Is that something you still maintain to be the circumstance?

**Dr Bennet-Jenkins:** I might have to take that particular question on notice, because I am not aware of that letter. It is probably a letter that has come from the department rather than the authority. Maybe it is best if we can take that on notice, because it is a letter that has come from the department.

**Mr Glyde:** The minister has received some correspondence in relation to this matter which we have had our chief scientist investigate. We are in the process of drafting some correspondence for the minister to consider.

**Senator BACK:** So that would be further to the correspondence that the minister has already received on this question. Thank you. I will not go through it now, given the shortage of time, but obviously the writer has raised several other issues associated with human conditions, experience from other places as well as CSIRO's expressing their concern. But I am sure you are familiar with the contents of the material written by this person.

**Mr Glyde:** Yes.

**Senator BACK:** My last question is to Dr Bennet-Jenkins. How have you fared in the budget for 2011-12? Are you funded better, worse or the same as the current financial year?

**Dr Bennet-Jenkins:** Our agency's revenue largely depends on cost recovery from application fees and levies from sales of products. The budget this year and next year is looking better than originally anticipated due to higher sales and products with the good seasons. Aside from that, there has also been an appropriation that is directly relevant to a reform agenda—reforming the chemical regulatory system. That has been appropriated to us to help develop and implement those reform proposals.

**Senator BACK:** How is this reflecting itself in staff numbers—for example, staff numbers now compared to this time last year? Are you up, down, the same?

**Dr Bennet-Jenkins:** Staff numbers at the moment are about the same. But in relation to the reform budget we anticipate there to be up to about 20 more people. We are in the process of recruiting people who will be assigned to undertake specific tasks for the reform agenda and people who are also offsets to allow existing staff to contribute to the reform agenda.

**Senator BACK:** What is the level of staff turnover in the agency? Is it increasing or decreasing?

**Dr Bennet-Jenkins:** Staff turnover, I believe, is around 9 to 10 per cent for the year to date—or the annual separation rate; it might be an annualised figure. We could give you a more specific figure, but it is about that.

**Senator BACK:** Is that consistent with the recent past and is that figure consistent with the overall department?

**Mr Glyde:** I would have to take that on notice in terms of our turnover rate. It varies from year to year.

**Dr Bennet-Jenkins:** It is within our target. Yes, 9.5 per cent is the total separation rate.

**Senator BACK:** In terms of new applications that come before the APVMA, can you give me an average figure for the length of time it would take from the time an application for registration appears before you and its eventual registration for use?

**Dr Bennet-Jenkins:** There are a number of different categories of application that we can assess applications under. If we are looking at a brand-new chemical, the legislated time frame is 15 months. Because we have stop-the-clock provisions, though, if we have to ask for more information from the applicant, the average time to get to elapsed time can be almost twice as much. It really depends very much on the quality of the application and what sorts of problems arise during the assessment process. At the other end of the scale, some of the application time frames may be only two to three months if we are looking at a simple administrative change.

**Senator BACK:** So the 15 months would be the time that you would anticipate in the event that the quality of the application was such that it could be assessed without the need for you to stop the clock to go back and require further information.

**Dr Bennet-Jenkins:** Indeed. That is what the legislated time frame sets out to describe.

**Senator BACK:** Given that 15-month target, what is the actual time interval in practice? Are you normally looking at something close to that 15 months? Is it often the case that the standard of applications is such that they themselves have got to go back and provide you with further and better information?

**Dr Bennet-Jenkins:** For most of the applications, yes, we do need to seek further information from the applicant to clarify certain aspects and sometimes we require new data because we do not have the entire data set. It varies on the complexity of the application and what issues arise during the assessment process in terms of what the applicant anticipated we would need to be able to make a decision and what our expert advisers and, say, the department of health or the department of the environment or experts within our own agencies believe they will need.

**Senator BACK:** Is there a process whereby, in return for an added fee for service, an applicant can actually get an expedited investigation of a new application?

**Dr Bennet-Jenkins:** No, we do not have such a facility.

**Senator BACK:** Is there such a demand?

**Dr Bennet-Jenkins:** Generally speaking it has not been raised with us as a potential when we do go through processes like cost recovery reviews, which is when we look at costs for applications that are associated with the work that we do. I think people all like to see that everything is done in turn and has the same process when the applications are gone through.

That is the general sense that we get from industries. They like to all be treated equally. We do have a process whereby we can do what we call international joint reviews, so we actually share our assessments or our work with other international agencies. We find that the time frame is reduced by about a third of the total time frame if we are able to work with international agencies to do an assessment. It actually means that different countries do different components of the assessment.

**Senator BACK:** Is that process driven by your agency or is it driven by the applicant?

**Dr Bennet-Jenkins:** It is driven by the applicant.

**Senator BACK:** Do they pay an extra fee in consideration of that?

**Dr Bennet-Jenkins:** No, they do not.

**Senator BACK:** Am I right in my question that your New Zealand equivalent does in fact have some process whereby an applicant can pay a fee for an expedited assessment? Are you familiar with that?

**Dr Bennet-Jenkins:** I would have to take that on notice to really verify that I am giving you the correct information on that question.

**Senator BACK:** Just to go back to your earlier answer, you do not get the sense that, in the main, companies placing applications before you are really seeking a quicker time frame, in a sense? Or do you?

**Dr Bennet-Jenkins:** They all like to seek a quicker time frame, so they are very keen to get their products through to registration as quickly as possible. We encourage them to come and see us early so that we can become familiar with what the application is about and give them advice on the type of information we need for their particular application. We have a lot of guidance material but the guidance material cannot describe every case.

**Senator MILNE:** My question is in relation to honeybees in particular. I want to ask about two particular chemicals—and I do not know how to pronounce them so I will spell them—clothianidin and imidacloprid. They have been approved for use on the Australian market in a range of pesticides, most recently in the Sumitomo Shield insecticide range for the use on apples, pears, peaches, nectarines and sugar cane. I am told that the chemicals are lethal to honeybees and as a result Germany, France, Italy and Slovenia, amongst other countries, have banned them to save their bees. So I wondered what assessment was done before they were approved for use in Australia.

**CHAIR:** I am still trying to work out the spelling!

**Dr Bennet-Jenkins:** We certainly assess the potential effects on honeybees and on pollinators in general. It is part of the assessment process and part of the requirements for applicants to provide data for us. The Department of Sustainability, Environment, Water, Population and Communities, DSEWPAC, who do that assessment give us advice on that. Product labels will contain instructions about mitigating the risks of causing harm to bees.

The particular issues in Europe whereby products were removed I understand relate to a particular CT treatment type of product and concerns about the formulation type and the spread of dust offsite, which then caused damage to bees. We do not have that type of problem or use pattern in Australia that would have that same risk. The situation particularly

in Germany is not akin to how that would be a potential risk in Australia. We certainly did look at what those overseas regulators were doing in terms of risks to bees.

**Senator MILNE:** So you are satisfied that those chemicals do not pose a risk to bees in Australia?

**Dr Bennet-Jenkins:** Not if the products are used in accordance with the label instructions and they are not sprayed when bees are foraging. There are very extensive label instructions in terms of how to mitigate the risks to bees.

**Senator MILNE:** When were they approved?

**Dr Bennet-Jenkins:** I would have to take that on notice. I do not know the exact year when the first approval was made or when the first approvals related to uses in crops where bees were a particular concern.

**Senator MILNE:** What is the process for reviewing the impact of the use of those chemicals in relation to bees, since we have so many threats to bee colonies as it stands?

**Dr Bennet-Jenkins:** We have an existing chemical review program. If a concern such as the one you have raised is raised with us particularly through, say, the Department of Environment or state authorities or other agencies' organisations, or there is data to raise that concern, then we can re-examine those products and require new data or look at whether the label instructions are adequate. We recently held a workshop with states and territories and beekeepers to look at whether we can actually strengthen label instructions and provide more warnings and more information to beekeepers, if it is a beekeeper, about when they move their hives around, and also in terms of farmers, providing notification to beekeepers, and that was in terms of the danger to bee hives as opposed to the general information about bees is pollinators.

**Senator MILNE:** What has been a response to that?

**Dr Bennet-Jenkins:** We will continue to work with the states and territories to come up with that work. We have got a little summary of that workshop on our website and I can provide you with that reference if you would like to see who participated and what the next steps are. We are certainly actively involved with the people who are concerned in this area. Also the states and territories put out quite a lot of information for farmers and beekeepers in terms of best practice and the type of stewardship that they could practice in order to avoid any damage to bees. Australia is fortunate in that it does not have the big problems with the bee deaths as we have seen in other countries.

**Senator SIEWERT:** I want to ask about the reform process and the extra money you have been given. As I understand it, you have got \$5.8 million for implementing the reform process. You are going to undertake a number of initiatives. Can you explain what the process is from here and how the resources are being allocated. It is a bit hard to work out from your budget, but I think you have \$5.8 million for this year and an increase for the following years as well to keep implementing; is that correct?

**Dr Bennet-Jenkins:** That is correct. The reform appropriation money runs over a number of years. It is really to assist the APVMA in implementing those reforms. Parts of those reforms are to develop a risk framework, so that is quite a lot of technical work in terms of writing a lot of manuals and developing these risk frameworks. There is the establishment of an electronic document management system, so there is a lot of IT work associated with it.

Really it is also about assisting DAFF in the policy development, operationalising the policy once it has been agreed and making sure that all our processes can adopt the new business processes as well as the more efficient electronic management of our registration and review processes.

**Senator SIEWERT:** What is the time frame for implementing the risk framework process for the review and the development of that?

**Dr Bennet-Jenkins:** The risk framework is going to be quite a big project. It has already been running for quite some time in terms of—

**Senator SIEWERT:** The actual review process has been under way for a while, hasn't it?

**Dr Bennet-Jenkins:** Yes, that is right. We are slowly building on that and developing documents, but it is anticipated that to get all the risk manuals and risk framework put in place will take at least 18 months to two years because there is an enormous amount of work to be done. I will give you an example of the type of information that will need to be developed. The department of environment developed a very detailed risk assessment manual, which is available on their website, and it describes very clearly how they do their risk assessments. As part of this risk framework we are developing we are going to have to do manuals for public health, residues, how we assess chemistry, how we assess efficacy, how we assess crop safety and how we assess animal safety. There is a lot of work to be done. We will keep building on the work we are doing. The different volumes will be out for public consultation as we develop them. We hope that in the next two years we will have a complete risk framework there.

**Senator SIEWERT:** In terms of the review arrangements, there is legislation attached to the reregistration process.

**Dr Bennet-Jenkins:** Indeed there will be, yes.

**Senator SIEWERT:** And what is the timing for that?

**Dr Bennet-Jenkins:** I might have to defer to the department, who are responsible for the policy and legislation development.

**Mr Williamson:** In terms of the reregistration scheme that the government announced as part of its election commitments, the policy for that is still under development. The minister has made a broad announcement that there will be a reregistration system, but at this stage the policy for that is still under development.

**Senator SIEWERT:** But it is part of the initiative that was announced as part of the budget as part of this process?

**Mr Williamson:** That is correct.

**Senator SIEWERT:** Did you say that you have not got a time line for it yet?

**Mr Williamson:** That is still under consideration.

**Senator SIEWERT:** And that will involve the reregistration of all chemicals?

**Mr Williamson:** That is the intention, yes.

**Senator SIEWERT:** So we are talking about a number of years process here, are we not?

**Mr Williamson:** We would expect so.

**Senator SIEWERT:** If you do not even have the time line for the introduction of the legislation yet, we are talking about a number of years down the track before the reregistration process is completed?

**Mr Williamson:** Complete, yes, but not to start. We are talking about 9,000 chemicals in the portfolio. You cannot do that immediately.

**Senator SIEWERT:** I know, and I am not trying to suggest that you do. That is why I am asking what the time frame is for that reregistration process. Out of the money that has been allocated for this initiative, is it possible to get allocations against each of those initiatives?

**Mr Williamson:** Just to clarify: the three you are talking about are the risk framework—

**Senator SIEWERT:** The risk framework, the efficiency process that we were just talking about plus the reregistration process. Does the money that has been allocated cover those three key areas?

**Mr Williamson:** Certainly. Perhaps it is easier to provide an indication of how much we intend to spend on the IT upgrade and with the residual, in effect, for the remainder of the reform, which will include the business efficiency measures and the reregistration processes. APVMA might be best to provide it.

**Dr Bennet-Jenkins:** I believe the money set aside for the IT improvements is about \$3 million out of the \$8.75 million. The only real specification that we have there is for an independent panel. There is \$250,000 a year to run an independent panel for three years. Then around about \$3 million, I recall, is for the IT improvements. The remainder of the money is to implement the remainder of the reform agenda because we have to change all our processes over in order to implement it. As we said earlier, a reregistration program would run into many years into the future. So the maintenance of such a program would be subject to a cost-recovery review and costing such a scheme out.

**Senator SIEWERT:** So you intend to do quite a bit of that through cost recovery?

**Dr Bennet-Jenkins:** There will be a cost-recovery review that will look at not only what it would cost to run the reregistration program but also what savings you are getting out of having gained the efficiencies, say, through an electronic document management system or through the more streamlined processes. So the cost-recovery review looks at both sides. It looks at where the savings are made because you have changed your actual processes and it also looks at where you have added additional tasks and translating those savings into the additional tasks.

**Senator SIEWERT:** Is the independent panel going to be part of all of the initiatives or all of the process?

**Dr Bennet-Jenkins:** As I understand it, the independent panel has been proposed to look specifically at the reregistration and the chemical review part of the activities.

**Senator SIEWERT:** And that has not been established yet, Mr Williamson?

**Mr Williamson:** No, the panel has not been established yet.

**Senator SIEWERT:** What is the time line for that?

**Mr Williamson:** In the near future. I cannot tell you because we have not established a time line for that.

**Senator SIEWERT:** I want to ask one more question, which relates back to the risk framework. Are you engaging outside experts in the process from here?

**Dr Bennet-Jenkins:** Yes indeed. It depends on which area we are talking about. The Department of Health and Ageing does the health assessments for us, so they would be the expert group that would do the risk framework for that aspect of it. For the types of areas that we do internally we may find that we have our internal experts who can do the best job. With other ones we may find that it is best to find an external consultant. So there are a number of those projects that will start to roll out over the next six months or so.

**Senator SIEWERT:** Thank you.

**Senator COLBECK:** I will try to put some of these on notice. This committee has had a number of discussions around various agencies regarding the establishment and the setting of maximum residue levels for pesticides in food products. Can you explain to me the interaction between you and health and ageing in relation to the setting of those processes and the communication of that information—if you have a role in it; you may not—to AQIS in respect of their testing at the border?

**Dr Bennet-Jenkins:** Yes. The framework, not for the setting of the MRLs from the APBMA's perspective but in terms of how those MRLs are translated into the food standards code, has recently been changed, amended and streamlined to allow the food standards code to be amended more quickly. Now there is much more of a parallel process in terms of the APBMA establishing that MRL and how it is then promulgated in the food standards code. The legislative change that was affected makes the APBMA responsible for that part of the food standards code, so after the proper public consultation processes make amendments to the code. The food standards code, once amended, then becomes the standard for testing. We do not then become involved in any of the post market surveillance or testing.

**Senator COLBECK:** So your role is solely based on the health assessments that are done for you by health and ageing. The data that you collect is part of a registration process on a particular chemical to set the MRL for that particular chemical. Does the MRL vary across different products?

**Dr Bennet-Jenkins:** Not if the use is the same. The maximum residue limit is closely related to the use pattern. That is what establishes what your maximum residue limit is.

**Senator COLBECK:** So it might be different in broccoli from another product that it is used on.

**Dr Bennet-Jenkins:** Yes.

**Senator COLBECK:** And the use pattern is part of the overall assessment and setting process for that particular chemical.

**Dr Bennet-Jenkins:** As is the dietary risk assessment. This is the important part that Food Standards Australia New Zealand are involved in. It is not just setting the limit; it is also doing the dietary risk assessment and ensuring that there is no risk to human health.

**Senator COLBECK:** So an assessment of the amount of a particular food type that might be in a diet might also have an implication for where the MRL might be set.

**Dr Bennet-Jenkins:** No, the MRL is set on the use pattern. It is the maximum you would ever expect if the product were used in accordance with labels. It is a little bit like the speed

limit: you would never expect it to go over that. The dietary risk assessment has to make sure that in an average diet of a particular food you are not exceeding health standards.

**Senator COLBECK:** I think we are on a similar wavelength. What is the default setting in the circumstance in Australia where there is not an MRL set?

**Dr Bennet-Jenkins:** I understand that in Australia there has to be an MRL. This is really a question more for the FSANZ in terms of the policy.

**Senator COLBECK:** We will be visiting them, but it is part of the roundabout of information gathering. I would rather ask the question and get sent somewhere else later than ask the question later somewhere else and get sent here when the opportunity is gone.

**Dr Bennet-Jenkins:** The APVMA does not get involved in that particular part of food standards, or the control of foods. Our role is in relation to products that are registered or for which we issue permits for a legal use.

**Senator COLBECK:** So that would include off-label permit uses and all of the permitted uses for a registration?

**Dr Bennet-Jenkins:** That is right.

**Senator COLBECK:** What advice would you be asked for in a circumstance where a chemical was not registered?

**Dr Bennet-Jenkins:** For that particular use?

**Senator COLBECK:** You would be the one agency in government that would have information on chemical registrations outside of Australia as a jurisdiction, I would have thought. Not only would you have access to that information through your information sharing processes with other jurisdictions but you would also have access to information about those particular chemicals. I am just trying to get a sense of chemicals that are permitted for use outside of Australia in certain products and the MRL-setting process for their consumption inside Australia.

**Dr Bennet-Jenkins:** In some instances I think reference can also be made to the code of standards—and the people monitoring for residues from unapproved use or the Food Standards people. You will really have to ask them about the processes they employ to do an assessment on the risks to human health in allowing that food into Australia or allowing it to be consumed if it is a residue violation outside the Food Standards Code within Australia.

**Dr O'Connell:** Dr Bennet-Jenkins is doing a fine job; it is actually not her area at all. The MRL is from imported foods; it is really FSANZ that sets those issues.

**Senator COLBECK:** Dr Bennet-Jenkins has not actually strayed into that, and I have tried not to ask questions directly about it. I am trying to get some sense of the interaction between APVMA, which is an agency with obvious expertise in that area, and FSANZ, which actually does do that work. That is what I am trying to get to. Perhaps my next question might take it a bit further. We have had some conversations with both FSANZ and AQIS about the testing list of chemicals that FSANZ gives to AQIS to test products at the border. My question is: does FSANZ seek advice from the APVMA in respect of the make-up of that list?

**Dr Bennet-Jenkins:** I would have to take that on notice. I am not aware that it does.

**Senator COLBECK:** I am just not sure that I am completely satisfied as to where we are at with that, but it is something that we need to continue to pursue. I will leave it at that for the moment.

**CHAIR:** We will go to Senator Back and then to Senator Xenophon.

**Senator BACK:** Mr Williamson, I do not know if you were here earlier, so I want to return to the question I asked then. I understand that you advised the minister there was no volatility risk associated with the use of trichlorfon. That was in response, I think, to some correspondence from the gentleman concerned. Could you perhaps advise us of the basis on which you felt there was no volatility risk.

**Mr Williamson:** My correspondence back to the gentleman—I think I know who you are referring to—

**Senator BACK:** Landos, I think—a Dr Landos.

**Mr Williamson:** Dr Landos. I indicated that it was not significantly volatile. This has since been looked at independently by the department and a report has been compiled from that matter. I might pass across to Mr Glyde to add to that.

**Mr Glyde:** Senator Back, the issue was the extent to which various products were seen as volatile or not, and Dr Landos's concern was, as you have just said. I think we had advised that there was no volatility or low volatility. We had the ABARE's Chief Scientist have a look at that and speak with colleagues in CSIRO to investigate the accuracy of the statement. The Chief Scientist confirmed in a report that it was indeed accurate. Really, I think the debate with Dr Landos turns on the extent of the volatility of the various products and the by-products of the chemical you referred to, whose name escapes me. But, as I said, we—

**Senator BACK:** A breakdown from trichlorfon to dichlorvos.

**Mr Glyde:** Yes, that is right—

**Senator BACK:** It has subsequently been picked up, I think, in a test strip inside the fish hatchery downstream, coincident with spraying. As I read it, that goes to the core of Dr Landos's concerns.

**Mr Glyde:** That is right. As I said, the report is being completed and we are in the process of completing the correspondence back to Dr Landos in relation to that.

**Senator BACK:** I have a number of other questions associated with that but I will put them on notice, because I think it is fair that you have the opportunity to see the nature of the questions. Thank you.

**CHAIR:** Thank you very much.

#### **Wine Australia Corporation**

[22:27]

**CHAIR:** I now call Wine Australia. I welcome Mr Clark to the table. Questions? Senator Xenophon, you have as much time as you need.

**Senator XENOPHON:** Until 11 o'clock.

**CHAIR:** Until 11 o'clock.

**Senator XENOPHON:** That might be enough, Chair, thank you. Mr Clark, good to see you again. I like to go on—I would like to revisit the matter—

**CHAIR:** Yes, we know you like to go on!

**Senator BACK:** Now the truth comes out!

**Senator XENOPHON:** It is late! It is 10.30. With friends like these, who needs enemies, Chair! The Skorpos matter at Flinders Run estate has been raised on previous occasions at Senate estimates. This is a winery in the lower Flinders Ranges, where it became apparent that there was counterfeit wine being sold using their label. Are you able to say, in the context of this hearing, what the progress of that investigation is?

**Mr Clark:** Certainly. I am happy to give you an update, Senator. Earlier in the year, you will recall we had some discussions with Mr Skorpos, and he provided as much information as he had, in particular with respect to where the alleged counterfeit wine was sourced in China. We took the information to the Australian Embassy in Beijing, and they passed that information on to, effectively, our counterpart regulator, known by the acronym AQSIQ. We have a good relationship with that body and have dealt with them a number of times.

**Senator XENOPHON:** What was the outcome of that?

**Mr Clark:** That got the information and they undertook a compliance check. They visited the store where the wine was purchased. When they visited the store they, firstly, could not find any of Mr Skorpos's product available for sale in that store.

**Senator XENOPHON:** Or anything purporting to be his product?

**Mr Clark:** Correct.

**Senator XENOPHON:** Because it is not actually his product.

**Mr Clark:** In addition, there was no evidence to them of counterfeit product being dispensed from that store. Effectively, they came back to us and said, 'We've been there. We've come to a bit of a dead end.' They were very happy to pursue further investigations, but were keen to see whether Mr Skorpos had any additional material which would help them in their investigations. To that end, I passed all that information on, naturally, to Mr Skorpos.

**Senator XENOPHON:** There is not much more he can tell you, is there? He told you where he got it from and he provided you with a bottle of the counterfeit material.

**Mr Clark:** I understand, though, having had subsequent conversations with Mr Skorpos—he is in China at the moment—that he has heard that his product has allegedly been counterfeited and sold elsewhere. They are the allegations he has put to me and he was going to see what additional information he could find so that we could, in turn, pass that on.

**Senator XENOPHON:** Sure. I want to discuss the issue of some systems that have been put in place in terms of managing the risk. Is it less than satisfactory that you have left it up to our Chinese counterparts when, surely, someone from the Australian embassy could have made their own direct inquiries in relation to this rather than having to rely on a another regulatory authority?

**Mr Clark:** At the end of the day, if any subsequent enforcement action is going to take place, then it is appropriate that we work through the appropriate regulatory agency in that country. If the converse were happening here, we would fully expect our counterpart regulators to have discussions with us and for us to use the powers we have under our act to investigate on their behalf.

**Senator XENOPHON:** I understand that, but it would not preclude the Australian embassy from making their own inquiries or, alternatively, Wine Australia undertaking their own inquiries directly.

**Mr Clark:** I guess. The way we are working, though, is that it is their country and they have local knowledge in terms of trying to assist with the investigation. It is probably not appropriate for us to overlay that with our own investigations, and we can work through the assistance they have offered to us.

**Senator XENOPHON:** Sure, but, if Mr Skorpos is in China and he manages to find other stores selling this dodgy product, something that the Chinese authorities could not do, it makes you wonder, doesn't it?

**Mr Clark:** That is only an allegation. There is no evidence of that yet.

**Senator XENOPHON:** That is right. We do not know yet.

**Mr Clark:** No, so we will wait and see.

**Senator XENOPHON:** Could we go to the answers given on 21 February this year in relation to that. Wine Australia said: 'In relation to the new measures for bulk wine controls that were outlined in the response'. There was an answer on notice as well—

**Mr Clark:** That is correct.

**Senator XENOPHON:** saying, 'Wine Australia has recently conducted a review of these bulk wine controls and has decided to introduce additional measures'—I think as a result of the Skorpos case, in part—in all facilities offshore. Packaged Australian wine will be integrated into the wine export approval system, with a risk based rating system determining audit frequency.' How is this risk based system working? How frequently will the audits be held? And what sorts of resources will be deployed to ensure the integrity of Australian wines?

**Mr Clark:** It is important to point out that this review of our bulk wine procedures predated the issue that has arisen with Mr Skorpos. It is not directly connected, but it does highlight and backs up the need for this increased vigilance. The upshot of the measures is twofold. All Australian wine packaged overseas is required to have a quality management system in place. We undertook some audit activity in China because there are a number of approved facilities in that market. That audit identified some concerns.

**Senator XENOPHON:** Can you give more details about the concerns identified by that audit?

**Mr Clark:** For starters, introducing these types of quality management systems normally takes in the order of 12 months—it is quite a rigorous process to put in place—but sometimes we have seen evidence of the appropriate documentation being turned around in weeks. That has led us to be concerned about the veracity of the documents and whether they are truly representative of the systems they have put in place.

**Senator XENOPHON:** A dodgy audit?

**Mr Clark:** Perhaps. We have concerns about how quickly they managed to put it in place.

**Senator XENOPHON:** You are saying that, given that incredibly fast turnaround, it could not be a credible audit?

**Mr Clark:** It is not so much that; it is about whether they have fully documented the appropriate system and put it in place and have documentation that reflects that.

**Senator XENOPHON:** Who does these audits? Is it done internally by the company overseas or is it done by the local regulator?

**Mr Clark:** It is done at the company level. As a result of some concerns, we have decided to overlay that with a specific Wine Australia standard which will augment that quality management system that they have to have in place. That standard has some specific parameters and controls in it. We have a very much tighter control over what happens to Australian bulk wine once it gets into the market in terms of how it is treated and to ensure it is not passed on to other facilities and misrepresented in terms of its vintage, variety and regional characteristics.

**Senator XENOPHON:** That is a laudable thing to do, but how do you know it is being done? You set the parameters and you have put controls in place, but how do you know the wine is being handled in that way and not being mixed with low-grade, cheaper wine or contaminants from the country where it is being packaged?

**Mr Clark:** We have developed a partnership with the China Quality Centre.

**Senator XENOPHON:** Is that a statutory body?

**Mr Clark:** It is a government endorsed accreditation body. It is a very reputable body. They are going to undertake audits on our behalf, and the packaging facilities will have to pay for all those additional audits that take place. We have had several training sessions with the auditors from CQC and we are also going to send up some of the auditors who are employed by Wine Australia to assist with the additional audits that are going to take place in China. They will be going out to the facilities and making sure that they comply with not only the quality management system but also the additional standard that they have in place. If they fail to comply with that, they will no longer be approved under our export approval process.

**Senator XENOPHON:** Must the China Quality Centre be involved in the handling of Australian wine? If you are an importer in China, for instance, if you bring in bulk wine do you have to go to CQC for endorsement?

**Mr Clark:** The packaging facility will be required to be audited by CQC to a standard that has been set by us to maintain approval to receive and package Australian bulk wine.

**Senator XENOPHON:** And what is the penalty if they do not?

**Mr Clark:** If you do not submit to and pass the audit then you will no longer be, in terms of our regulations, an approved company and Australian bulk wine will not be able to be exported to that particular facility.

**Senator XENOPHON:** What is to stop a facility from selling it on to another facility?

**Mr Clark:** If they are no longer accredited—

**Senator XENOPHON:** Let us assume that the facility is accredited. What happens if they decide that they are only going to package half of the quantity that they have got and flog it off to someone else?

**Mr Clark:** That is part of this new standard.

**Senator XENOPHON:** So they cannot flog it off to anybody else?

**Mr Clark:** Correct.

**Senator XENOPHON:** What spot audits do these protocols allow for, and can you provide a copy of the agreement and the protocols on notice?

**Mr Clark:** Absolutely. I can provide a copy of the standard and the communication we have had with all the packaging facilities in China. We are setting up an audit process. This has just commenced as of 1 April. We are working in the next three to four months for all facilities to be subject to an initial audit and then we will review the outcomes of that audit and then assess the frequency of audits that take place after that.

**Senator XENOPHON:** What sort of spot checks do you envisage though? Do you envisage them at the point that it is bottled? How do you envisage the audit process working in terms of spot checks?

**Mr Clark:** We are in the initial phase of implementation and all the facilities will be subject to an initial audit, and they will go in to ensure that they are complying with the standard. From there we will ascertain what resources and what additional checks are required, but I think it is important for us to ascertain the results of this initial phase of audits.

**Senator XENOPHON:** I just want to understand the process. There is going to be an auditing process at the packaging facility where presumably the bulk wine is bottled, and then you need to comply with the China Quality Certification Centre standards.

**Mr Clark:** There is one Australian standard but the auditors will be from CQC.

**Senator XENOPHON:** One Australian standard and it is being carried out by the China Quality Centre.

**Mr Clark:** Correct.

**Senator XENOPHON:** Once that wine is bottled and goes into the marketplace, is it intended that there be spot checks once it is at the retail level?

**Mr Clark:** Not at this stage.

**Senator XENOPHON:** Wouldn't you want to do that—even an occasional spot check to see whether what is being sold at a retail level matches up with the audit process at the wholesale level?

**Mr Clark:** I think if the results of the audit demonstrate that the packaging facility is complying with the standard, and there will be review of the package label product coming out of that facility, then once it is packaged and labelled the risks of manipulation are lower, once it has gone through the packaging facility.

**Senator XENOPHON:** You would not consider doing a spot check at a retail level at all?

**Mr Clark:** At this stage it is not under consideration.

**Senator XENOPHON:** Can you provide details, again on notice, of any risk assessment as to why you would want to stop just at that wholesale level?

**Mr Clark:** I am happy to respond with details.

**Senator XENOPHON:** Will the results of these audits be available to wine exporters?

**Mr Clark:** As a general rule, we treat the details about the approved facilities in China as commercial-in-confidence information, because they are effectively the customer of the exporter.

**Senator XENOPHON:** Let's say there is a place that is failing the audit. Wouldn't wine exporters want to know that?

**Mr Clark:** We would notify the exporter who deals with that particular bottler—because that is their customer—that that particular packaging facility has failed the audit and therefore is no longer approved under our regulations.

**Senator XENOPHON:** But that is someone who has already got a commercial relationship with that packaging facility.

**Mr Clark:** Correct. The only people who would be dealing with that particular facility will be exporters who have an existing relationship with them. So once they fail the audit and the approval is withdrawn, obviously we would notify all the relevant exporters. But any other individual or exporter who wished to deal with that particular facility, if they came to us and said they proposed to deal with them, at that point we would tell them that they had not received approval under our regulations, so they could not be used.

**Senator XENOPHON:** If there is one failed audit, does that mean they get their approval pulled, or do you give them a second chance? Is it a three strikes policy? Is it graded in terms of what things they have failed? How do you work it?

**Mr Clark:** We are working through that at the moment, Senator.

**Senator XENOPHON:** There are no standards as to what constitutes a pass or a fail of an audit?

**Mr Clark:** As I said, we are going through this phase of initial audits, and that will give us an accurate readout of the level of compliance and the concerns. Withdrawing approval is a reasonably harsh penalty. We will have to respond appropriately, depending on the particulars of any particular failure of the audit. Obviously if there is mislabelling of vintage, varietal or regional claims, we take that very seriously. If there are additions of, say, sulphur dioxide, which is a routine addition for bulk wine, and if there is a slight misreading in the accuracy of the details of what has been added, then withdrawing the approval would probably be a harsh result. So obviously we need to treat these facilities in a fair and transparent manner.

**Senator XENOPHON:** So we have this new system that is supposed to address some of these concerns as part of a previous review. How much extra money has been allocated for this process? China and what other major markets will this audit process apply to and what resources are being put into it?

**Mr Clark:** At this stage the way we have constructed it, it is largely self funding in China because the facilities will need to pay for the audit to take place from CQC.

**Senator XENOPHON:** What do you anticipate the cost to be approximately?

**Mr Clark:** Perhaps about \$5,000 per annum, but I can provide further details on notice. But in addition to that we propose, as I said, to send up some of our employees who are auditors here in Australia. We have made an allocation for next year's budget.

**Senator XENOPHON:** In what capacity—working for the China Quality Centre?

**Mr Clark:** Working for Wine Australia but assisting the CQC auditors, because the Australian auditors obviously have a lot of expertise visiting packaging facilities here in Australia. So to work with them to ensure that they know, essentially, what to look for—what are the issues that need to be addressed in any audit.

**Senator XENOPHON:** And again, on notice, could you give us some idea how often those visits of Australian based auditors or testers will be?

**Mr Clark:** Certainly.

**Senator XENOPHON:** You have mentioned that part of the audit will comprise inspection of claims made on labels about the vintage, variety, geographical location and region of origin of the wine are truthful, and you can do that because wine has got its own DNA, in a sense—wine has markers, hasn't it, so you can tell which region it comes from?

**Mr Clark:** To an extent. The science is not conclusive. It is not my expertise, obviously, but it is not as cut and dry as that. There are techniques currently under development which will assist in that type of quite objective analysis of where the wine is from.

**Senator XENOPHON:** That is right. But you can tell the difference between Grange and some \$2 plonk, though?

**Mr Clark:** But that is just on a tasting; that is not on the basis of—

**Senator XENOPHON:** But not in terms of any chemical indication?

**Mr Clark:** Again, I cannot speak to it—I am not a scientist. We have had discussions with bodies involved in these types of activities—the primary one, based in Adelaide, being the Australian Wine Research Institute. They are focused on developing mechanisms which enables that type of fingerprinting of a wine to take place so that ultimately you can zap a wine or put a probe and it can tell you the variety, its vintage and where it is from. But I think is fair to say, and my understanding is, that we are not at that point quite yet. There are techniques under development, which will assist.

**Senator XENOPHON:** Could you take on notice to inform me just how advanced we are and how accurate it is?

**Mr Clark:** Certainly.

**Senator XENOPHON:** To wrap-up, if counterfeit branding is discovered, what steps will be taken by both Chinese and Australian authorities? In other words, if you discover a wine is counterfeit, it is not Australian wine or it has been tainted for whatever reason—which has a huge implications for our multibillion-dollar wine industry—what arrangements are there to (a) get that wine off the market, and (b) ensure that those responsible are brought to account? In other words, if you discover a counterfeit wine, what action can you take?

**Mr Clark:** In China, for example?

**Senator XENOPHON:** Yes. What is the nature of the arrangement?

**Mr Clark:** It depends on the facts of the particular case, obviously. Naturally, if there is a real health and safety issue then if any information was apparent to us we would be working very closely and urgently with any counterpart regulator in China and other agencies to ensure removal from the shelves. But we have talked about this before: counterfeiting can encompass a whole range of activities. It could be that the wine in the bottle for its vintage, varietal and regional claims is accurate. That is essentially the extent of Wine Australia's mandate. That is what we are focused on—truthfulness in terms of those types of label claims. So those claims could be accurate but there could be a misuse of someone else's brand. In those circumstances, the traditional view and the view that we stick to—and we have talked to you at length about this before—is that ultimately it is for a particular brand owner to take up

enforcement action on their behalf because intellectual property rights in the norm falls to the owner of those rights to take whatever action is appropriate.

**Senator XENOPHON:** But couldn't that have wider implications in terms of the integrity of Australian brands and consumer perception of Australian wines in the marketplace?

**Mr Clark:** If the counterfeiting was widespread, egregious and notorious—for example, hypothetically speaking, if there was widespread counterfeiting of iconic Australian wines such as Penfold's Grange or Henschke's Hill of Grace—then that would obviously have a negative impact overall on Australia's reputation.

**Senator XENOPHON:** So there might be circumstances in which an intellectual property matter could have broader implications to the wine industry generally.

**Mr Clark:** There is potential, yes but, still, in those circumstances, it would probably fall first and foremost to the effective brand owner to take up whatever rights they had available to them to ensure that their rights were protected.

**Senator XENOPHON:** Finally on this: it is your own small winery. You are starting off. You sell a few thousand cases a year or whatever. You do not have the resources of a Penfolds or another big winemaker to take people on in the courts. Is there any support that Wine Australia gives to ensure that emerging smaller Australian winemakers get some assistance to protect their intellectual property rights?

**Mr Clark:** I think we have demonstrated that with Mr Skorpos. It has taken time and there has not been an ultimate resolution of the matter, but we have assisted him throughout the process. We have commissioned independent testing on his behalf, which Wine Australia paid for, and that was a few thousand dollars. I have certainly spoken to him frequently, assisted with passing on information to the embassy and in turn to AQSIQ in China to provide that level of assistance. In addition, we can also assist with providing information. Particularly in a market like China, brand owners need to go in aware in terms of understanding how they protect their intellectual property rights in the market before they go and how they can enforce them once they find out something has gone wrong.

**Senator XENOPHON:** My final question is: one of the issues for Mr Skorpos is that when Wine Australia received information that something was going on, that there was something strange happening with his wines or someone counterfeiting his wines, he did not get to know about it until the Wine Protection Group—I think it is called—a private entity, contacted him. Can you categorically say that if you receive any information of an Australian winemaker's wine being either counterfeited in any way that there is some infringement, some potential counterfeiting, that the winemaker will be informed at least of the allegation, if not the veracity, so that they can take their own steps if you cannot?

**Mr Clark:** I think in the past we have acknowledged a mea culpa there.

**Senator XENOPHON:** But there is a new policy in place now.

**Mr Clark:** Certainly. In like circumstances, we would contact the effective exporter immediately rather than perhaps waiting some time to try and undergo our own verification. We have acknowledged that and will stand by that.

**Senator XENOPHON:** Thanks very much, Mr Clark.

**CHAIR:** Thank you, Dr O'Connell, to you and your officers. To Hansard and Broadcasting, thank you very much. That concludes today's hearing.

**Committee adjourned at 22:53 pm**