



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT  
LEGISLATION COMMITTEE

**Consideration of Budget Estimates**

MONDAY, 28 MAY 2001

CANBERRA

BY AUTHORITY OF THE SENATE



**SENATE**  
**RURAL AND REGIONAL AFFAIRS AND TRANSPORT LEGISLATION**  
**COMMITTEE**  
**Monday, 28 May 2001**

**Members:** Senator Crane (*Chair*), Senator Forshaw (*Deputy Chair*), Senators Ferris, McGauran, Mackay and Woodley

**Senators in attendance:** Senators Ferris, Forshaw, McGauran, Mackay, Murphy, O'Brien and Woodley

**Committee met at 9.06 a.m.**

**AGRICULTURE, FISHERIES AND FORESTRY PORTFOLIO**

**In Attendance**

Senator Alston, Minister for Communications, Information Technology and the Arts

**Executive**

Mr Michael Taylor, Secretary  
Bernie Wonder, Deputy Secretary

**Industry Development**

Rural Support & Adjustment; Horticulture & Wine; Women in Rural Industry/ Industry Leadership

Mr Don Banfield, Executive Manager, Industry Development  
Mr Mike Wilson, General Manager, Rural Support and Adjustment  
Mr Mike Macnamara, General Manager, Horticulture and Wine  
Ms Caroline Page, Project Manager

Fisheries and Forestry

Mr Daryl Quinlivan, Executive Manager  
Mr Glenn Hurry, General Manager, Fisheries and Aquaculture  
Mr Rob Rawson, General Manager, Forest Industries  
Mr David Calvert, Manager, FISAP

Mr Frank Meere, Managing Director, AFMA  
Agricultural Industries

Mr Tim Roseby, Executive Manager, Agricultural Industries  
Dr Cliff Samson, General Manager, Field Crops  
Mr Paul Sutton, General Manager, Wool & Dairy  
Mr Greg Read, General Manager, Meat & Livestock  
Mr Glen Taylor, CEO, Wheat Export Authority

**Management Services and Corporate Governance**

Dr Brian Fisher, Chief Operating Officer  
Mr Bill Pahl, General Manager, Corporate Governance  
Mr David Banham, Chief Information Officer  
Ms Vanessa Berry, Chief Finance Officer

Ms Annette Blyton, Contracts, Innovation & Services  
Ms Annwyn Godwin, General Manager, People Strategies  
Ms Julie Hicks, General Manager, Portfolio Co-ordination & Communications  
Mr Steve Maxwell, Levies Management Unit

**AQIS**

## Quarantine and Export Operation

Ms Meryl Stanton, Executive Director, AQIS  
Ms Ann McDonald, FMD Coordinator  
Mr Steve Bailey, National Manager, Program Services Branch  
Ms Jenni Gordon, National Manager, Animal and Plant Program  
Mr Bill Daniels, Executive Manager, Quarantine and Export Operations  
Mr John Cahill, National Manager, Border Management  
Mr Tim Carlton, National Manager, Business Strategy  
Mr Andy Carroll, National Manager, Cargo Management Group

## Meat Inspection

Dr San Ng, A/g General Manager, Meat & Food Services Policy/ Inspection & Export Operations  
Dr Slava Zeman, Meat & Food Services Policy/ Inspection & Export Operations

**Market Access and Biosecurity**

## Trade Policy

Mr Simon Hearn, Executive Manager  
Dr Dennis Gebbie, General Manager, Trade Policy  
Mr Richard Sisson, Manager

## Biosecurity Australia

Ms Mary Harwood, Executive Manager, Biosecurity Australia  
Mr David Banks, General Manager, Animal Biosecurity  
Mr Brian Stynes, General Manager, Plant Biosecurity  
Mr Bill Magee, Manager  
Mr Tom Parnell, Manager  
Mr Peter Beers

**Food**

Ms Bev Clarke, Executive Manager, Food Business Group  
Mr David Mortimer, General Manager, Processed Food Industry Policy, Food Business Group  
Ms Margaret McKinnon, General Manager, Supply Chain, Food Business Group

**Product Integrity, Animal & Plant Health**

Dr Bob Biddle, Deputy CVO, Office of the Chief Veterinary Officer  
Dr Mike Nunn, Manager, Animal Health Sciences,  
Mr Dean Merrilees, General Manager, Animal and Plant Health Policy  
Dr Bill Scanlan, Animal and Plant Health Policy  
Dr Eva-Maria Bernoth, Manager, Aquatic Animal Health Unit  
Mr Bill Roberts, Executive Manager, Office of the Chief Plant Protection Officer  
Mr Steve McCutcheon, General Manager, Agriculture Production Safety

Mr Johnathon Webber, Residues and Standards Branch  
Mr Graeme Hamilton, Director, Australian Plague Locust Commission  
Mr Ian Moorcroft, Agriculture Production Safety  
Dr Alison Turner, Executive Director, National Registration Authority

**Natural Resource Management**

Mr Ian Thompson, Executive Manager, Natural Resource Management  
Mr Charles Willcocks, General Manager, NHT and Landcare  
Mr Mike Lee, Executive Co-ordinator, Natural Resource Management  
Mr Tom Aldred, General Manager, NRM Assessment & Regional Action  
Mr Bill Handke, General Manager, NRM Taskforce  
Mr Ross Dalton, General Manager, Water and Regional

**Innovation & Operating Environment**

Mr Paul Morris, Executive Manager  
Mr Andrew Pearson, A/g - General Manager Science & Economic Policy  
Mr David Ingham, Manager, Economic Environment & Tax Reform  
Mr Dougal Morrison, Manager, Innovation Program  
Ms Alison Cousins, Manager, Rural Industries Operating Environment

**ABARE**

Dr Brian Fisher, Executive Director, ABARE  
Mr Vivek Tulpule, Research Director, International Trade & Industries, ABARE  
Mr Roger Rose, Chief Research Economist, ABARE

**BRS**

Professor Craig Pearson, Chief of BRS Agriculture, Food & Social Sciences Division  
Mr Ron Smith, BRS Corporate Business Manager  
Mr Ben Loudon, BRS Planning, Evaluation & Communications Manager

**CHAIR**—I declare open this public meeting of the Senate Rural and Regional Affairs and Transport Legislation Committee. On 22 May 2001, the Senate referred to the committee the particulars of proposed expenditure in respect of the year 30 June 2002 for the portfolio areas of agriculture, fisheries and forestry, and of transport and regional services. The committee will consider proposed expenditure for both portfolios during this week's hearings. The committee is required to report to the Senate by 20 June 2001. Answers to questions taken on notice and additional information should be received by the committee no later than 13 July 2001.

Committee members and participating members have been provided with the portfolio budget statements for each department. Members have also been given a briefing on the form of this year's portfolio budget statements by both departments. As agreed, I propose to call on the estimates according to the format adopted in the printed program, except that by arrangement and agreement, we will now move first to fisheries and forestry.

The committee has authorised the recording and rebroadcasting of its proceedings in accordance with the rules contained in the order of the Senate of 23 August 1990. I welcome Senator the Hon. Richard Alston representing the Minister for Agriculture, Fisheries and Forestry. Senator Alston is accompanied by Mr Michael Taylor, Secretary, Mr Bernie Wonder, Deputy Secretary, and other officers from the Department of Agriculture, Fisheries and Forestry and related agencies. Minister, do you wish to make an opening statement?

**Senator Alston**—No, Madam Chair.

**CHAIR**—Mr Taylor, would you like to make an opening statement?

**Mr M. Taylor**—In making these opening remarks, I hope that it will assist the committee in its deliberations today if I give a brief outline to some changes we have made in the approach in preparing the department's PBS: changes to the department's outcome and outputs for 2001-02; new measures in the budget; and some reflection on the department's performance over the last quarter. First, if I could turn to changes in outcomes and outputs: the department has listened to this committee's concerns about our outcome, and we have made some changes to address those concerns. Accordingly, we have adopted our old outcome statement as the mission statement outlining the aspirations for our organisation; that is:

Increasing the profitability, competitiveness and sustainability of Australian agricultural, food, fisheries and forestry industries and enhancing the natural resource base to achieve greater national wealth and stronger rural and regional communities.

In listening to the committee, we have specifically adopted a new outcome statement which we consider more accurately reflects the overall impact that AFFA is seeking to have. The new outcome statement more closely links with our outputs and is outlined on page 23 of the portfolio budget statement. The new outcome statement reads:

Australian agricultural, fisheries, food and forestry industries that are based on the sustainable management of and access to natural resources, are more competitive, self-reliant and innovative, have increased access to markets, are protected from diseases and are underpinned by scientific advice and economic research.

We believe that provides a more measurable outcome statement which this committee has been seeking from us. Accordingly, we have also supported that statement with a set of refined overall effectiveness performance indicators, which are listed on pages 35 and 36 of the portfolio budget statement.

In making these changes, we have also made some changes to the outputs since the PBS of 2000-01. This involves changes to the names of two outputs to provide a more accurate description, merging two outputs into one, and the transfer of functions from one output to another. Specifically, market access and trade has been changed to market access and biosecurity; and quarantine has been changed to quarantine and export services. These have been flagged at the additional estimates hearing. We have also merged the former research and development facilitation innovation and rural inputs services and operating environment into a single new output: innovation and operating environment. We have also, for ease of use, modified the order of outputs so that they reflect the market chain and market focus that the portfolio has, as is shown on chart 3 on page 24.

Further, again in responding to the committee's challenges and to facilitate a better understanding of what each of our outputs entails, we have organised information in our PBS so that for each output we have provided an objective statement, a description of activities, an explanation of the new budget measures, performance measures for both department and administered items, and a description of planned evaluations. We have also included an output-by-output breakdown of administered items.

In terms of budget measures, I want to provide a very brief overview, but I can point to table 1.2 on pages 20 and 21 as providing a summary of the key features. Contributing to natural resource access and management output are three important initiatives: \$700 million

over five years as part of the national action plan for salinity and water quality, which was included in the 2000-01 additional estimates; and \$1 billion over five years for the Natural Heritage Trust extension, which is included in the Environment portfolio PBS, but is in part administered by AFFA. We also draw attention to funding for the Murray Darling Basin Commission, which comes by way of internal transfer within the NHT funding.

In the case of quarantine and export services, an additional \$596 million is provided over five years for foot-and-mouth disease and other disease and pest preparedness responses. The Nairn funding has been extended to the year 2005—a sum of \$46.7 million. Contributing to the industry development and adjustment output is \$26.4 million over four years for agriculture development partnerships; \$17.4 million over three years for rural financial counselling; an additional \$140 million for assistance to dairy farms; \$151 million over two years for the New South Wales-Queensland flood assistance; and \$23.1 million over three years for exceptional circumstances support in south-east Western Australia. Importantly to our food chain output, there is an additional \$21.7 million over five years for the New Industries Development Program and \$3 million over two years to support the development of a National Food Industry Strategy. These measures are aimed at improving the performance of the major outputs of the organisation.

Finally, I would like to briefly refer to the third-quarter performance for the year 2000-2001. One of the things that the department has undertaken to do for you is provide a written outline of our performance on a quarter by quarter basis to improve our reporting. Some of the major achievements over the past quarter represent the implementation of wool, horticulture and pork industry marketing reforms. The dairy structural adjustment package now has some 99 per cent of farmers receiving notices of entitlements; the advancing Australian agriculture media campaign to promote the package to farmers is well under way; market access in trade has given us some new market access to import markets for our products and has, in the light of difficult circumstances internationally, made sure we have maintained market access, particularly for our meat products. We have also had reduced rejection rates in the United States. In the case of natural resources, the salinity and water area has seen targets agreed to by the Murray Darling Basin Commission, and the salinity action plan has seen the signing of the inter-government agreement by most states. Under the Natural Heritage Trust, some 1,500 project approvals worth \$120 million have been implemented.

Importantly, the National Food Industry Strategy has been announced and is being developed as an action agenda process. In the case of innovation and operating environment, farm management deposits have seen a 52 per cent increase by farmers, and the Outlook Conference held by ABARE in February was extraordinarily successful, with over 900 delegates attending. In the case of foot-and-mouth disease and mad cow disease, BSE, task forces have been established to ensure national responses and strategies are activated. In the area of agriculture veterinary chemicals, new legislation has been introduced on dealing with plague locusts, which has seen a major infestation controlled without significant crop damage both in South Australia and Western Australia.

In economic research, the farm surveys reports have been completed in time for preparation of estimates for publication. Importantly, *Servicing Rural and Regional Australia*—a report from the Bureau of Rural Sciences—has been finalised. In the case of quarantine, we have seen an extraordinary set of comprehensive controls in response to high risks from East Timor and a dramatic increase in the level of activity to control and prevent the entry of foot-and-mouth disease.

**CHAIR**—We are just checking to see whether the officers are here to enable Senator Mackay to ask a couple of questions on rural counselling. Is there an officer able to assist with that before we move on to Fisheries?

**Mr Wonder**—We could do that, Senator.

**CHAIR**—Thank you very much, Mr Wonder. Good morning, Mr Banfield. Senator Mackay has a number of questions to put to you in relation to the rural counselling services.

**Senator MACKAY**—I just have a couple of questions on which I would like clarification. Under which program of which department will this be administered after the end of this financial year?

**Mr Banfield**—Under AFFA.

**Senator MACKAY**—In relation to the \$17.4 million that was announced in the budget, is it possible to give me a breakdown of the out years, in terms of spend?

**Mr Banfield**—It is basically a three-year program and it is \$5.8 million per year, which includes some allowance for departmental administration costs.

**Senator MACKAY**—What proportion is it of the departmental administration cost?

**Mr Banfield**—It is about \$400,000 a year, so it is \$5.4 million per year—

**Senator MACKAY**—It is basically five, five, five, is it? You take out the \$400,000 for the—

**Mr Wonder**—No, it is \$5.4 million for the admin expense and \$400,000 for the departmental output, being a total of \$5.8 million.

**Senator MACKAY**—That is fine. In relation to the review that was done, what were the main findings with regard to the Rural Financial Counselling Service?

**Mr Banfield**—As you may be aware, the review related to the Rural Communities Program as a whole. In relation to the Rural Financial Counselling Service, there were a number of findings. There was an in-principle view that the Rural Financial Counselling Service should be de-linked from the wider elements of what was at the time the Rural Communities Program, so that it should concentrate on financial and social adjustment, and that its objectives should be clarified to make it absolutely explicit. There were also a number of recommendations in relation to improving the monitoring and evaluation of the service and improving its delivery to those in most need.

**Mr Wilson**—Another important element of that was to make it more flexible and responsive in rural areas.

**Senator MACKAY**—How was it perceived to be inflexible?

**Mr Wilson**—In the sense that a counsellor was assigned to a particular community group in a particular region, so that if a need arose in another region, sometimes it was difficult to get the counsellor into the other region.

**Senator MACKAY**—So what are the practical implications for counsellors in relation to that specific finding?

**Mr Wilson**—We have to review that, to see how we will implement that. For the moment, in the current contracts we have asked counsellors to be ready to work in other regions, and we have asked the groups that govern those counsellors to be ready to apply that kind of



flexibility. So, in the current contract, they will be more flexible and able to move to other regions. In the future—in the final two years—we are looking at other options for flexibility.

**Senator MACKAY**—What will be the implications for counsellors who are currently based in, say, Dubbo? When you say, ‘Moved to other regions,’ would that mean servicing an expanded area, or moving to other regions throughout New South Wales, or moving to other states? What are the implications for them in that respect?

**Mr Wilson**—In the short term, it would mean that they would have the capacity to move out of Dubbo and service a client in another area. In the longer term, as I say, we would like to discuss with the states and other stakeholders what the options are for greater flexibility.

**Senator MACKAY**—In the short term, is it simply an expanded range of coverage?

**Mr Wilson**—Yes.

**Senator MACKAY**—We might come back to that later. Did any counsellors leave as a result of the long time line in terms of the future funding guarantee?

**Mr Wilson**—Not that I know of for that reason. Over that period, some counsellors have left and there has been some other recruitment. But I am not aware of counsellors leaving for that reason.

**Senator MACKAY**—How many counsellors are there currently?

**Mr Banfield**—Don’t hold me to the exact number, but there are about 99 or 100—something of that order.

**Senator MACKAY**—What has been the turnover, for whatever reason, in the last year or so? I am just looking for a ballpark figure. You can take that on notice if you want to.

**Mr Wilson**—I would have to take that on notice. I am not aware of any particular turnover.

**Senator MACKAY**—Have you received any letters of concern in relation to the lack of guarantee for ongoing funding?

**Mr Wilson**—Yes, we have.

**Senator MACKAY**—How many have you received?

**Mr Wilson**—I would have to take that on notice, although I suggest that in the last two months there have probably been a dozen or so across my desk.

**Senator MACKAY**—In terms of 5.4, outside the on-costs for the department, how will that funding be dispersed? Are there any plans for state-by-state allocations? What are the plans for the funding disbursement?

**Mr Wilson**—The disbursement will be similar to the way it has been in the past. The community groups concerned lodge submissions for that funding, and we respond to that within the budget.

**Senator MACKAY**—How did the government advertise for submissions in relation to the future shape of the program? I refer specifically to Mr Truss’s press release.

**Mr Banfield**—In the past, particularly when the Rural Financial Counselling Service was part of the Rural Communities Program, there was a collaborative exercise with the Department of Transport and Regional Services. We sought applications for the variety of programs in the old Rural Communities Program, some of which were for rural counselling services. There was an assessment panel, of which AFFA was obviously a member, to

consider the merits, and this was based on the needs of the area and on the Commonwealth, state and local contributions. As you are aware, the Commonwealth provides 50 per cent funding, the states traditionally provide 25 per cent and the local community groups provide the other 25 per cent. Therefore, a range of factors are taken into account in assessing the need for services, but certainly areas in need have been quite forthcoming in letting us know their needs and demands. We have not detected a problem of local communities not indicating their needs.

**Senator MACKAY**—Specifically, Minister Truss indicated that the deadline for submissions from interested parties was 20 February.

**Mr Banfield**—Are you referring to submissions into the review?

**Senator MACKAY**—Yes. How was that undertaken?

**Mr Banfield**—There was a series of consultations in each of the states. We actually went out and conducted a series of face-to-face meetings, and that process again is ongoing. That is just one in a series of steps that we are taking to modify or review the program, as Mr Wilson said, not specifically for 2001-02, but in the two out years.

**Senator MACKAY**—How did you identify the stakeholders to meet with? Was it advertised?

**Mr Banfield**—I am not sure. I would have to take that question on notice as to precisely whether it was advertised. However, there is certainly a well-established community in relation to rural counselling services, so we obviously would have written to the local community groups, to the state governments, et cetera, and then, as I say, people from AFFA went out and had face-to-face meetings with rural counsellors themselves. So it was a fairly comprehensive process.

**Senator MACKAY**—What was the spend in relation to the last financial year? What did we end up spending on this?

**Mr Wilson**—In the three years to 30 June 2001 \$11.7 million was spent on rural financial counselling.

**Senator MACKAY**—How was that against the appropriation?

**Mr Wilson**—The appropriation for the next three years is \$17.4 million.

**Senator MACKAY**—So the funds were fully spent in terms of the previous—

**Mr Wilson**—Yes. As far as I know we fully spent our past appropriation.

**Senator MACKAY**—If that is not the case, would you please advise me?

**Mr Wilson**—Yes.

**Senator MACKAY**—In his media release, Mr Truss says:

I will be asking for submissions from interested parties to be provided by 20 February 2001.

By 'submissions' did he mean written submissions, or was it simply an indication that stakeholders wished to be visited by AFFA?

**Mr Wilson**—I think there was a range of submissions. They were mainly written, as far as I know.

**Senator MACKAY**—Do you know how many were received?

**Mr Wilson**—I would have to take that on notice.

**Senator MACKAY**—Is it possible to get copies of the submissions?

**Mr Wilson**—Yes.

**Mr Banfield**—We will check with the minister. If he is comfortable, we are happy to provide them.

**Senator MACKAY**—This is my final question. I am interested in finding out a bit more about flexibility in terms of the working relationships of the current counsellors. You are saying that you are working it through with them in terms of what that will mean. Will there be any organisational change to their work in the short term? Or will they simply have the current groups that they look after? How will this operate?

**Mr Wilson**—There will not be any changes to the arrangements in the first 12 months. We are negotiating with them at the moment about how we can build extra flexibility into their current contract. So we are not changing the contract; we are just building flexibility into their current contract.

**Senator MACKAY**—How long are the current contracts that they work under?

**Mr Wilson**—They are for the next 12 months.

**Senator MACKAY**—Are you flagging a review of the current contractual arrangements at the end of the 12-month period?

**Mr Wilson**—Yes.

**Senator MACKAY**—When will that be finalised?

**Mr Wilson**—We hope to finalise it during the next 12 months so that, when the contracts are developed for 2002-03 and the following year, the new contract has the new arrangements incorporated into it.

**Senator FORSHAW**—Can I just ask a follow-up question on this issue? At the bottom of page 49 of the PBS, you have the reference to performance information, which states:

Service audits—number of clients serviced, number of referrals made to other services and actual contact hours.

Whilst I think I understand what those mean—they are fairly straightforward—how do you assess whether or not the service is actually achieving results vis-a-vis with the farmer? In other words, they get the counselling, but what impact does it have on the financial viability of the farm, their management practices or whatever? Do you have follow-up and how do you actually record that information?

**Mr Wilson**—That area was commented on in the review, as you are probably aware—that that outcome aspect of the work had not been monitored as well as it might have been in the past. But to date, as I understand it, that kind of information is provided anecdotally by the counsellors. They provide regular reports on finances, their efficiency and to some extent their effectiveness. But it is an area we would be looking at as part of the review I have been talking to the senator about.

**Senator FORSHAW**—Would you, for instance, be looking for trends to show that there had been a reduction in the number of clients serviced over a period of time in a particular area as an indicator that things might be improving? It might indicate that people are actually leaving agriculture too. But it just says here the ‘number of clients serviced’. The fact that you might be servicing a lot of clients does not necessarily mean that the outcome is what is desirable.

**Mr Wilson**—I agree. They are the types of issues we would want to take up as part of our review next year. But I agree with you that they are important issues. As you know, those kinds of outcome performance approaches can be difficult because there can be a number of factors applying at a time. It may not be just the rural counsellor, it could be a range of other factors. We would like to take those things into account in our review.

**Senator FORSHAW**—Is there a time limit on how long a counsellor might work with a particular farmer?

**Mr Wilson**—My understanding is that at the moment there is not. A counsellor can continue to work with a farmer, monitor progress and advise. But we intend looking at how we handle that in future.

**Senator FORSHAW**—As I understand it, as part of the dairy industry adjustment package, dairy farmers, particularly those facing hard choices about their future, have had made available and are utilising rural financial counsellors. Is that being funded out of this program or out of some of the funds allocated, say, under DRAP?

**Mr Wilson**—My understanding is that it is funded out of the Rural Financial Counselling Service program.

**Senator FORSHAW**—They can access it as a service in its own right, independently of the assistance that might be available through the other one?

**Mr Wilson**—Yes.

**Senator FORSHAW**—Thank you.

**Senator WOODLEY**—I presume that in the budget papers—and I must confess I have not done the work I should have done there—there is an accounting of the breakdown of the amounts spent by states and region? Can you point us towards that?

**Mr Banfield**—I will take it on notice; but in principle, no. There is a global allocation, the actual funding to particular states and regions is based on need, and an assessment process is undertaken to direct those funds to those areas in most need.

**Senator WOODLEY**—That is encouraging. The dairy issue is very regional so, in responding, those areas I imagine would have had, in the last 12 to 18 months, a much greater demand than previously. So that would be the kind of flexibility that you currently have?

**Mr Banfield**—Yes.

**Senator WOODLEY**—I want to ask some questions about flexibility, particularly projecting more flexibility for the service. One of the issues that rural financial counsellors have raised with me is that often, while they are financial counsellors, as you would understand whenever you go into one of those situations, other issues come up that require counselling. They are able to deal with those in a peripheral way but I think where they can they mostly refer—for example, where some psychiatric condition is indicated. Is there any consideration given in further flexibility to formalising that sort of referral or in fact in allowing financial counsellors to address some of the other issues? I mean, very often relationship issues also come out of the financial situation.

**Mr Banfield**—One of the findings of the review was that in principle we should look to better targeting the Rural Financial Counselling Service to provide for financial and social adjustment issues. As a principle, there would be a move away from wider counselling but obviously we hope common sense would prevail. If there was a particular case in point, we

would hope and expect that the counsellor would at least direct that person to someone well qualified to help.

**Senator WOODLEY**—It is a bit of a catch-22 because obviously the financial counsellors are skilled in one area and should not move into other areas. The bind they find themselves in in many rural areas—particularly if they are in remote areas—is that often other services hardly exist, and that is the situation we have in remote areas anyway, that all sorts of different issues arise. I am wondering how the flexibility will affect the counsellors. I am not sure what they are called but I understand all the counsellors operate within a local reference support group. If you are moving them into other areas, have you looked at how flexible those localised reference support will be? From my conversations with rural counsellors, they are critical in their operation, and particularly in terms of the ownership of the financial counselling service for local areas.

**Mr Banfield**—Senator, that is precisely why we are not proposing major changes to the service in the coming year. We will be working with the counsellors, the local communities and the state governments over the course of this year as part of our review implementation to address precisely those kinds of issues.

**Senator WOODLEY**—I am encouraged by that. I am absolutely committed to this service. I think it does a tremendous job. I want to see it being more effective, not restricted in any way.

**Senator FORSHAW**—There is a reference to the local community putting in 25 per cent or thereabouts. Forgive my ignorance, but where does it come from—a local council?

**Mr Banfield**—There is a local community group. A lot of it is assistance in kind. It could be other things—they might provide the office, or whatever—but a good proportion of it is assistance in kind.

**Senator O'BRIEN**—How many counsellors do we get for the \$5.4 million per year. Is the current number of counsellors less than the establishment number? Are there any vacancies? I assume it funds only the existing number of counsellors.

**Mr Wilson**—Yes.

**Mr Banfield**—I mentioned in response to an earlier question that we currently have almost 100 rural counsellors, so we would be expecting that kind of number would continue.

**Senator O'BRIEN**—So there is no breakdown. What about a state breakdown of where the counsellors are located?

**Mr Banfield**—As I also said earlier, we receive requests for financial support for counselling services and they are looked at on the basis of needs.

**Mr Wilson**—Senator, I can answer that question. Currently there are 36 located in New South Wales, 22 in Victoria, two in Tasmania, 13 in South Australia, nine in WA and 16 in Queensland.

**Senator MACKAY**—Can you please take on notice the specific locations?

**Mr Wilson**—Yes.

**Senator MACKAY**—Did you take on notice Senator Woodley's question on precisely where the money went in the last financial year?

**Mr Wilson**—We did.

**Senator O'BRIEN**—In relation to the Rural Counselling Program review which is being conducted by the Bureau of Rural Sciences, according to the BRS report the financial counselling component of the RCP does not fit well with the rest of the program. It says this is because of:

The nature of the advice provided and its importance to clients

The need for prescribed qualifications

Performance standards and performance monitoring for staff

The need for the professional management of financial counselling services

And the unreasonable risks incurred by voluntary committees who manage services under the current RCP model.

It also found that it was not clear whether these financial counselling services are a form of welfare or play mainly a capacity building role. In relation to that report, what happened from the department's point of view?

**Mr Banfield**—As I indicated, we have the report. Certainly that is one of the major findings in terms of better focussing and making clearer the objectives of the Rural Financial Counselling Service. We are undertaking consultations with our stakeholders. The minister has written asking for submissions. We have had a series of consultations in regional communities, one in every state, and we will be working through the outcomes of those consultations and submissions in terms of any changes we make to the service. We are not expecting any significant changes to the service in the coming 12 months. Any changes would be factored in from the beginning of next year.

**Senator O'BRIEN**—So the funding for the out years is subject to this consideration?

**Mr Banfield**—No, it is not subject to the consideration, but obviously as part of our work we will factor that in. It is not conditional, if that is what you mean.

**Senator O'BRIEN**—I am not saying it is conditional. But you are flagging that you are going through a consultation process about this component of the Rural Counselling Program.

**Mr Banfield**—Yes.

**Senator O'BRIEN**—It is conceivable that significant changes might be made to that component. It may be that it is not provided, or it may be outsourced. Has that been considered?

**Mr Wilson**—That would be a part of the considerations, along with many other things. I would not like to say at this stage what would be in and what would be out but I would have thought that that would be one of the things that we would look at.

**Mr Wonder**—Senator, perhaps I could clarify that. The point is that we have in the forward estimates—and it was noted in answer to the earlier question—5.8 million in 2002-3 and 2003-4. I think all we could helpfully say at this point is that while we will be looking, as Mr Banfield pointed out, through the course of the year at possible changes that would introduce additional flexibility, those changes will not, in any way, prejudice the availability of those funds. So we have got the availability of the funds, if we can find smarter ways of delivering the business that people support, then we will look at taking those up. I think that is where we are at this point and there is nothing else that we have decided to do.

**Senator O'BRIEN**—Under the heading 'Performance Information' on page 49 of the PBS you refer to service audits being the number of clients serviced, the number of referrals made

to other services and actual contract hours. Is that information available for the last couple of years?

**Mr Banfield**—I will take that on notice, Senator.

**Senator MACKAY**—Just a couple of questions.

**CHAIR**—This is the longest five minutes I can ever remember!

**Senator MACKAY**—I know, I think it is because people were prepared and I brought it forward, so I do apologise to the committee. Are there any plans to contract out the provision of this service to a private company?

**Mr Banfield**—I thought Mr Wonder answered that in his previous response.

**Mr Wonder**—There are no plans at this time to contract out.

**Senator MACKAY**—In the next 12 months I think you said.

**Mr Wonder**—There are no plans permanently to contract that out. We are looking at options for flexibility and there is no suggestion that we are about to contract this service out.

**Senator MACKAY**—Okay. So can we take it that for the three outyear funding there will not be any contracting out of this service to a private company?

**Mr Wonder**—I think we can indicate that it is not our intention to contract this service out.

**Senator MACKAY**—Right. How would the Rural Financial Counselling Service fit with say the Regional Financial Services Limited company that started up in February this year?

**Mr Wilson**—I do not know of that company.

**Senator MACKAY**—Okay, no knowledge of that?

**Mr Wilson**—No knowledge of it.

**Senator MACKAY**—It is just that Minister Anderson opened it. So you are not looking at the service provision of this company in terms of how it may provide synergy between the two services?

**Mr Wilson**—Not at this stage.

**Senator MACKAY**—All right, I think will take that as a commitment in relation to the service. Thanks.

**Senator O'BRIEN**—Just going back to the question I was asking about performance information on page 49 of the PBS, you were going to take on notice a question about number of referrals, actual contract hours, et cetera. Is it possible to provide that in an aggregated form by state?

**Mr Banfield**—Yes. We do have some basic numbers in terms of the number of clients, if that helps, but I understood the question was a bit more detailed.

**Senator O'BRIEN**—It is.

**Mr Banfield**—That is why I took it on notice but, in terms of the number of clients per state, for the 1999-2000 year, the grand total was 6,377 clients. That was split in round figures to 2,700 in New South Wales, 750 in Queensland, 941 in South Australia, 114 in Tasmania, 1,509 in Victoria and 361 in Western Australia.

**Senator O'BRIEN**—I am interested to see, in relation to the level of demand for the service, whether there is any unmet demand. Has any assessment of that point been made?

**Mr Banfield**—No, Senator. Again, I will take that on notice in case there are aspects that I am not aware of. But, as I indicated, there is effectively an application process from communities who apply for funding for the counselling service. I think it is fair to say that not all of those applications are met on every occasion for a variety of reasons but, whether that amounts to unmet demand, I will need to come back to you on that.

**Senator O'BRIEN**—Just going back to the BRS work, does AFFA commission BRS to do this work and then BRS charges AFFA a fee?

**Mr Banfield**—Yes, it was an independent consultancy.

**Senator O'BRIEN**—Can you advise the details of that arrangement and the money transfer involved?

**Mr Banfield**—Yes, I will take that on notice.

**Senator O'BRIEN**—Thanks. That is all I have got on rural counsellors.

**CHAIR**—There are no further questions related to rural counsellors. Thank you for making yourselves available so promptly this morning. We now move on to what we had originally decided would be our first program this morning, which is forestry and fisheries.

[9:50 a.m.]

**Mr Wonder**—We have both forestry and fisheries officers here.

**CHAIR**—I understand we have decided to start with fisheries.

**Senator MURPHY**—I have a few questions on the ACIL review of the management advisory committees. Has the department considered the review?

**Mr Meere**—The AFMA board is set to consider the review at its meeting on Thursday this week. The report has been circulated to all stakeholders for their opportunity to input into that.

**Senator MURPHY**—Looking at the recommendations, it is a fairly damning review of the process AFMA has used to conduct the management advisory committees. You have had no preliminary look at it?

**Mr Meere**—We have. AFMA management has looked at it. The AFMA board is going to consider it on Thursday. Each of those 31 recommendations will be considered and a decision made as to how they progress with them.

**Senator MURPHY**—What has been the process? I will look at some of the recommendations on the operation of the MACs. Recommendation 26, for instance, says:

Fees paid to MAC chairmen and external executive officers should be made more systematic and transparent, relating to the forward workload involved.

How have they been paid to date?

**Mr Meere**—The fees are determined by the Remuneration Tribunal, so they are in the public arena and they are completely transparent. They take two forms: an annual fee for two of the larger MACs—that is the Northern Prawn Management Advisory Committee and the South-East Trawl Management Advisory Committee—and per diem sitting fees for the other MACs.

**Senator MURPHY**—What does ACIL mean when it says that they should be 'more systematic'?



**Mr Meere**—The point that is being made in the report, as I understand it, is that there is probably too much of a discrepancy between the annual fee that is being paid, which is in excess of \$12,000, as I recollect, and the per diem which is paid for the other MACs, which is around \$400. My recollection from the discussions I have had with the author of the report is that they saw a need to rebalance the difference between the two and probably put them on the same basis.

**Senator MURPHY**—Recommendation 27 says:

Other MAC members should receive a sitting fee for their involvement on MACs (of the order of \$250 to \$300 per day) plus a modest allowance for out-of-pocket expenses (perhaps \$100 per quarter).

What is the situation at the moment?

**Mr Meere**—At the moment the act does not provide for members other than the chairperson to receive sitting fees. So the recommendation there is that other members—and, in particular, that is aimed at fishing industry members who actually give up their time with no recompense—receive some recognition of the time and effort they put into management advisory committees.

**Senator MURPHY**—Recommendation 9 says:

All MAC members ... should participate in a more formal program of induction and training.

Have you given any thought to that recommendation and what that might involve? And I am curious as to why it is a problem at the moment.

**Mr Meere**—We have given some thought to it. We believe that we do need to improve the induction training, if you like, for new MAC members. That would take the form of either me or senior AFMA executives attending the first meeting of a new MAC and going through things like the key objectives of the legislation, how MACs are to operate, the issue of declarations of interests and the like, so that MAC members are fully conversant with their roles and responsibilities when they start that process.

**Senator MURPHY**—I refer to formal governance, if you like. Recommendation 24 states that a formal government statement should be developed for all MACs. Who would be responsible for that?

**Mr Meere**—I think AFMA would have to take responsibility for that. The legislation already provides formal requirements in relation to conflicts of interest. The report suggests that we should go one step further and try to mirror or develop something that would be broadly similar to what happens in corporate arenas in relation to insider trading, et cetera.

**Senator MURPHY**—It seems to me, looking at all the recommendations in this report, that there have been some serious problems. Recommendation 17 states:

MAC Chairmen should be diligent in ensuring that minutes, letters to the AFMA Chair and so on, clearly and accurately describe the recommendations made, the flavour of discussion and the alternative options when an agreed position was not reached.

Has that not been happening?

**Mr Meere**—No, I believe that that has been happening. That is just a reinforcing of the current arrangements. In fact, I would go one step further. Many of the recommendations—and I said earlier that there are 31—actually reinforce current arrangements that are in place. But we asked for an independent assessment of how things were going to reinforce areas

where we thought we needed some additional guidance. That is what I think the report has done.

**Senator MURPHY**—Recommendation 18 states:

MAC Chairmen should be responsible for ensuring the timely availability of agenda papers, minutes, Chairman's summaries, etc.

I am sure that they did not make that recommendation without some good reason.

**Mr Meere**—On occasions there may have been situations when that material was not provided in a timely fashion, but this is reinforcing what is already in the policy paper that AFMA has developed and provided to management advisory committees on their operations. I am happy to provide you with a copy of that.

**Senator MURPHY**—Recommendation 19 states:

MAC chairmen should not allow members who are absent from meetings to have separate votes or views attached to minutes, although absentees may convey views in writing to their MAC colleagues prior to meetings.

Has that been happening?

**Mr Meere**—No, I do not believe that that has been a problem. As I understand it, on occasion, comments from MAC members who have been absent have been provided to the chair and they have been fed into the discussion.

**Senator MURPHY**—What process does AFMA follow to ensure that MACs are operating in accordance with the arrangements that the government has in place at the moment?

**Mr Meere**—The process will be to pick up where recommendations require attention. Many of them are commonsense and require attention, for example, finetuning management arrangements that I think are working quite well already. That is what we will be doing on Thursday when we consider those recommendations and decide how best to progress them.

**Senator MURPHY**—Given that the board will consider this report on Thursday, I assume that it will be making a series of recommendations following that report?

**Mr Meere**—They will be made public.

**Senator MURPHY**—They will be made public?

**Mr Meere**—They will be made public.

**Senator MURPHY**—I refer to fisheries administration papers 93 and 98 and fisheries management paper 99. One relates to AFMA's policy for MACs and the other to technical details. Will you be following the recommendation of the ACIL report that they be rewritten and condensed?

**Mr Meere**—Where the board makes decisions in relation to recommendations put forward by the report that require them to be rewritten and condensed, yes, we will be doing that. There are a number of areas where I think we could be more explicit in those papers. Depending on the outcome of the consideration by the board of the recommendations, we will proceed down that line.

**Senator MURPHY**—The report also states that the selection process for MAC members, whilst appropriate, ought to include interviewees and wider industry consultation. Do you agree with that?

**Mr Meere**—That is something that the board has to consider. Obviously there are implications in going down that route, such as resources and the availability of people to do that. It is highly desirable, obviously, but you have to weigh that up against the time and effort that will be put into doing that and the benefit that we will get from it.

**Senator MURPHY**—I have some concern about the way in which the process has been working, frankly. There have been some pretty disastrous outcomes. If you take account of environmental considerations will Environment Australia—and I am not sure whether they have observer status—be granted a permanent observer status on all MACs?

**Mr Meere**—That is a decision for the board to make on Thursday.

**Senator MURPHY**—What will AFMA be recommending?

**Mr Meere**—At the moment I can tell you that there are environment members or permanent observers on every AFMA MAC. Now they are not necessarily Environment Australia officers. In most cases they are NGOs who provide their time to participate in management advisory committees.

**Senator MURPHY**—Is that not a requirement of the Environment Protection Biodiversity Conservation Act for the next three years or so?

**Mr Meere**—No.

**Senator MURPHY**—I thought that there was a requirement under that act that all fisheries be strategically assessed over the next three years.

**Mr Meere**—That is different from the question I think you asked me. Yes, they are required to be strategically assessed. But that does not require an Environment Australia permanent observer on the management advisory committees.

**Senator MURPHY**—So what will the process be for that assessment?

**Mr Meere**—AFMA will develop a strategic assessment, and we will put it through the processes outlined in the EPBC act for approval by the Minister for the Environment.

**Senator MURPHY**—Have you done that or are you going to do it?

**Mr Meere**—No, we are in the process of doing that. The terms of reference have just been approved by the Minister for the Environment. That is for the Bass Strait scallop fishery and for the Heard Island and McDonald Island fisheries. In the next few weeks they will be going out for public consultation and the process of strategic assessment will commence. We already have environment conservation members on all the management advisory committees.

**Senator FORSHAW**—Let us turn to another issue. Who is the minister responsible for fisheries?

**Mr Quinlivan**—The Minister for Forestry and Conservation.

**Senator FORSHAW**—Minister Tuckey?

**Mr Quinlivan**—Minister Tuckey.

**Senator FORSHAW**—That explains why Minister Tuckey put out a media release on 7 March regarding a new plan to protect the world's fisheries. When did Minister Tuckey assume the role of minister responsible for fisheries?

**Mr Quinlivan**—I cannot recall the precise date, but it would have been some time in February—I think the second half of February.

**Senator FORSHAW**—This year?

**Mr Quinlivan**—Yes.

**Senator FORSHAW**—I do not have a copy of any documentation that appeared that states that this responsibility has now been given to Mr Tuckey. Was there any such announcement?

**Mr Quinlivan**—I do not recall whether there was a press release or any official announcement from Minister Truss, no.

**Senator FORSHAW**—There was not?

**Mr Quinlivan**—Not that I can recall, no, but I will check that.

**Senator FORSHAW**—Was there any letter of appointment from the Prime Minister regarding this important addition to Minister Tuckey's responsibilities?

**Mr Quinlivan**—My recollection is that there were letters from the Prime Minister and from Minister Truss which informed Minister Tuckey that he would be responsible for fisheries and which outlined the priorities that they wished him to pursue over the rest of the year.

**Senator FORSHAW**—Was it announced in the House of Representatives?

**Mr Quinlivan**—I will have to take that question on notice, Senator. I cannot recall.

**Senator FORSHAW**—What is the date of the letters of appointment?

**Mr Quinlivan**—Well, as I mentioned to you, I cannot recall the precise date, but I am pretty sure that it was some time in the second half of February.

**Senator FORSHAW**—Would you mind checking that for us and letting us know? Would you also let us know whether there were official letters of appointment. Can we be told that and can we be given a copy, if it is appropriate?

**Mr Quinlivan**—Yes.

**Senator FORSHAW**—Has the Governor-General been advised of any alteration to Minister Tuckey's status?

**Mr Quinlivan**—My understanding is that Minister Tuckey has, at the discretion of the Prime Minister and the senior minister for the portfolio, the legal capacity to carry out all the entitlements of the minister in the portfolio. Therefore, no action by the Governor-General was required.

**Senator FORSHAW**—I see. So it is on the basis that Minister Truss is the overall senior minister for the portfolio areas?

**Mr Quinlivan**—That is right.

**Senator FORSHAW**—And at any time the responsibility for a particular segment of industry, for instance, can be shifted from one minister to another. Is that the way it works?

**Mr Quinlivan**—That is right. That is my understanding.

**Senator FORSHAW**—Was any reason given as to why this was transferred to Mr Tuckey?

**Mr Quinlivan**—I think it was principally an issue of workload, Senator, and the sharing of the workload of the two ministers over the course of the year.

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**Senator FORSHAW**—What does that mean? Mr Truss had too much and Mr Tuckey had too little?

**Mr Quinlivan**—It was a mutually beneficial arrangement.

**CHAIR**—Are these really questions that Mr Quinlivan is able to answer? They really are political decisions made by the government.

**Senator FORSHAW**—I am aware that it happened. I was wondering how it happened and what process was followed. The first the world knew about it in any real sense was when Minister Tuckey put out a press release on 7 March. We are always surprised by Minister Tuckey's press releases, but this one was more intriguing.

**CHAIR**—Indeed, Senator Forshaw. But I think Mr Quinlivan has indicated that he will take on notice relevant questions.

**Senator FORSHAW**—We want a cooperative couple of days. I think I have asked the questions that I wanted to ask. Mr Quinlivan will come back to us. Can I ask about the review of the Commonwealth fisheries policy, which is referred to on page 60 of the PBS? This was discussed at our last hearings in February when it was said at the time that the work would be completed, hopefully, in July. It now states here that it will be in August, which I appreciate is an extra month. Could you tell us whether that deadline is still appropriate? Will the work be done by then?

**Mr Quinlivan**—I think the aim of the steering committee is still to submit a document to the minister around about August. They are meeting monthly and a great deal of work is under way. We are now getting to the sharp end of the process and some of the issues where agreement is less likely between members of the steering committee are starting to emerge. So it could be a little later but I do not think it will be too much later than August.

**Senator FORSHAW**—What needs to be done between now and when you expect the report to be presented to the minister?

**Mr Quinlivan**—The steering committee is yet to form a single view on issues like cost recovery. They have not yet dealt with specific recommendations. They have been working their way through issues and working papers and so on. They will begin to consider drafts and specific recommendations over the next month.

**Senator FORSHAW**—Who is on the steering committee?

**Mr Quinlivan**—There are representatives of all the key stakeholders, representatives of the fishing industry, commercial and recreational fishers, indigenous fishers, Environment Australia, state fisheries agencies, the Commonwealth and AFMA.

**Senator FORSHAW**—Does that mean that the proposals that come out of the review would be supported, or are you looking at them being supported by all those groups? Are you looking for a compromise or an agreed position? Is that likely?

**Mr Quinlivan**—The review is looking at the full suite of Commonwealth fisheries issues. That includes all the stakeholders. So if the steering committee is able to reach agreement on issues, we can generally expect its recommendations to the government to have the full support of all those stakeholders. There may be some whose sectors do not in the end line up behind their representatives.

**Senator FORSHAW**—How confident are you that you will have an agreed set of proposals, given that there has been a fair amount of work done to date and that it is not that far off before the review is finalised and presented to the minister?

**Mr Quinlivan**—I think there will be agreement on most proposals. That will be reached pretty soon.

**Senator FORSHAW**—The terms of reference are set out on page 60 of the PBS. It refers to current policy arrangements. What are you actually talking about there? Are they Commonwealth arrangements or are they Commonwealth-state arrangements?

**Mr Quinlivan**—It is a review of Commonwealth fisheries arrangements, so it is principally Commonwealth policy arrangements, although some Commonwealth-state issues arise as well because jurisdictional problems are a key issue in fisheries management.

**Senator FORSHAW**—So the process is a review that you hope to be finished by August? It goes to the minister. What then?

**Mr Quinlivan**—Ultimately it will go to cabinet. After it goes to the minister there will be a further process between relevant Commonwealth departments and agencies in the normal way. The minister will take the submission to cabinet.

**Senator FORSHAW**—Are you envisaging that this will lead to changes in legislation?

**Mr Quinlivan**—It is too early to say because the steering committee is not yet settled on specific findings and recommendations to the government. But I think it is fair to say that the general view emerging from the review is that the structures arrangements based around the AFMA legislation and the AFMA model are sound. In that area, which is the critical one—that is the basic model that we have been working on—changes are likely to be at the margin rather than fundamental.

**Senator FORSHAW**—I take you also to the Fisheries Resources Research Fund referred to on page 61, which is intended to be completed by July 2001. Could you give us an update on what is happening there?

**Mr Quinlivan**—These are planned valuations that are listed in the PBS, Senator. This is essentially an internal audit of the administration of that fund. I think it has started. If it has not it will very soon. It is just a short exercise to check that the fund is being managed properly and what processes are being used. There will not be any difficulties with that time frame.

**Senator FORSHAW**—Why do you need a special audit? Would that not be done as a matter of course?

**Mr Quinlivan**—They are, but we are very careful about the process in relation to this fund because it is administered by the fisheries and aquaculture branch of the department.

**Senator FORSHAW**—I am pleased to hear that.

**Mr Quinlivan**—Most of the money on the contract is given to two other agencies within the portfolio—ABARE and the BRS. So we think it is important to ensure that there is some independent verification that the fund is being administered properly, given the relationship between the purchaser and, in this case, the supplier

**Senator FORSHAW**—That is an interesting analysis. Thank you for that.

**Senator O'BRIEN**—Perhaps the minister can help us with the announcement of the changeover in representation or responsibility. We were told that occurred in February, Minister. When was the Senate advised of the change in representation arrangements?

**Senator Alston**—I can find out for you.

**Senator O'BRIEN**—Okay. So it is not something that you are aware of. I do not recall it being mentioned in the Senate. I just wondered whether you could help us with that.

**Senator Alston**—I suppose that it has always been included in the general area of AFFA.

**Senator O'BRIEN**—It is just that you are representing a different minister. I was wondering whether there was an announcement that you were representing a different minister.

**Senator Alston**—I have always represented Minister Truss and Minister Tuckey is within that portfolio area so I presume I have always represented Minister Tuckey as well.

**Senator O'BRIEN**—I understand that.

**Senator FORSHAW**—We would presume that too.

**Senator Alston**—I do not think I would have paid any attention to internal readjustments. If I did, I have forgotten it, but I will find out the details formally.

**Senator O'BRIEN**—Thank you. The performance indicators for the Eden Regional Adjustment Package appear on page 54 of the PBS. The indicators are that a number of new jobs have been created and the amount of private sector investment leveraged. Can you remind me of the level of funding for this program and exactly how is it administered. Can you give me details about who received assistance.

**Mr Calvert**—An amount of \$3.6 million has been provided to fund the Eden Regional Adjustment Package. The program is the joint responsibility of Minister Tuckey and Minister Macdonald and is administered within the AFFA portfolio in consultation with the Transport and Regional Services portfolio.

**Senator O'BRIEN**—Who received the assistance?

**Mr Calvert**—To date, grants have been announced to the value of \$3.4 million and payments of the order of \$860,000 have been made to eight grant recipients. Payments are made on a milestone basis whereby, effectively, the program's funds are matching expenditure made by the grant recipients, so they are staged by milestones, according to the roll out of the project.

**Senator O'BRIEN**—Have any of the funds gone to private companies or individuals involved in commercial activities?

**Mr Calvert**—To this point, all the funds have gone to private enterprises.

**Senator O'BRIEN**—Can you tell us—and you probably need to take this question on notice—who is to get money and what sort of businesses they are involved in.

**Mr Calvert**—I could give you a brief outline now or provide you with a more detailed outline if I take that question on notice.

**Senator O'BRIEN**—I want the detail, but if you can give us an outline now that would be helpful.

**Mr Calvert**—Firstly, it might be useful if I give you a little background to the context of the package. The program is designed to leverage investment and employment in the Eden-Bombala area. It was announced soon after the closure of the Heinz cannery in the Eden area. Unlike other FISAP programs, funding is not confined to the native hardwood timber industry; it is a regional based program. Funds have been allocated to enterprises within the fish processing industry. A native tree nursery, a farm horticulture enterprise and a surveyor have also received funding. That has pretty well covered it in broad terms.

**Senator O'BRIEN**—Okay. We will need to get that detail. Thank you for that.

**Senator MURPHY**—Did any money go to the jack mackerel fishery?

**Mr Calvert**—One firm has received funding.

**Senator MURPHY**—How much?

**Mr Calvert**—To date, \$405,000—and that was the full payment of that grant.

**Senator MURPHY**—There was only the one firm anyway, wasn't there, in respect of the jack mackerel fishery?

**Mr Calvert**—There are other fishing enterprises involved in the package, but this company was primarily set up to process mackerel.

**Senator O'BRIEN**—Thank you for that. We will get that material in detail, and I understand that there is a bit of a crossover between forestries and fisheries because it comes out of the cannery closure, so I guess that is why I was asking now rather than in the forestries area. We will go back to fisheries specific questions now. Mr Meere, if I ask some questions about the new ballast water arrangements, can you answer them?

**Mr Meere**—I cannot answer them, but Mr Hurry has put his hand up.

**Senator O'BRIEN**—The new arrangements for the management of ballast water come into effect from 1 July this year, as I understand it. How will the new system operate compared with the system that is currently in place?

**Mr Hurry**—The new ballast water arrangements coming in on 1 July are being conducted by the Seaports Program in the Australian Quarantine and Inspection Service. The actual operational arrangements of the system are probably better answered by them than by me.

**Senator O'BRIEN**—What role has AFFA had in working with AQIS on that program? Any at all?

**Mr Hurry**—Quite a bit. We have been working to implement the task force report on invasive marine species. We chair the National Coordinating Group on Introduced Marine Species. That is made up of industry and state operators who have been working to develop some of these new arrangements.

**Senator O'BRIEN**—Are the new regulations in place yet?

**Mr Hurry**—They come in on 1 July.

**Senator O'BRIEN**—So they have not been—

**Mr Hurry**—Advice has been sent out to industry about what the structure of the new arrangements will be. We are just getting the data into the decision support system that will underpin some of the decisions that vessels on the high seas will be able to make prior to their entry into port in Australia.



**Senator O'BRIEN**—Are the regulations in final draft form?

**Mr Hurry**—Any regulations that have been developed have probably been developed by the Australian Quarantine and Inspection Service.

**Senator O'BRIEN**—You have been working on what is called a blueprint action plan for minimising risks from the introduction and translocation of marine pests. How many of these blueprints are being or will be implemented?

**Mr Hurry**—The bit we are working on for 1 July is to improve the vessel monitoring system that AQIS currently has in respect of trying to limit the introduction of invasive marine species into Australian ports. At least part of that process is to try to determine the risk of ships picking up invasive species from ports or from bio-regions of origin and of them surviving on the journey across to Australia and being de-ballasted into Australian ports as part of a reloading process. It is a computer model that simulates the risk and says to the captain of a ship en route to Australia that tanks A or tanks B have the potential to have organisms in them that we would consider dangerous to Australia's environment.

**Senator O'BRIEN**—I expect I will pursue this matter further with AQIS. On the northern prawn fishery management plan, I want to go to recommendation 2 of the committee's report, which reads:

... recommends that AFMA monitor the impact of the amendment management plan on shore based activity as well as offshore based activities, noting that if the impact is sufficiently severe, it may be necessary for the Commonwealth to provide strategic adjustment assistance.

The government responded saying that, while that work fell outside AFMA, the department:

... is pursuing funding through the Fisheries Resources Research Fund (FRRF) to allow ... ABARE to undertake research to determine the impact on both shore based and offshore based activities.

At the time the government said it supported the intent of the recommendation but at that point did not see any need for adjustment assistance at that stage. Firstly, can you tell me whether or not funding was found for ABARE to do this work?

**Mr Hurry**—Yes, it was.

**Senator O'BRIEN**—How much funding was provided and where is that work up to? Have you been advised by ABARE that it has been concluded?

**Mr Hurry**—I do not have the level of funding that was provided but I can tell you where we are at.

**Senator O'BRIEN**—Thank you. Someone behind you might have the information.

**Mr Hurry**—No, I suspect I will have to take that on notice and come back to you on the actual cost of it.

**Dr Fisher**—The project that you refer to has a budget of \$49,117. We completed—

**Senator O'BRIEN**—Where did that money come from, the FRRF?

**Dr Fisher**—Yes, that is correct. We completed the survey in the month of February. We are currently entering that data and editing it. We expect to have that project finished about August when we would expect to provide that draft report to AFFA for comment.

**Senator O'BRIEN**—Thanks for that. So I take it AFFA cannot give us any preliminary indication of whether there is any need for adjustment, or do you have other information upon which you rely?

**Mr Hurry**—No, we are waiting to be provided with the draft report.

**Senator O'BRIEN**—In rejecting recommendation No. 3, which related to the use of an industry funded research vessel, AFMA advised that it would 'continue to examine other methods of industry funding of increased at-sea research.' Has AFMA looked at what other options were available, and has the authority acted on, or does it plan to act on, any of these options?

**Mr Meere**—NORMAC, the Northern Prawn Management Advisory Committee, has been looking at this matter. Last week I had a visit from the research member and one of the major operators to talk to me about how they could further leverage funds for greater research in the NPF. It is my understanding that they have not specifically settled on a dedicated research vessel, but they are looking at greater at-sea research. We discussed how they might be able to leverage greater industry contributions to actually fund that research.

**Senator O'BRIEN**—Greater industry contributions?

**Mr Meere**—Yes.

**Senator O'BRIEN**—So the issue is funding it rather than doing it.

**Mr Meere**—It is twofold—I think we probably reported previously, although I do not have the details in front of me, that there was general agreement that some greater use of at-sea research would be beneficial. But it is by far and away the most expensive form of research for fisheries work. It has to be balanced with the resources available and the potential benefits from that work in terms of the output that would come from it.

**Senator O'BRIEN**—Isn't that research work going to give more credibility to the research which is based on shore based data collection on catch?

**Mr Meere**—This is exactly what NORMAC's research committee is looking at: to see how they construct a program which will not only be beneficial to the stock assessment that CSIRO does but also be cost-effective in terms of the data that it collects and how it can be fed into that model. I am not exactly sure where that is up to. I am happy to take that on notice and give you a formal response on that, but that is my understanding of where they are at in relation to that recommendation.

**Senator O'BRIEN**—If you could have a look at that. It just seems that there has been a lot of argument about the validity of projections on catch into the sustainability of the fishery. Indeed, certain people from the industry were talking about vessel based research. It would be a great pity if that became bogged down in an argument about who paid, given the argument about the credibility of the science in relation to sustainability.

**Mr Meere**—Yes. I would just make the comment that you would be aware that Dr Russell Reichelt prepared a paper for the workshop that was convened by NORMAC in June last year discussing just this matter. It was following that workshop that there was general agreement—there was widespread industry contribution to that workshop—that a dedicated research vessel per se was not necessary but that greater at-sea research probably would be beneficial and they would factor that in. But there still is the question of how you pay for it and where the resources come from. I will give you some more detail on where exactly that is up to.

**Senator O'BRIEN**—Okay. Recommendation 9 states that AFMA:

(a) Undertake thorough research to calculate the ability of the Northern Prawn Fishery Amendment Management Plan to deliver the long term sustainability of the fishery—

which goes back to the point we were just talking about. The government response stated:

... AFMA will, as a matter of priority, develop targets, standards and indicators for target species and will work towards establishing similar measures for assessing marine community and ecosystem level impacts.

What is happening on that front?

**Mr Meere**—Again I would like to get you the details on that—I do not have those with me—but there is work being carried out. The northern prawn fishery is in the process of moving towards having a strategic assessment done under the EPBC Act and it will require some of this information in order to be able to provide that data for the strategic assessment. So there is work being done. I do not have the details here with me but I am happy to take that on notice and provide that.

**Senator O'BRIEN**—Do you know when that work is to be concluded?

**Mr Meere**—I cannot answer that. I would suspect it is ongoing, given the nature of the beast that we are dealing with and the requirements that are required for strategic assessment et cetera.

**Senator O'BRIEN**—Then recommendation 9(c) recommends that research be commissioned to ascertain the future economic impact of the plan on the fishery. Is that in the same basket, as it were?

**Mr Hurry**—That has been funded and ABARE are undertaking that work at the moment, with a final report due around June 2001.

**CHAIR**—Senator O'Brien, although we have a scheduled break at 10.30, by agreement we are going to continue to allow the fisheries people to leave as soon as they can.

**Senator O'BRIEN**—On AFMA's performance, I want to go to performance information for the outcome table in last year's PBS, table 2.2 on page 103. While we have not reached the end of the financial year, I assume you produce quarterly reports for the board. That is correct, is it not?

**Mr Meere**—Yes, we have been producing quarterly reports to the board.

**Senator O'BRIEN**—Can you give an indication of how AFMA performed against the performance measures in that table? It seems that many of these measures are presented in a very simple way but, in reality, the complexity of a lot of these issues do not lend themselves to a simple one line performance measure.

**Mr Meere**—Senator, you have hit the nail on the head. The outcomes are very difficult and quite complex to provide performance information for. As you know, every fishery is different. We work in a data-poor environment with large levels of uncertainty and to try to give you quantifiable performance information is difficult. What I can report is in relation to key target species where we do have the information and where we have the single species stock assessment available. In a number of species in the south-east trawl fishery, we have set biological reference points that we are working towards. In the southern shark fishery, school shark has a rebuilding target and gummy shark is sustainable at the level that it is currently fished, and we are working to target reference points there. In the southern bluefin tuna fishery, we are rebuilding that stock in line with the international arrangements in place with Japan and New Zealand and hopefully shortly with Korea and Indonesia. In relation to the Heard and McDonald Island fishery and the Patagonian tooth fish and mackerel ice fish stocks there are—

**Senator O'BRIEN**—That is 1.2—

**Mr Meere**—Sorry, I am just talking in general at the moment. There are quite stringent requirements set under CCAMLR and we are within those reference points. In relation to the northern prawn fishery, as you would be aware, tiger prawns are overexploited and we are in a rebuilding phase—hence the committee's inquiry and the changed management arrangements last year. Banana prawns are fully fished, but I can report that this year they have had an exceptional year. The season has been very kind to the industry. That is the broad picture in relation to target stocks where we have that information. As I mentioned, we are in rebuilding phases for school shark, tiger prawn stocks in the northern prawn fishery, gemfish stocks in the south-east trawl fishery and, of course, southern bluefin tuna stocks.

**Senator O'BRIEN**—I was trying to fit that in with outputs 1.1, 1.2, 2.1, 2.2, 2.3 and 2.4. You have a whole series of outputs there. I could see a lot of those activities in 1.1. What about the other output areas?

**Mr Meere**—We have a small level of activity in relation to output 1.2, which is our activities in relation to the high seas. The United Nations fish stock agreement has not yet come into effect because I think only 29 of the 30 countries have ratified that agreement. So we have not had to do a lot in relation to that. Obviously, as that is ratified, we will have to put in arrangements to manage Australian fishermen operating on the high seas. So that will come into effect there. We were part of the Australian delegation to the MHLC arrangements; we have been actively discussing cost recovery arrangements for regional fisheries management arrangements; we have worked with the department in relation to southern bluefin tuna and the CCSBT arrangements; and we have participated in the arrangements that are listed at the bottom, the CCSBT, the Indian Ocean Tuna Commission, CCAMLR and the South Tasman Rise arrangements. That is output 1.2.

In relation to output 2.1, there are a number of process measures here that we have not met in relation to setting up memorandums of understanding and service level agreements with the states through our compliance services. I am afraid that a number of states still have not formally signed off on the memorandum of understanding that we have provided to them and asked them to endorse. We are pursuing that as a matter of some urgency and, hopefully once they are in place, we will be able to then implement the service level agreements under those. We have done quite a bit of work on training fisheries officers, both for domestic fisheries work and for broader illegal international work as well.

**Senator O'BRIEN**—Foreign fisheries compliance has been noted significantly in the media. Your measure in output 2.2 states 'extent of monitoring, surveillance and enforcement related to high risk areas'. What can you tell us about 2.2?

**Mr Meere**—We continue to do the bread and butter work, if I can describe it as that, which is the illegal Indonesian fishing activity. We have had 16 apprehensions so far this calendar year. In relation to high seas, Heard and McDonald islands, you have picked up on that. With the assistance of many other government agencies—including the ADF which have provided their services, and of course the South African government—we have had a successful apprehension of a vessel that is alleged to have been illegally fishing in the Australian fishing zone surrounding those islands. Naturally, it is an area that requires considerable resources, and we continue to work within those resources that are available.

**Senator O'BRIEN**—In last year's budget it was \$7.993 million. That is not a lot of money for foreign fisheries compliance, is it?

**Mr Meere**—At the end of the day, a special proportion of that is to do the Heard and McDonald southern surveillance. That is approximately \$3.8 million or \$3.9 million of that sum there. The balance is the illegal Indonesian work, which includes apprehension, prosecution, disposal of vessels, et cetera.

**Senator O'BRIEN**—Looking at the disposal of vessels, how much has been recovered over the last 12 months from disposal of vessels for the Commonwealth? Are you aware of that or could you take that on notice?

**Mr Meere**—I will take that on notice. Again, with illegal Indonesian vessels, it is normally a cost. We have to dispose of those vessels; they are very rarely put up for tender or sale. But I am aware that we did have the forfeiture of a—

**Senator O'BRIEN**—Was it a Spanish vessel?

**Mr Meere**—No, this was a Taiwanese vessel. I will have to check the figures, but certainly a reasonable sum of money came back to consolidated revenue as a result of the forfeiture of that vessel, which was one of the ones forfeited this year. I will take that on notice.

**Senator O'BRIEN**—It would be interesting to see what the cost-benefit was—obviously, there are benefits to the fishery, but there is some financial recovery where apprehension occurs—and how that might be offset against the costs of the compliance program.

**Senator MURPHY**—It would probably be useful if you took that on notice and did that for the last three years.

**Mr Meere**—Yes.

**Senator O'BRIEN**—Output 2.3, I suspect, cuts across some of the things you have told us, but can you enlarge upon that?

**Mr Meere**—Yes. Essentially, most of these services are on target and are being met. These are to do with data collection, both through the logbook program that AFMA operates in conjunction with the commercial fishing industry and of course where we place independent observers on boats. By and large, these targets are being met. There are a few exceptions, but broadly we are able to place observers as they are needed on different vessels. We are getting very good compliance rates from fishermen in terms of cooperating with their logbook returns and being able to compile that data in a timely manner.

**Senator O'BRIEN**—Are there any issues in terms of being able to operate within budget?

**Mr Meere**—No. I think that is broadly okay in terms of the programs that we currently have structured. I guess I would make the observation that we will need to do more data validation, which is expensive work, and there is a question of how we are going to fund that over a period of time in terms of providing assurances to government and to the broader community that the information on which we are basing our assessment and our management arrangements is the most robust available.

**Senator O'BRIEN**—Under output 2.4, you have 100 per cent targets for transactions actioned and debts recovered. How is that proceeding?

**Mr Meere**—I have some information on that. My general impression is that, where all the required information is provided to us, we are able to meet those transactions. In fact, a total of 589 concessions were issued or transferred, all within required time frames. That is the current comment against that.

**Senator WOODLEY**—I realise that these questions may be more appropriately addressed when we have AQIS before us, but I wanted to ask a series of questions about the white spot virus in prawns. Is it appropriate to ask you those questions, or is it better to ask AQIS?

**Mr Hurry**—AQIS and the Product Integrity Group would be better placed to answer those questions.

**Senator WOODLEY**—I am happy to leave it until then, if that will help.

**Senator MURPHY**—Going back to the ACIL report—you might want to take some matters on notice—recommendation 5 states:

MAC industry members should:

- Continue to be selected, not elected, with the sole criterion being their ability to contribute to the MAC debate.

What is the process now?

**Mr Meere**—The process is that we have a pool of all industry participants. We write to every one of them and say, ‘Please nominate if you want to be on the MAC.’ We have a ranking committee, which comprises the chair of the MAC; the general manager, fisheries; an independent industry person not from that fishery per se, but somebody who would know the operators; and the executive officer of the MAC, who acts as the secretary. They do a ranking based on the applications as they come in, and they make recommendations to the AFMA board for appointment.

**Senator MURPHY**—With regard to recreational fishing representation on MACs, how is that determined?

**Mr Meere**—In the past, we have written to peak bodies and asked them to nominate people. So, for example, in the eastern tuna and billfish fishery, one person has been nominated from the GFAA, but we also have someone nominated by one of the recreational fishing bodies.

**Senator MURPHY**—When you say you write to peak bodies, do you write to a peak body that you think is representative, or do you write to—

**Mr Meere**—Where we can identify one, we do that. When we are not sure, we try to write to a number.

**Senator MURPHY**—Do you ever write to the Australian National Sport Fishing Association?

**Mr Meere**—I am not sure whether we have written to ANSFA. I could check on that.

**Senator MURPHY**—If you wouldn’t mind just checking on that. Recommendation 10 states:

The AFMA board should cease ‘noting’ MAC views or recommendations; it should agree or disagree—and in either case, especially if disagreeing, say why—or explain why no decision has been taken, what further information is being sought and when a decision will be made; in reaching its decisions the AFMA board should acknowledge advice it considered other than from MACs.

Has that not been the case today?

**Mr Meere**—There has been a misinterpretation of when the board said it noted that a particular report came through. Many of the industry members thought this meant the board accepted it, whereas the board saw the arguments and considered them, but it may not have

made a recommendation on them. The board has agreed that that is confusing. We have already started to move away from that to indicate clearly whether we have accepted or rejected the matter or whether we want to consider it further.

**Senator MURPHY**—Recommendation 12 states:

At the start of each year, the AFMA chairman should write to each MAC outlining AFMA's expectations for the MAC for the coming year in terms of the forward agenda, decisions and constraints; such a letter would assist both AFMA and MACs, including with performance assessment; the letter should be consistent with AFMA's annual operational plan.

Is that not the case now?

**Mr Meere**—That has not been happening, so we are going to put that into place.

**Senator MURPHY**—I was curious because I note that recommendation 20 states:

Senior AFMA management should clarify the position of fishery managers when they attend MAC meetings in terms of views they express or policies they advocate.

**Mr Meere**—I would say that that has already been happening. I do not think that that is an issue.

**Senator MURPHY**—How often do AFMA board members attend MAC meetings?

**Mr Meere**—That has varied in the past, but the current board has agreed that it will try to have at least one director at each of the main MAC meetings during the year.

**Senator MURPHY**—So it has not been the case to date?

**Mr Meere**—It has varied. Depending on the subjects being considered, particularly where there were important decision items for the fishery, the board has made an attempt to get there. We have 13 management advisory committees which have between one and three or four meetings a year, depending on how important the fishery is and on its stage of development. You can see that it would take a big effort for the directors to be at every meeting.

**Senator MURPHY**—Recommendation 22 states:

The AFMA manager of a particular fishery should visit all major ports for that fishery at least annually.

**Mr Meere**—Again, that probably happens anyway, but we will make sure that we do that from here on in. In terms of the ACIL report, and from a broader stakeholder meeting the board held only a week ago, and more generally, it is clear that there is a need for greater face-to-face engagement with our key stakeholders.

**Senator MURPHY**—Could you provide me with an update of what is happening with regard to the mackerel fishery that is going to operate in Eden?

**Mr Meere**—I am not sure whether a great quantity of product has been caught. We are talking about blue mackerel here, not jack mackerel.

**Senator MURPHY**—It is slimy.

**Mr Meere**—Yes, that is the blue mackerel. I understand that these fish are required for the processing plant. I think that the operations are ready to roll, but I am not aware of whether there have been any great catches to date. Separately to this, we have issued, and are awaiting comments on, a policy discussion paper on future management, not just for off Eden but for the zones off Eden, for the Great Australian Bight zone and for the southern part of Australia. There are four zones in all, zones A to D. Zone A is being managed under a joint authority

arrangement with Tasmania, so that is a little different. However, for zones B to D, we are looking to formalise, and to implement, policy in relation to the fishery. I am happy to provide a copy of the discussion paper if you have not seen it.

**Senator MURPHY**—Yes, if you wouldn't mind. When you set those management plans in place, in terms of fishers from other states, how are you going to license the arrangements, given that the fishery at Eden is going to be fairly dependent on some consistency of catch?

**Mr Meere**—I do not have all the figures in front of me, but my memory is that there are approximately 70 jack mackerel fishing permits across all those zones. Many of them are common. Many of them are licensed to fish in zones B, C and D. We would not be proposing—unless we have stock delineation reasons—to stop people moving from one zone to the other. But that is part of the discussion paper and part of future management arrangements. The important thing is that, at the moment, outside zone A there is very little jack or blue mackerel being taken anywhere in Australia. The question is: we have got a large amount of latent effort, so how do we manage that? That is what this is attempting to do in terms of moving forward the management arrangements. I will forward you a copy of that.

**Senator MURPHY**—I would appreciate that.

**CHAIR**—As that completes all the questions for fisheries, I thank the fisheries representatives for their attendance.

**Proceedings suspended from 10.51 a.m. to 11.07 a.m.**

**CHAIR**—There are some questions on forestry.

**Senator FORSHAW**—I want to go first to the action agenda which was announced by the minister some time ago. On 5 September last year some funding was announced for the R&D corporation. Other than that, has the government approved any funding for the forest and wood products industry action agenda?

**Mr Rawson**—The action agenda is primarily a partnership between the industry and government, so government response to the action agenda should be looked at in the context of whole of government expenditure. There has been a number of initiatives since the establishment of the action agenda, including the Forest and Wood Products R&D Corporation dollar for dollar. Specifically, I refer to the cooperative research centres, of which there have been two announced in the recent round, because innovation is a major component of one of the strategic imperatives of the action agenda.

There have been other initiatives in relation to transport, with the \$1.2 billion Roads to Recovery program. Much of that money will be spent in areas where forestry is particularly important. There is the FISAP funding, with the announcement last week of the recommencement of the New South Wales FISAP program. In farm forestry there have been some announcements of expenditure in the order of \$860,000 to address the lack of data in terms of the inventory for privately owned forests. So there has been a number of initiatives, but it is being driven by the industry. There is a number of working groups that industry is leading. As I indicated at the last hearing, the level of expenditure from the AFFA point of view would be of the order of \$400,000, basically drawing on existing resources.

**Senator FORSHAW**—I will come to FISAP shortly, but is there any reference in the PBS to what the level of funding will be for the coming financial year 2001-02, and subsequent years.

**Mr Rawson**—No, there is not.



**Senator FORSHAW**—In respect of the action —

**Mr Rawson**—No, there is not.

**Senator FORSHAW**—So what you are saying is that there is FISAP, there is —

**Mr Rawson**—Vision 2020 is an example.

**Senator FORSHAW**—Yes, Vision 2020 there is—

**Mr Rawson**—The Farm Forestry Program.

**Senator FORSHAW**—there is Roads to Recovery, Farm Forestry, but these are all other programs, some of which are in other portfolios or ministerial responsibilities. Are those correct?

**Mr Rawson**—Yes, it is a whole of government response to the action agenda.

**Senator FORSHAW**—I want to refer to the minister's reply to a question on notice dated 5 March 2001. The question was:

- (1) What level of funding has the Government allocated to its Forest and Wood Products Industry Action Agenda for 2000-2001.
- (2) From which appropriation item(s) is this funding to be provided.
- (3) What funding provision, if any, is made in the Budget forward estimates for the Action Agenda.

Mr Tuckey answered that in respect to the first two issues, around \$405,000 is available from AFFA for its running cost to administer the action agenda, including the Forest and Wood Products Council during 2000-01. And then he says:

The government is in the process of developing the 2001-2002 budget. Details of funding for Action Agenda items are as yet unknown.

But there is no funding really, is there, for the action agenda per se? And Minister Tuckey was saying at that stage that details are unknown because it is in the process of developing the budget, but when we get to the budget there is nothing there.

**Mr Wonder**—If I can just make a point, Senator, I think what Mr Rawson has indicated is that it is a whole of government initiative and therefore with the items that he has referred to, whether they are inside the AFFA portfolio or outside, we would put a fence around the lot.

**Senator FORSHAW**—I understand what Mr Rawson said, Mr Wonder. I clearly understand what his answer was, but the problem that I have, and I think that anybody in the industry would have, is that Minister Tuckey has been out there for a couple of years now beating the drum about this action agenda for the forest and wood products industry—not about a whole of government issue, not about road funding, but about this industry—and promoting innovation in this industry. And he has led people to believe, by his statements, that there should be specific funding for the action agenda, and one would assume that that would be identified and be focused on forestry and on the wood and forest products industry. But there is nothing in the budget at all about it. No wonder Mr Tuckey is having to look after fisheries. I am concerned that we have this action agenda which is tagged for the wood and forest products industry, but there is no specific funding allocation for it.

**CHAIR**—Senator Forshaw, I do not believe that Mr Quinlivan can answer that—

**Senator FORSHAW**—I think Mr Wonder has been looking to respond—I will give him the opportunity now.

**Mr Wonder**—I make only one comment, and that is just building on what my colleagues from the forestry area have said. One particular aspect that comes to mind is the Forest and Wood Products R&D Corporation funding, which is within the AFFA portfolio and is in the context of the 2001-02 budget and beyond. It is significant. Mr Rawson might correct me, but I think the estimated value of the initiative of the government moving from two for one funding to one for one funding is of the order of \$1.5 million per year.

**Mr Quinlivan**—That is correct.

**Senator FORSHAW**—The R&D corporation has been there for years and that funding announcement was made on 5 September last year. What has been delivered from this budget as a result of the previous statement from the minister which indicated that these issues would be addressed?

**Mr Wonder**—The measure I mentioned only takes effect in this budget—from 1 July this year.

**Senator FORSHAW**—Did the minister submit a funding proposal for the action agenda to the ERC with cabinet?

**Mr Wonder**—I would have to refer that to the minister.

**Senator FORSHAW**—Please take that on notice. If he did not do that then I would like to know why it was not done. According to the minister's answer of 5 March, to which I just referred, the 2000-01 budget for the Forest and Wood Products Council was \$405,000. This was to cover the running costs to administer the action agenda, and it is funding within AFFA. What is the council's budget for the forthcoming year?

**Mr Rawson**—That is the total budget. The council members, who are the CEOs of the major forest and wood products companies, meet their own expenses to participate in the council and its working groups.

**Senator FORSHAW**—Is there any money allocated for this forthcoming financial year—2001-02—for departmental running costs to administer the action agenda? There was \$405,000 allocated for the current financial year, which is about to end. What has been allocated for the next financial year?

**Mr Rawson**—It is in the same order of magnitude.

**Senator FORSHAW**—Is that noted in the budget papers?

**Mr Wonder**—It is not, because a feature of the way the budget papers are prepared is that resources that are within the control of or are administered by the department are identified as departmental expenses. That \$405,000 is identified as a departmental expense. As Mr Rawson has said, a similar amount is being provided for in 2001-02, as was done last year, but it is not separately identified.

**Senator FORSHAW**—So the funds are sourced from the general pool of departmental—

**Mr Wonder**—The funds are sourced from the resources available to AFFA, yes.

**Senator FORSHAW**—You are saying that it will be of the same magnitude for the coming year. I now go to FISAP. According to the PBS, at page 30, the allocation for FISAP in Appropriation Bill (No. 1) is \$6.799 million. What proportion of this funding is for direct Commonwealth funding to the timber industry in Queensland?

**Mr Calvert**—At this stage the program we have for Queensland has \$5 million allocated to it.

**Senator FORSHAW**—So out of the \$6.799 million, \$5 million is for Queensland. Is that correct?

**Mr Calvert**—That is correct.

**Senator FORSHAW**—What is intended for the remaining \$1.8 million?

**Mr Calvert**—The remaining \$1.8 million is available for direct payments on behalf of the Commonwealth to the industry in New South Wales, Victoria and Western Australia. The majority of the payments under FISAP, though, are under the jointly administered programs and so are under Appropriation Bill (No. 2).

**Senator FORSHAW**—What is the reason for those remaining direct Commonwealth funds being available for those other three states outside of the agreed arrangements with the states?

**Mr Calvert**—I am not sure that I would say they are outside the agreed arrangements. Rather, it provides the Commonwealth with the flexibility to make payments directly to grant recipients.

**Senator FORSHAW**—You are not sure?

**Mr Calvert**—I am saying that I would not say that the capacity to make payments directly was outside the jointly agreed arrangements.

**Senator FORSHAW**—In answer to a question on notice on 3 October, the minister said that the FISAP allocation to New South Wales in 2001-01 was \$24.8 million. I have that answer here if you need it.

**Mr Calvert**—I also have it. Thank you, Senator.

**Senator FORSHAW**—I thought you might. You will see that the allocation for New South Wales in the current financial year is \$24.8 million and it is \$11.3 million for the coming financial year, 2001-02, which is a total of \$36.1 million up until the end of June 2002. The southern New South Wales RFA was signed on 27 April. Is that correct?

**Mr Calvert**—24 April.

**Senator FORSHAW**—Is it envisaged that any of the allocation for the current financial year will be spent before 30 June this year?

**Mr Calvert**—The only expenditure this financial year in New South Wales has been a contribution towards the administration costs of the unit that administers the program from Sydney. Beyond that, there have been some ongoing payments for worker assistance, business exit assistance and the like.

**Senator FORSHAW**—How much is that in total?

**Mr Calvert**—I could not say off the top of my head, I am sorry.

**Senator FORSHAW**—You gave me an amount a moment ago which, I am sorry, I did not quite pick up. It was in your first answer.

**Mr Calvert**—The first answer I gave was in relation to Appropriation Bill (No. 1), which provides for direct payments.

**Senator FORSHAW**—No, I meant in answer to the last question about how much is expected to be allocated out of the \$24.8 million by the end of this financial year.

**Mr Calvert**—The amount would be negligible.

**Senator FORSHAW**—So out of the total for this year and next year—the \$36.1 million shown on the minister's answer—there is a negligible amount that will be allocated before the end of this financial year?

**Mr Calvert**—That is right. On Friday the minister jointly announced a relaunching of FISAP in New South Wales. He and Minister Yeadon, the New South Wales forestry industry minister, made the announcement on Friday, having signed a memorandum of understanding on the previous Monday, 21 May. So we are at the stage where we are gearing up to relaunch the program, and a substantial amount of expenditure is likely to occur next financial year.

**Senator FORSHAW**—That is what I want to take you to because on page 86 of Budget Paper No. 3 the allocation for New South Wales for 2001-02 is given as \$33 million, which is \$3.1 million less than the figure the minister gave us in the answer on 3 October, where the total was \$36.1 million. Can you explain to me why it is \$3.1 million less than previously indicated?

**Mr Calvert**—The program in New South Wales is intended to run until 30 June 2003. We have rephased the profile of expenditure in light of delays in recommencing the program. So, in essence, we are projecting that expenditure will be delayed further than the time we were expecting in June last year certainly. But, in terms of the quantum, the intention is that the Commonwealth would contribute the balance of the \$60 million originally committed to New South Wales FISAP.

**Senator FORSHAW**—So your explanation is that the total of \$36.1 million is unlikely to be fully allocated in the forthcoming financial year?

**Mr Calvert**—At this stage it is unlikely, yes.

**Senator FORSHAW**—But it will still be available beyond that?

**Mr Calvert**—That is the intention. Yes, certainly the intention is to have the remainder of the \$60 million allocated out until 30 June 2003. We are aware that there are a large number of applications for industry development assistance pending and we will be re-advertising the program as soon as possible, and releasing some guidelines. So really it is a matter of allowing the program to all applicants to renew applications or to invite new applications for industry development. But perhaps a more uncertain element is any business exit assistance where companies may apply for assistance under that element of the program.

**Senator FORSHAW**—Can I then take you to Victoria in that same answer? The minister said that the FISAP allocation for Victoria was \$11.1 million in 2001 and \$4.1 million in the coming financial year, 2001-2002, which is a total of \$15.2 million up to June 2002. What is the estimated level of actual expenditure in the current financial year?

**Mr Calvert**—It would be of the order of \$3 million, Senator.

**Senator FORSHAW**—Can you tell me why the shortfall—about \$8.1 million?

**Mr Calvert**—Industry development guidelines were recast and released towards the end of last year. We have a number of industry development applications that are pending. The estimate at that time was based on our estimates of a number of grants that would be paid within this financial year. They have not yet been announced.

**Senator FORSHAW**—Given the minister's repeated comments that FISAP funding should not be used to buy out timber industry jobs, what is the Commonwealth's position on the proposed funding to the Neville Smith Timber group?

**Mr Calvert**—Neville Smith Timber Industries is certainly an applicant for industry development assistance. They have been assessed along with all round 1 applicants through a two-stage process. Their proposal submitted to the FISAP committee certainly demonstrates some merit.

**Senator FORSHAW**—Could you be a bit more specific than that?

**Mr Calvert**—Perhaps if you could give me an idea—

**Senator FORSHAW**—They have asked for assistance. You said their application has got merit, but is there a proposal? Has the government or the minister made a decision as to whether funding will be made available out of FISAP?

**Mr Calvert**—Certainly the Forest Industry Development Adjustment Committee has made recommendations to both Minister Tuckey and Minister Garbutt, the Victorian minister.

**Senator FORSHAW**—Where is it at?

**Mr Calvert**—At this stage further discussions are being held with each of the round 1 applicants that were approved by the ministers with a view to shoring up their proposals.

**Senator FORSHAW**—Is this specific application still to be resolved along with the other applications?

**Mr Calvert**—That is correct.

**Senator FORSHAW**—Can you tell me when that will occur?

**Mr Calvert**—I would hope within weeks rather than months.

**Senator FORSHAW**—I am sure the applicants do too. The CFMEU wrote to the minister on 16 May complaining about Neville Smith Timber's retrenchment of 27 workers at the group's Seymour operation. Are you aware of that correspondence?

**Mr Calvert**—Yes.

**Senator FORSHAW**—Has the minister made any response to the CFMEU's concerns?

**Mr Calvert**—Not that I am aware of.

**Senator FORSHAW**—I take it the correspondence is with the minister now—well, it was sent to the minister so he would have it.

**Mr Calvert**—I would assume so, yes.

**Senator FORSHAW**—Could you take it on notice that when the minister responds we be advised and be provided with a copy of his response?

**Mr Calvert**—Certainly.

**Senator FORSHAW**—Has the Commonwealth conducted any assessment regarding the likely reduction in harvesting levels in Victoria as a result of the new sustainable yield system that is required under the RFAs? Have you done any analysis?

**Mr Rawson**—The Commonwealth has not done any independent analysis. It is relying at this stage on the data that was prepared for the RFAs. That is the data it is basing any judgments on at this point.

**Senator FORSHAW**—Is there any intention for the Commonwealth to do an assessment of its own?

**Mr Rawson**—I think this is seen as primarily a matter for the Victorian government. It was foreshadowed that the Victorians would continue to develop their sustainable forest resource inventory following the completions of the RFAs.

**Senator FORSHAW**—As I am advised, Victoria has made approaches to the Commonwealth to increase the level of FISAP funding, given the expectation that there will be reductions flowing from the new sustainable yield system. Is it correct that Victoria has made those applications or has sought additional funding under FISAP?

**Mr Calvert**—Any additional funding would be per Victoria; certainly we are aware that that has been mooted but there has been no formal decision or agreement reached between the ministers on that matter

**Senator FORSHAW**—You are saying that no formal approach has been made yet?

**Mr Calvert**—Minister Garbutt has written to Minister Tuckey just flagging that the review was being undertaken, but I am not aware that she has formally put to the minister any offer of additional funding.

**Senator FORSHAW**—In that case the minister would not have rejected any approaches for additional funding.

**Mr Calvert**—That is correct.

**Senator MURPHY**—If we go to Mr Rawson's response about the Victorian RFA process and the inclusion in an RFA—albeit, a regional RFA—of the sustainable levels of resource availability, I thought it was part of the RFA process that they be concluded before an RFA was signed off on.

**Mr Rawson**—That is correct. In relation to the western region RFA, I think in appendix 10 it was recognised that further development work was needed for the resource inventory in Victoria and that a time frame was set out in the appendix to the RFA which covered I think all of the RFAs for Victoria. That work is ongoing in Victoria.

**Senator MURPHY**—In response to Senator Forshaw's questioning with regard to the FISAP moneys, why wouldn't it be the case then that if there was an inconclusive inventory of resource availability in Victoria, that you would not conclude the option for additional FISAP money?

**Mr Rawson**—'Inconclusive' is probably not quite the word that I would use. The resource inventory was the best available with the data that was available at the time, but there was a recognition that additional work needed to be done to refine that data.

**Senator MURPHY**—It has turned out to be very inconclusive. Why wouldn't it be the case then, if there was an open book in so far as finally assessing resource availability, that you would not keep open the option for additional FISAP funding?

**Mr Calvert**—I hope that in my earlier answer I did not suggest that there was a refusal of any offer of further funding but rather that there had been no formal approach, as far as I am aware at this stage.

**Senator MURPHY**—I know you said that, but—

**Mr Calvert**—And that in light of the fact that the review was ongoing, I would have thought it premature to make any such decision on funding.

**Senator MURPHY**—So the funding option is still open?

**Mr Calvert**—I guess from our perspective—

**Senator MURPHY**—It is your perspective I am asking for. I know you said that you have not received any application. That is up to the Victorian government. If they did apply, is the funding option still open?

**Mr Calvert**—We are talking about the state offering to the Commonwealth to contribute more towards a joint program. Obviously, the minister would make any such decision as to whether he wanted to allow that to the joint program. I guess that is as far as I could take it at this stage.

**Senator MURPHY**—The RFA is a joint process; it is a joint agreement.

**Mr Calvert**—That is right. So is FISAP in Victoria; it is administered under a memorandum of understanding and guidelines jointly agreed to by ministers. Certainly there is scope for funding top-ups to the joint program. That has already occurred in Victoria.

**Senator FORSHAW**—Let me turn to the Western Australian situation. In that same answer that I referred to on 3 October, regarding FISAP allocations, Western Australia was to receive \$7.9 million in 2000-01 and \$4.6 million in 2001-02, which is a total of \$12.5 million. What is the estimated level of actual expenditure for the current financial year?

**Mr Calvert**—Again, for Western Australia the amount would be negligible. That is why we stressed at the time of providing that answer that these were purely indicative estimates.

**Senator FORSHAW**—Can you tell us the reason for the shortfall?

**Mr Calvert**—Yes. There have been delays attributable to, firstly, the former Western Australian government satisfying the minister that there was sufficient resource security attached to supply arrangements for any grant recipients. More recently, of course, there has been the change of government in Western Australia. The policy direction of the new government suggests that there is going to be quite a profound impact on the forest industry. Again, the minister wishes to be satisfied that there are resource security provisions to industry before he is prepared to approve any grants for investment in that industry.

**Senator FORSHAW**—On Saturday 3 February, an article appeared in the *West Australian* newspaper which stated:

A federal funding package worth more than \$3 million would be lost to West Australia's south-west forests if Labor won next Saturday's election, Federal Forestry and Conservation Minister Wilson Tuckey said.

Is that correct?

**Mr Calvert**—I have not seen that article. From the little you have told me, I just do not have enough information to go with that.

**Senator FORSHAW**—Will you check that out?

**Mr Calvert**—We will take that on notice. I can say that at present the memorandum of understanding with the Western Australian government remains in place. There is also a \$5 million south-west forests package that is administered by the Department of Transport and

Regional Services which is specific to the south-west forests region. That is a general regional package. It may have related to that.

**Senator FORSHAW**—What we have there is a position in October of last year in which the minister, in answer to a question on notice, said that there is \$7.9 million allocated under FISAP for this current year for Western Australia. At the time he gave that answer, it appears from your answers that the expectation was that hardly any of that would be likely to have actually been allocated and spent because of problems that existed at the time with the previous Western Australian government. Is that a correct summary of what you have said?

**Mr Calvert**—I am not sure that I would say it was a problem. It was an issue that had to be resolved, and certainly progress was being made to that end.

**Senator FORSHAW**—Was the issue resolved prior to the state election?

**Mr Calvert**—Yes, it was.

**Senator FORSHAW**—When was it resolved?

**Mr Calvert**—Off the top of my head, I could not tell you the exact date of the correspondence between Minister Omodei and Minister Tuckey.

**Senator FORSHAW**—How was it resolved?

**Mr Calvert**—It was resolved in the sense that assurances were provided in relation to resource security and reflected in turn in the guidelines that were issued to industry.

**Senator FORSHAW**—Could you provide us with copies of the correspondence?

**Mr Calvert**—I could certainly provide the guidelines and I would seek to have permission from the minister to—

**Senator FORSHAW**—For these assurances that were provided?

**Mr Calvert**—The guidelines would well demonstrate the measures provided under the joint program towards resource security.

**Senator FORSHAW**—Could you provide me with the details as to when that occurred?

**Mr Calvert**—Certainly.

**Senator FORSHAW**—Was there an announcement made by the minister, or advice provided by the minister, to the previous Western Australian government that the issue had been resolved and the money would be able to flow?

**Mr Calvert**—Minister Omodei and Minister Tuckey jointly released the industry development guidelines at that time. I will confirm the date, but I think it was in August last year.

**Senator FORSHAW**—Was that before his answer in October? The minister is on record as having said on a number of occasion in respect to a number of states that the money under FISAP would not be made available until he was satisfied that it should be made available. That was the position with respect to Western Australia, and you said to the committee that the issues were resolved, the impasse was broken, prior to the state election with the previous Western Australian government, which would suggest that there would then be no impediment to the FISAP money being made available.

**Mr Calvert**—That is right, and I can confirm—

**Senator FORSHAW**—I want to know when all that occurred.



**Mr Calvert**—The guidelines were released on 11 August 2000. That then led to a call for applications from companies or eligible applicants. That was the launching point for industry development in Western Australia.

**Senator FORSHAW**—Why would it have been the case that in October the expectation was that hardly any of the money would be allocated before June this year, if the issues apparently had been sorted out in August last year?

**Mr Calvert**—The grant process has certainly proven to be quite lengthy. Essentially, it is a two-stage process whereby applicants have to establish their eligibility for a grant, and thereafter we do a more detailed financial assessment of all applications. The bottom line is that it is a discretionary grant scheme, so we have to ensure that all grant recipients are worthy of receiving that funding. A critical element of that is establishing their financial viability, and, obviously, financial viability is underpinned by security of access to resource.

**Senator FORSHAW**—That would have been known to the minister and the department in October last year, would it not?

**Mr Calvert**—Yes, we knew by virtue of releasing the guidelines—as I said, the resource security attached to it—but with the launching in August we then had to allow time for applications to be made and the like. Essentially, through that process, we ran into the caretaker period associated with the WA election.

**Senator FORSHAW**—The table that was provided with the minister's answer shows estimated Commonwealth expenditure on the forest industry structural adjustment package in millions of dollars in 2000-01, 2001-02 and 2002-03. It goes on to detail the dollar amounts for each of those three years and then states that the estimates are indicative only. You seem to be confirming that, whilst it was stated that in 2000-01 expenditure in New South Wales would be 24.8, in Victoria 11.1, and in Western Australia 7.9, in reality expenditure in that year was nowhere near those amounts. Presumably, that was understood when the minister gave that answer.

**Mr Quinlivan**—I wonder whether there was some confusion in the questions and answers a little while ago. I think there was confidence at the time that the October statement was made that those numbers would be fulfilled. When David said that his expectation was that expenditure this year would be negligible, he was talking about an expectation now, rather than back in October, when the minister made the statement.

**Senator FORSHAW**—I was not confused because, from what Mr Calvert was saying and as everyone knows, there was a major brawl going on between the previous state government and the federal minister, and FISAP money was held up. That was the case to a lesser extent, I would suggest, in New South Wales. I put back to you, Mr Quinlivan, that it is the opposite: the expectation if anything was that, if those issues were not going to be sorted out, as they were apparently not, until just before the state election, it would be unlikely that these amounts of money would end up being allocated in this financial year.

**Mr Quinlivan**—But the particular difficulty at that time was sorted out in August, I take it.

**Mr Calvert**—That is correct.

**Mr Quinlivan**—When the statement was made in October, the issue that had been a problem had been resolved, so there was confidence that that money would be spent. It was just that subsequent events have changed—

**Senator FORSHAW**—And one of those subsequent events was the potential and what became the reality of the election of a state Labor government in Western Australia.

**Mr Quinlivan**—Indeed.

**Senator FORSHAW**—That was seen to be a new problem on the horizon for the minister.

**Mr Quinlivan**—It was a new issue with the program, that is right—a change of policy that followed the election.

**Senator FORSHAW**—What was so special about the possibility of a state Labor government being elected in Western Australia that presented a problem for Minister Tuckey, other than the political aspect of it, that was different from the resolution reached with the previous Western Australian government?

**Mr Quinlivan**—I think it was a change of policy. It was not so much the election, but the change of policy that occurred afterwards.

**Senator FORSHAW**—What was the change of policy?

**Mr Quinlivan**—The commitment to the RFA.

**Senator FORSHAW**—This statement was made before the election.

**Mr Quinlivan**—Yes, that is right. The change of policy was a commitment to the resource security arrangements under the regional forest agreement.

**Mr Wonder**—The situation changed fundamentally, in terms of the availability of resource, from the former government to the new state Labor government.

**Senator FORSHAW**—What is the current position? Does the government still intend to honour its commitment to provide that money to Western Australia in full?

**Mr Quinlivan**—This issue of resource availability in Western Australia remains an outstanding issue.

**Senator FORSHAW**—Yes, but that is not quite the question I asked. I know that there is an issue, but is it still the Commonwealth's position that the full funding will be available?

**Mr Quinlivan**—In accordance with the terms of the RFA, yes.

**Senator FORSHAW**—Do you see any likelihood of the issue being resolved, and the funding being made available, in the near future?

**Mr Quinlivan**—I wouldn't have thought so.

**Senator FORSHAW**—We might have to wait until another change of government, will we? Don't answer that, Mr Quinlivan.

**Mr Wonder**—I just want to make it clear for the record, so that we understand one another, that the answers from our side of the table were basically along the lines that the money for the FISAP in Western Australia is available; there is no change from the Commonwealth's position. What has changed is the state government's commitment to the RFA outcomes. That has changed fundamentally and it has therefore altered the situation with regard to what we could possibly make available under FISAP. Mr Quinlivan's last answer was an indication that, as far as we are aware, the Western Australian state government position is not going to change.

**Senator FORSHAW**—Well, there are two sides to the equation and no doubt things can change. I do not have any more specific questions on FISAP. I want to go on to farm forestry under the National Heritage Trust funding.

**Senator O'BRIEN**—Did we hear how much is left in relation to the FISAP program?

**Senator FORSHAW**—No. Could you tell us how much money, which is not committed at this stage, is left in the program?

**Mr Calvert**—The balance in the original allocations is of the order of \$78 million.

**Senator FORSHAW**—How much was spent last year, 1999-2000, and how much is likely to be spent in 2000-01?

**Mr Calvert**—I am sorry, I have wiped 1999-2000 from my memory bank, but the figure for 2000-01 is of the order of \$3.5 million.

**Senator FORSHAW**—So it is \$3.5 million?

**Mr Calvert**—Yes.

**Senator FORSHAW**—The figure may well be in the PBS. Perhaps you could take the other part of my question on notice. I am trying to get an idea of how much has been spent as against what was allocated on a year-by-year basis, or what was expected to be spent.

**Mr Calvert**—If it assists, the PBS reflects \$3.021 million under Appropriation Bill (No. 2) this financial year, and I think that we will come quite close to that figure.

**Senator FORSHAW**—And there is \$78 million left. Remind me again, is there a completion time on this?

**Senator MURPHY**—What is the lifetime? Is it still linked to the final RFA?

**Mr Calvert**—I will answer Senator Forshaw first. The program is currently programmed to conclude on 30 June 2003. The link to the last RFA was the trigger for the resumption of the program in New South Wales.

**Senator MURPHY**—So it is set for 2003 at the moment?

**Mr Calvert**—That is right.

**Senator MURPHY**—And all unexpended moneys go back to consolidated revenue?

**Mr Wonder**—No decision has been taken at this point as to what the future is beyond 2003.

**Senator MURPHY**—When is the decision going to be taken?

**Mr Wonder**—We are a fair way from 2003.

**Senator MURPHY**—I know we are, but it seems a bit odd to me that you have an amount of money there, and if you do not expend it, you do not know what is going to happen to it.

**Mr Calvert**—Our intention is certainly to commit as much funding to that program in the intervening period.

**Senator O'BRIEN**—So there would be \$70 million left to spend on rates of expenditure to date.

**Mr Calvert**—That is probably a fair call on rates of expenditure to date but, given the change of circumstances, I am confident that I will not be handing \$70 million back at that time.

**Senator O'BRIEN**—I had better tell Mr Beazley that.

**Senator FORSHAW**—Mr Calvert, I appreciate that you have answered questions going to the detail but, in preparing the answers that you took on notice, it would be useful to the committee if we were to be given an overall balance sheet, if you like, of the FISAP program; that is, how much has been spent and how much has been allocated.

**Mr Wonder**—Yes.

**Mr Calvert**—Certainly. I will give you an update of those indicative estimates.

**Senator O'BRIEN**—It sounds like it is a hollow log.

**Senator FORSHAW**—Regarding farm forestry, the Queensland government wrote to the minister on 13 September 2000 and Minister Tuckey replied on 15 February 2001 regarding Queensland's recommendations for the Natural Heritage Trust's farm forestry projects. Can you tell me why it took five months for the minister to respond to the Queensland proposals?

**Mr Rawson**—The short answer to this is that there was some misunderstanding between the Queensland government agencies involved and the Commonwealth on the level of funding that was available under the Natural Heritage Trust for farm forestry in Queensland. Essentially, the Queensland minister had put an amount and a program on the table which was in excess of the available funds from the Commonwealth perspective. There was a matter of ongoing discussion to resolve how we could reduce that level to within the available funds.

**Senator FORSHAW**—How much did the Queensland minister put on the table?

**Mr Rawson**—I cannot remember the exact details. I will have to take that on notice.

**Senator FORSHAW**—Please do. In any event, the minister's response indicated:

I regret that it is not possible for the Federal Government to meet your bid in its entirety. Nevertheless, as part of our commitment to Queensland under the Trust, I am pleased to offer Queensland an amount of up to \$0.78 million for 2000-01 farm forestry projects.

That is \$780,000. He attached a list of the projects to his letter. I know you have taken it on notice, but do you recall that the request was substantially rated at that amount?

**Mr Rawson**—Now you mention the \$0.78 million, I think the request was in the order of \$1.3 million.

**Senator FORSHAW**—Thank you. Can you still take it on notice and let me know. What was the closing date for applications for Queensland?

**Mr Rawson**—I would have thought that would have been the one-stop shop bids. I cannot remember the date, I am sorry.

**Mr Wonder**—We will have to take it on notice.

**Senator FORSHAW**—I am advised that applicants had to wait up to some 13 months to hear the outcome of their applications—so you might be able to confirm whether that is the case. Has the Queensland Minister for Natural Resources and Mines, Mr Robertson, written to the minister indicating that the level of funding available in Queensland and the delay in approving projects has left several existing projects out of pocket?

**Mr Rawson**—I would have to take that on notice. I recall that there was some correspondence on the issue. I thought it was more from some of the applicants concerned to get some quick answers in relation to their applications.

**Senator FORSHAW**—We will take that on notice but I will follow up with other questions. Did these projects continue to operate in the expectation that they would be refunded only to later discover that the Commonwealth had not approved continued funding for them?

**Mr Rawson**—I will have to take that on notice.

**Senator FORSHAW**—And what has been the response of the Commonwealth government to the problem that that created—you will take that on notice?

**Mr Rawson**—We will take that on notice as well.

**Senator FORSHAW**—Will the national Natural Heritage Trust farm forestry procedures be reviewed to ensure that delays will not occur again?

**Mr Wonder**—I think we have taken on notice whether there are delays, so we have not actually confirmed—

**Senator FORSHAW**—You thought that you might take this on notice as well but I thought I had better ask it rather than wait until next time. The advice I have is that there has been a problem in this area.

**Mr Wonder**—Right. I am not sure of the situation, Senator, so I would like to give you a full answer.

**Senator FORSHAW**—That would suggest that there may need to be a review of the procedures. That is what I had on that area. Did Senator Murphy want to follow up?

**Mr MURPHY**—With regard to the annual report last year, on page 53 it says:

The Farm Forestry Program provided \$13.04 million through the National Heritage Trust and the Wood and Paper Industry Strategy Program to projects which promoted the incorporation of commercial tree growing and management—

How much money came out of the Wood and Paper Industry Strategy Program?

**Mr Rawson**—I cannot give the exact figure although I can obtain that. It would have been a small proportion of the \$13 million because the WAPIS funding is essentially run down. There is very little left and most of that was going on sustainability indicator work, so it would be a small number.

**Mr MURPHY**—I would be interested to find that out. Of that money from the Natural Heritage Trust Fund and whatever proportion it is from WAPIS, has all of that been spent?

**Mr Rawson**—The WAPIS funding?

**Mr MURPHY**—No, the \$13 million.

**Mr Rawson**—Yes, most of that money, certainly—

**Mr MURPHY**—Is it possible to get a breakdown of what that was spent on?

**Mr Rawson**—Yes. That is available state by state.

**Senator FORSHAW**—On that funding for the wood and paper industry strategy: as I understand it the funding for that expired on 30 June 2000—is that correct?

**Mr Rawson**—There has been carryover. There is no new money being obtained for that. It has carried over from—

**Senator FORSHAW**—That is consistent with my understanding. I am just wondering why reference to it is included in the reference to the revenue base for the corporation in the issues PBS. If you go to page 176 it says:

The forest and wood products industry and the Commonwealth jointly fund the FWPRDC. Its revenue base comprises—

Then it goes through the levy and the contributions. Then it refers to Commonwealth government funding for special projects under the Wood and Paper Industry Strategy and the farm forestry component of the Natural Heritage Trust. I can accept that the second one is an ongoing program, it is part of the revenue base for the forthcoming year; but WAPIS is not. I was wondering why you had put it in there.

**Mr Rawson**—The Forest and Woods Products R&D Corporation received, in all, about \$2.5 million from WAPIS to fund projects undertaken by research providers on sustainability indicators of sustainable forest management. Those 20 projects are being managed by the corporation on behalf of the Commonwealth. Those projects are winding up, and will be wound up by the end of this financial year. That is why it is still there as the source of funding for that work.

**Senator FORSHAW**—I have another question on the corporation. The expected total Commonwealth funding for the corporation in 2001-02 is \$3.97 million. That is from table 1.1 on page 177 of the PBS. What was the comparable figure for 2000-01? Also, have you got forward estimates for the next three years?

**Mr Rawson**—These figures were provided by the corporation. I can give you an indication of the breakdown of funding in the current financial year and the next financial year to show you how the difference from dollar to dollar applies. Were you asking for the forward projections?

**Senator FORSHAW**—I am looking for the figures which relate to Commonwealth contribution.

**Mr Rawson**—Yes.

**Senator FORSHAW**—This coming year it is stated to be \$3,970,000 in table 1.1. I am correct there, aren't I?

**Mr Rawson**—Table?

**Senator FORSHAW**—Total revenue: \$3,970,000.

**Mr Rawson**—Yes, that is correct.

**Senator FORSHAW**—What I would like is the corresponding figure to that for the current financial year.

**Mr Rawson**—I can tell you that. Essentially for the current year we have a levy contribution in the order of \$3 million and the Commonwealth then adds a contribution of 50c for every dollar, so it is \$1.5 million. In addition to that there is revenue from the importers of product which is not matched, so that is not a Commonwealth contribution. The other contribution would be these things like the project management for sustainability indicators, the WAPIS money and so on, which in 2000-01 was \$1.4 million. So the total contribution in 2000-01 is in the order of \$2.9 million.

**Senator FORSHAW**—Okay.

**Mr Rawson**—In the next year, we are making estimates about what the levy might be but if it was in the order of \$3 million that would be matched by another \$3 million—so the Commonwealth contribution would be \$3 million—and there would be some residual WAPIS money, which would drop from about \$1.4 million down to about \$0.5 million. So it would be the \$3 million plus the \$0.5 million, which would be about \$3.7 million. I am just making an estimate. The levy might be \$3.2 million. That would be consistent with the Commonwealth contribution figure in table 1.1—there is probably a contribution to the levy of about \$3.2 million, plus \$0.5 million for residual WAPIS type activity.

**Senator FORSHAW**—What year are we talking about?

**Mr Rawson**—That last estimate I gave was for 2001-02.

**Senator FORSHAW**—Do you have any figures specifically for the next three years?

**Mr Rawson**—I think we would be getting into the realms of guesstimation there because, clearly, the market for wood, the price of wood—

**Senator FORSHAW**—It is dependent upon that.

**Mr Rawson**—These things impact pretty significantly on the levy rates, so it is always an estimate that is put forward, even for the next year. The reality is close, but it does not always match the estimate.

**Senator FORSHAW**—What you are saying is that you do not actually publish or put forward—

**Mr Wonder**—It is a special appropriation, Senator. We go with the variation in the industry conditions.

**Senator FORSHAW**—Okay. There is also the matching contribution.

**Mr Wonder**—That is right.

**Senator FORSHAW**—That is sufficient for our purposes at the moment. I have finished my questions on forestry.

**Senator MURPHY**—Before we go away from that funding, did I correctly understand you to say, in relation to the \$13 million, that there is some carryover from that?

**Mr Wonder**—I am sorry, which \$13 million is this?

**Senator MURPHY**—The \$13 million mentioned in the annual report. I asked earlier if you believed all of that was spent, but there was probably some carryover. In the budget papers, at page 176, there is Commonwealth government funding for special projects under the Wood and Paper Industry Strategy and then under the farm forestry component. Is there further money coming from the Natural Heritage Trust?

**Mr Rawson**—In the next financial year it will be in the order of \$9 million.

**Senator MURPHY**—Can you tell me where to find that?

**Mr Rawson**—That would be amalgamated within the total NHT funding allocation.

**Senator MURPHY**—But administered by you?

**Mr Wonder**—Administered by Agriculture, Fisheries and Forestry Australia, but the appropriation—

**Senator MURPHY**—Can you show me where it is?

**Mr Wonder**—The appropriation for the Natural Heritage Trust is through Environment Australia. Whilst it is administered by AFFA, that is done under a memorandum of understanding, but the appropriation does not come through our portfolio.

**Senator MURPHY**—I see. Thank you. With regard to RFAs and the implementation process, there is a review process after five years and the review process is supposed to have public consultation or input. How does that work?

**Mr Rawson**—The first of the five-year reviews are due in East Gippsland and the Central Highlands in Victoria in 2002, followed by Tasmania in November 2002. We have had an initial discussion with Victoria about the scope of that five-year review and how it might proceed, but there are no final arrangements in place at this stage. The intention is that that review would be transparent. There would be an independent reviewer appointed and there would be opportunity for stakeholder input into that review of the implementation of the RFAs.

**Senator MURPHY**—What stakeholder input? What are you determining as a stakeholder?

**Mr Rawson**—There would be a public consultation process where an independent reviewer would take on board the information provided by the state and the Commonwealth, that would be assessed by the independent reviewer and then there would be an opportunity for public input. Anybody that had a view would be able to put that forward. The specific arrangements on how it would operate state by state have yet to be finalised.

**Senator MURPHY**—It actually mentions a public consultation process, but I have never been able to find an explanation of what that means. It is certainly not covered in the regional forest agreements—it gets a mention, but it does not set out how it might occur. What I find interesting in terms of the implementation process is that you have what is known as an RFA monitoring unit. I think Mr Michael O'Loughlin—

**Mr Rawson**—Correct.

**Senator MURPHY**—is the chairman of that committee. What is their role?

**Mr Rawson**—The RFA monitoring and reporting unit is part of my group. Its role is to coordinate with its state counterparts in preparing the annual reports, which are tabled in parliament, and also to assess and scope out how the five-year reviews might be proceeded with. It has not been clearly articulated how the five-year reviews are to be undertaken because that is still a matter for discussion between the parties.

**Senator MURPHY**—What is the process for lodging complaints if people believe the criteria set down in the regional forest agreement are not being followed or are being breached? Is there a process that allows public input from that point of view?

**Mr Rawson**—The normal process would be for those who felt there were some problem to raise it with the Commonwealth or the state agency. If it were raised with the Commonwealth, clearly as we are not the land managers we would seek advice and comment from the relevant state agencies.

**Senator MURPHY**—I read the regional forest agreement newsletter—and that is where I read about the monitoring unit. I took the opportunity to ring Mr O'Loughlin to express some views I had about whether or not some aspects of the regional forest agreement in my home state, let alone the other states, were being met. I was interested to know whether or not the monitoring unit did any field visits into any of the states to make some assessment as to the conduct. This is a joint agreement and I was curious to know why you would not—and, if you



did not, why you did not—embark upon field visits on behalf of the Commonwealth to make some assessment as to whether the states were meeting their obligations under the regional forest agreement. I now understand that is not the case.

**Mr Rawson**—Field visits are not regarded as part of their responsibilities. In your own state, if there were a complaint made, Michael O’Loughlin would contact the Forest Practices Board to seek their views on whether or not there was compliance with the code of practice and try to establish the facts behind the allegation.

**Senator MURPHY**—As you would be aware, there have been a number of allegations in my state that the Forest Practices Board has been less than diligent. In fact I would have cause to make that same accusation. I wonder whether if the Commonwealth received video or photographic evidence it would cause the Commonwealth to conduct its own investigation. For instance, I raised with the Forest Practices Board some few years back sawlogs being found in a woodchip mill yard at Hampshire which would have had that woodchip mill in breach of its licence conditions, which were at that time set by the Commonwealth. The Forest Practices Board wrote a report and said the sum total of two sawlogs had been found in the woodchip mill yard over a period of two years and they would be subsequently shipped out and sent to a sawmill. I found all that very interesting and I collected a large amount of video evidence and I compiled a significant number of photographs which would indicate that the Forest Practices Board’s view is totally inaccurate.

In terms of public consultation processes, I am concerned that, in a joint agreement where there are obligations on both parties—in this case, the states and the Commonwealth—with respect to the implementation of a particular forest agreement, the Commonwealth does not seem to want to have any role in terms of monitoring whether or not the states are meeting their obligation.

**Mr Rawson**—Clearly, if there were any allegations put to the Commonwealth, we would assume that there would be a responsibility for us to investigate those. Whether that would be by personal inspection and follow-up with the state agencies would be a matter for consideration, but clearly any allegations that have been put to us have been pursued.

**Senator MURPHY**—You would be in pursuit to the extent they were being pursued with the state agencies, but it may well be that the state agencies are part of the problem—that is my point. If there are breaches of an arrangement that sets certain requirements and criteria with regard to sustainability indicators, for instance—which are a very important part of the regional forest agreement—one would assume that the state agency knows about them. Of course, if they do not know about them and when they are told about them they act on them, that is fine. But if that is the case, which it is, and they do not then where does the Commonwealth’s responsibility lie?

**Mr Rawson**—I think the respective responsibilities are pretty well set out in the RFAs in terms of the milestones which are reported on on an annual basis by both the Commonwealth and the state. Also, there will be an opportunity in the five-yearly reviews whereby not only the milestones but also the broader commitments included in the RFA will be addressed. In terms of the agreement between the Commonwealth and the state, that is where the respective responsibilities lie.

**Senator MURPHY**—I understand the milestones and the reporting of them. But my view is—it is one of the reasons that we have a significant problem in Victoria as well—that, in terms of an assessment of the implementation process, the Commonwealth is not, if you like,

acting independently when it should in some instances. The purpose of my contacting the RFA monitoring unit was to ask them to make a visit and to make some assessment of their own on behalf of the Commonwealth as to whether or not the requirement on the state was being met. I am still curious as to why that is not the case.

**Mr Quinlivan**—You said that you have some evidence—

**Senator MURPHY**—I do.

**Mr Quinlivan**—And the practices you are talking about sound as though they are not the sort of thing that should be dealt with in a review—

**Senator MURPHY**—With the greatest of respect, Mr Quinlivan, they should be because they go to the very essence of the indicators as to whether or not forests are being managed on an ecologically sustainable basis. They also go to the indicators in terms of sustainable yield. It is unfortunate that your minister probably has not quite learnt the difference between ecologically sustainable management and sustainable yield. I hope he will one day and then maybe he will have some understanding of the difference that I think would lead him to come to a different view from what he currently has come to.

**Mr Quinlivan**—What I was going to suggest is that, if there is a systemic issue here, that is clearly something for the review. You have this evidence; I think we should have a discussion outside this forum where we can have a look at it and what our options are. We would be happy to do that.

**Senator MURPHY**—I appreciate that. I am pleased you will take that course of action. I am certainly more than happy to provide it to you, because it goes back to 1993.

Can I now take you to the 2020 vision strategy? As part of that, in the annual report you state that AFFA has finalised the development phase of an action agenda, and I think the final document was due out in June last year. Then at page 34 of volume 2, you state:

Progress was made with implementing Vision 2020 actions to the satisfaction of the Plantation Implementation Committee and the Private Forests Consultative Committee, under the Standing Committee on Forestry. In 1999, some 95,000 ha of new areas of plantation were planted, with an expectation that this could increase to 155,000 ha in 2000.

With regard to the 2020 vision and action agenda, what were the principal intentions—not just one—of the plantation development strategy?

**Mr Rawson**—One of the major intentions was to increase the area under plantation so that it would be able to sustain a world-class processing capacity. The whole intent was to be able to build up that resource to the point where it could sustain world-class processing.

**Senator MURPHY**—In both value adding and pulp paper manufacture?

**Mr Rawson**—Yes, pulp paper, sawing.

**Senator MURPHY**—Can you tell me with respect to the trees that are being planted, what do the great bulk of them represent?

**Mr Rawson**—I think 60 per cent—do not quote me on that figure—or the larger proportion is certainly in the hardwood plantations.

**Senator MURPHY**—I should have phrased the question to represent it in hardwood terms. What type of hardwood trees are being planted?

**Mr Rawson**—Blue gums.

**Senator MURPHY**—With respect to the blue gum type species, what percentage of those trees planted will be useful for sawing in the longer term?

**Mr Rawson**—That is a very complicated question because it really depends on the management of those trees from fairly early on in the process after planting with the silvicultural techniques employed and so on.

**Senator MURPHY**—Has AFFA done any study in respect of the silvicultural techniques and whether or not the blue gum being planted are hybrid species? What assessment have you done as far as your 2020 vision agenda is concerned to ascertain, for instance, the intention of meeting a wood supply from plantations for a sawmilling industry in the downstream value adding industry in this country?

**Mr Rawson**—We have not seen that as AFFA's role to do those studies that you propose. You mentioned vision 2020—it is not a Commonwealth vision; it is a vision that is shared by the Commonwealth, the states and industry. In terms of species and silvicultural techniques, certainly CSIRO as the premier research and development body in forest and wood products does provide results of R&D which are available to the industry either through their general research or on a contractual basis to specific companies.

**Senator MURPHY**—If you have a Commonwealth objective, which I have heard the minister consistently talk about in terms of our trade deficit in wood and wood products, and you have an action agenda and the 2020 vision strategy being aimed at reducing that trade deficit, then I would have thought that from a Commonwealth perspective you would be monitoring what was being put in the ground in terms of how that was going to meet the trade deficit or at least to improve our terms of trade in a wood and wood products sense.

**Mr Rawson**—Primarily the role of the Commonwealth and the state governments is to work together to remove the impediments to establishment of plantations. So we are thinking of things such as taxation and land planning, right to harvest. Many of these things fall outside the Commonwealth responsibilities, but tax is one that does fall—as you would know from your other hat—very much within the Commonwealth's responsibility.

**Senator MURPHY**—That is right. I would like to come to that matter of tax because, in large part, many of these plantations would not even proceed if it were not for the taxation treatment that is available. That is why I am curious as to the Commonwealth's responsibility and why the Commonwealth would not be wanting to monitor what is being planted, because I would have thought the Commonwealth would have to have an underlying objective to reduce the trade deficit. As far as the taxation issue is concerned, you provided to me an example of how there is a net return to the Commonwealth from a plantation establishment based on certain costs and you stated in that example the cost of putting in a blue gum plantation at \$3,000 per hectare.

**Mr Quinlivan**—There is a plantations association that is currently getting itself organised. I know that the Forest and Wood Products Research and Development Corporation is planning to talk to the plantations sector about better data collection on what is going in the ground, the state of what is going in the ground, where it is going, productivity rates and so on. People are conscious of the need to know more about this sector so that the sort of planning you have talked about can happen. I see that happening pretty soon.

**Senator MURPHY**—Yes, I know. I thank you for that, but that is not an answer to the question I just asked. On what basis did we use \$3,000 as a cost for putting a hectare of blue gums in the ground? What is the basis for that?

**Mr Rawson**—Are you referring to an illustrative example that we provided?

**Senator MURPHY**—Yes.

**Mr Rawson**—I do not think anyone would be suggesting that that was the figure. The figure varies very widely, I think.

**Senator MURPHY**—It is a figure in the example you gave me of \$3,000.

**Mr Rawson**—In the submission to—

**Senator MURPHY**—Your submission was that if we put the blue gums in the ground at \$3,000 per hectare and we used various other factors—least costs and also the discount rate over the life of 10 or 11 years, I think—there would somehow be a 7.3 or seven per cent return to the Commonwealth in net terms. I am curious as to where the \$3,000 figure came from and what it represents.

**Mr Rawson**—I think I might have to take that question on notice.

**Mr Quinlivan**—Could you tell us what document you are quoting from?

**Senator MURPHY**—It was your submission to the Economics References Committee. It is a public document now.

**Mr Rawson**—Yes.

**Senator MURPHY**—I will take the opportunity to ask you some questions about this at a later time, so you might take it on notice.

**Mr Rawson**—Sure.

**Senator MURPHY**—I thought you might have been able to tell me where that figure came from.

**Mr Rawson**—It was an illustrative example; it was not saying that \$3,000 is the figure for establishing a plantation, because we know that there are plantation prospectus companies charging three times that amount. It was just intended to put a figure in there to indicate the calculations.

**Senator MURPHY**—So, if they charge three times the amount, then in effect there would not be a net gain to the Commonwealth.

**Mr Wonder**—I do not think we have reached any conclusions about returns. The officer has given you the answer to the question by saying that some indicative figures have been provided. I am personally not in a position to talk to the details of that submission, but we are prepared to try to address the issues you raised in the most satisfactory way possible. We do not have any details available at the table to go into any further depth in response to your questions, but we will attempt to do so on notice.

**Senator MURPHY**—I thank you for that. You must appreciate that, on a number of occasions, the minister has made public comment with regard to this type of issue. I would have thought that it would be fundamental to the development of the forest industry in this country that this be right from the start—not halfway through. A number of the forest companies that have put quite significant plantations into the ground and that are listed on the stock exchange are not looking too good. I would have thought that ought to be a major concern to your department because it is being funded primarily because of the tax deductions available to investors.

The great bulk of trees are being put into the ground with what seems to be little or no strategy insofar as the world market demand is concerned, and therefore we are going to have a lot of blue gums around in 10 or 11 years time that we are not going to be able to sell for prices anywhere near those being projected in prospectuses. I would have thought that for the Commonwealth and, indeed, for the states in developing a vision for the long term—the 2020 vision—that is running amok. We do not have much time to get it right.

**Mr Wonder**—What, in particular, would you like advice on?

**Senator MURPHY**—I asked earlier whether you have any knowledge of or information about the types of trees that are going into the ground—which you clearly do not—and how that will assist, as the minister has said it will on a number of occasions, in bringing about a reduction in our trade deficit in the wood and wood products industry.

**Mr Wonder**—We will take both of those questions on notice.

**Senator MURPHY**—You might also take on notice this question: what strategy are you aware of in terms of both supply and demand? I note that ABARE runs a conference in April, I think, every year.

**Mr Wonder**—They run a conference in March.

**Senator MURPHY**—A report may come out in April. That seems to cover projections for global demand for particular types of forest products.

**Mr Wonder**—On our program, ABARE is scheduled to appear later.

**Senator MURPHY**—I know that. Again, there seems to be little cohesion in the approach that is being taken by the Commonwealth in dealing with these issues. I found it amazing when Mr Quinlivan said, ‘Well, the plantation committee and others are going to meet to discuss this strategy,’ as I would have thought that that would have been something that was done a long time ago. I would have thought that it would have been part of the development of your 2020 vision and that it would have been part of the development of the action agenda. Anyway, I would appreciate it if you would give me some advice about what you do know.

**Senator FORSHAW**—I have a couple of further questions which I think Mr Calvert will have to take on notice. These are further to the questions I asked earlier about the position in Victoria and the requests or approaches to the federal government for additional funding. What requests or approaches have been made by the Victorian government or the Victorian industry for additional FISAP funding for Victoria as a result of the new sustainable yield system? What meetings took place or have taken place between Victorian government officials and/or industry officials or representatives and the federal government with respect to that issue of funding? What meetings has the minister been involved in with representatives of the Victorian government and/or industry on that issue? Has the minister indicated or stated that there would be no additional funding for Victoria under FISAP?

**Mr Calvert**—We would certainly have to take those on notice.

**Senator FORSHAW**—Thank you.

**Senator MURPHY**—Can I contact you with regard to having a further discussion about these matters?

**Mr Quinlivan**—I will contact your office.

**Senator MURPHY**—Thank you.

[12.40 p.m.]

**ACTING CHAIR**—We have to go back to the rural support and adjustment sector to finish it off. Will we finish that before lunch?

**Senator O'BRIEN**—No. When exactly was the government's AAA package first announced and exactly when did it come into effect?

**Mr Banfield**—The original AAA?

**Senator O'BRIEN**—Yes.

**Mr Banfield**—It was in 1997.

**Senator O'BRIEN**—How was that package announced then, and how was it promoted in the community?

**Mr Banfield**—My recollection is that there was a statement by the Prime Minister—but certainly the then minister, Mr Anderson, was heavily involved in the announcement of it.

**Senator O'BRIEN**—How was it promoted in the community?

**Mr Banfield**—A number of activities were undertaken. Press releases and some information were put out. It was a very modest promotion effort at the time and, in fact, that shows in terms of some of the market research we have done about the awareness of the AAA.

**Senator O'BRIEN**—There was no print, radio or television media on it to pay for out-of-government funds?

**Mr Banfield**—There certainly were no television advertisements. There was a series of radio advertisements to showcase particular aspects of the AAA and the need for risk management. From memory, across the land there was a series of radio ads called 'Across the Land'.

**Senator O'BRIEN**—Can you get the details of the annual promotion budget for the AAA program since it has been launched?

**Mr Banfield**—The original package?

**Senator O'BRIEN**—Yes.

**Mr Banfield**—We will take that on notice.

**Senator O'BRIEN**—Not the original but the details of the annual promotion budget for the AAA program since its launch—because it has been ongoing, hasn't it, since 1997?

**Mr Banfield**—Yes.

**Senator O'BRIEN**—You talked about some research: what sort of research has been done by the department or consultants prior to the launch of any of the particular campaigns that have been funded to promote this campaign?

**Mr Banfield**—Just to step back in history briefly, there are a number of routine surveys and research which we have done in years gone by. In fact, as part of the original AAA package, we commissioned Solutions Research to provide us with some benchmarking data and, generally, as part of that process, an awareness of current programs.

**Senator O'BRIEN**—Did the department do the research?

**Mr Banfield**—No. We commissioned a consultant. In fact, that research is being updated on a two-yearly basis against some benchmarks which were obtained in the original survey. We also undertook some research and we obviously drew on some of the work which Transport and Regional Services had done. In the context of the current communications exercise, we commissioned detailed market research through the Woolcott Research company to undertake market research.

**Senator O'BRIEN**—You undertook detailed market research: how much was that consultancy worth?

**Mr Banfield**—In round figures—and some of this research is still ongoing—it is \$250,000.

**Senator O'BRIEN**—Currently, you are embarking on a TV campaign to promote the program, aren't you?

**Mr Banfield**—Yes, we are.

**Senator O'BRIEN**—This Woolcott research is the basis of that campaign. Is that right?

**Mr Banfield**—The Woolcott research and the other research which has been done has provided the factual basis to enable us to properly target the messages that we are trying to get across.

**Senator O'BRIEN**—How broad is this current campaign going to be? Apart from television, what other media and forms of advertising will be used?

**Mr Banfield**—We are using television, as you say. We also will be undertaking some radio advertisements and there will be a series of print advertisements in newspapers, et cetera. We also have a package of printed material that we will be distributing.

**Senator O'BRIEN**—What was the catalyst for the latest campaign?

**Mr Banfield**—The catalyst, quite simply, was the low awareness of the package of assistance that was available from the federal government. Some of the research—without boring you with lots of numbers—shows that in terms of a program like, for example, Farm Help, only 26 per cent of farmers had any detailed knowledge of what that package was about. Detailed knowledge of the AAA package as a whole was even lower, at six per cent. So we took the view that there was a need to inform our constituency about the sort of assistance measures that were available.

**Senator O'BRIEN**—Initially there was just a series of pamphlets produced. How widely were they distributed? That was in 1997.

**Mr Banfield**—You are testing my memory, because I was not around at the time. Certainly a package was provided to each farmer, from memory. There were some other activities built around that as well. But one was mailed out to each farmer in Australia.

**Senator O'BRIEN**—So there was a mail-out to every farmer in 1997?

**Mr Banfield**—Yes.

**Senator O'BRIEN**—Presumably there have been subsequent mail-outs to every farmer?

**Mr Banfield**—There has been a mail-out in the context of this current campaign as well.

**Senator FORSHAW**—What is the cost of the television advertising that is taking place at the moment?

**Mr Banfield**—In terms of the actual cost of the ads—there are some other costs in terms of producing the ads and all that sort of thing—in round figures, the cost for placing air time is about \$2.3 million.

**Senator FORSHAW**—How long do you expect the campaign to go on for?

**Mr Banfield**—Till the end of July.

**Senator FORSHAW**—That is television advertising until the end of July?

**Mr Banfield**—Yes.

**Senator FORSHAW**—How are you ensuring that it is actually being targeted at farmers? No doubt the ads are shown on the networks—I have seen the ads in Sydney, for instance—and I appreciate that they may be run on a national TV network, but how can you ensure that they are being seen by farmers?

**Mr Banfield**—I guess there are two immediate answers to that. The first is that Woolcott is continuing to focus test, as part of its contract, to make some judgments and advise us about the general awareness. The other avenue is the amount of interest that we are generating through our own department, through our web site, through Centrelink and through state agencies. There has been a marked increase in interest and requests for information about particular programs.

**Mr Wonder**—I am not sure whether I understood the question correctly, but the conduct of the campaign is actually being focused on regional distribution. I cannot tell you precisely how the airing of it is occurring, but the design of it is in fact to focus on regional and rural Australia.

**Senator FORSHAW**—That is why I asked, because I saw the ads in Sydney on a number of occasions, and here as well. Whilst I appreciate that the networks are national networks—and I know that the minister at the table has got a bit of knowledge of this—nevertheless you can target specific advertising at specific regions around the country. For instance, in an area like the North Coast, the program breaks will often have an ad for a local business in that region. I am interested to ensure that the ads would be seen and targeted if they are directed at farmers and farming communities.

**Mr Wonder**—They are.

**Senator FORSHAW**—Why are they bobbing up on TV in Sydney or in Melbourne?

**Mr Wonder**—We do not have available full details of the screening times and distribution, Senator. We can perhaps provide some more details on that on notice, but the emphasis is on informing rural and regional Australia.

**Senator FORSHAW**—You would not want to see the campaign being misdirected and the cost of running the ads being taken up with having them shown in capital cities—

**Mr Wonder**—No.

**Senator FORSHAW**—if that was at the expense of having more ads in a particular regional area in the country. That is what I am saying.

**Mr Wonder**—We will certainly provide you with some further details.

**Senator O'BRIEN**—Who makes the placement decisions?



**Mr Banfield**—Ultimately there is a process of a ministerial committee on government communication which is advised by a firm—Mitchell Media, I think—in terms of the placement.

**Senator O'BRIEN**—So this particular campaign is run through that central body and they make the decisions on where the ads are placed?

**Mr Banfield**—On advice from Mitchell Media. But all government communications require the endorsement and approval of the committee on communication to make sure that the messages are correctly targeted.

**Senator O'BRIEN**—Can you give me the breakdown of the TV campaign costs—the production and placement costs?

**Mr Banfield**—Yes, I can, Senator. As I said, the placement of ads cost about \$2.3 million. The television production costs were of the order of \$600,000. In addition, there was an advertising campaign of approximately a quarter of a million dollars. For some of these costs we still do not have precise expenditure details yet. What I have given you are the estimated budget figures, because we are still incurring some of these expenses.

**Senator O'BRIEN**—When you say there was an advertising campaign of roughly an additional \$250,000, is that radio and leaflets or—

**Mr Banfield**—It is basically television. It is for the advertising agent and the firm that actually physically made the advertisements.

**Senator O'BRIEN**—So they are the agency costs?

**Mr Banfield**—They are the fees of the agency.

**Senator O'BRIEN**—What about radio production costs?

**Mr Banfield**—Radio production costs are \$5,300. That is the budget figure.

**Senator O'BRIEN**—And placement?

**Mr Banfield**—About \$350,000.

**Senator O'BRIEN**—Right. What about the print ads in newspapers—production and placement costs?

**Mr Wilson**—Placement cost \$428,000. I have here that the production costs are \$5,330, as Mr Banfield said a moment ago.

**Senator O'BRIEN**—That was radio I asked for.

**Mr Wilson**—That was radio.

**Senator O'BRIEN**—So is it the same for print?

**Mr Wilson**—Print advertised production costs are about \$53,000.

**Mr Banfield**—I indicated that there is also a direct mail campaign as part of the theme too, which is another \$106,000.

**Senator O'BRIEN**—Is that production or distribution costs?

**Mr Banfield**—Most of it is postage.

**Senator O'BRIEN**—And it was \$126,000?

**Mr Banfield**—It does include printing—\$106,000.

**Senator O'BRIEN**—One hundred and six thousand dollars for print and distribution of the direct mail to the farmers?

**Mr Banfield**—Yes.

**Senator O'BRIEN**—It is direct mail?

**Mr Banfield**—Yes.

**Senator O'BRIEN**—Who has that database?

**Ms Page**—At the moment we are considering the database. We have received two tenders—one slightly more expensive—for the provision of the database. We are likely to choose the database that has the best ability to address producers by their family name because our market research tells us that that is more likely to be read and retained for further use by farm families.

**Senator O'BRIEN**—Is the cost of accessing the database part of the \$106,000, or will that be an additional cost?

**Ms Page**—It is about \$35,000 for use of the database, with 95 per cent capacity to address farmers by name.

**Senator O'BRIEN**—What are the printing and production costs in relation to the material that is to be distributed through the database?

**Mr Banfield**—According to the numbers I have, the design of the flyer was about \$8,000 and printing was almost \$16,000. Then there was the purchase of envelopes. The cost of the database, as Ms Page indicated, is \$35,000, and \$42,000 for postage.

**Senator O'BRIEN**—And that is individually addressed?

**Mr Banfield**—Again, Senator, these are our budget estimates, not expenditure, because we are still incurring some expenditure.

**Senator FORSHAW**—May I clarify an answer to an earlier question that you took on notice? You are going to supply us with details of the campaign, particularly in relation to the television campaign—that is, the number of advertisements and on which networks they will be shown? If you have not taken that on notice, will you do that?

**Mr Banfield**—We can provide that information, if you like.

**Senator O'BRIEN**—I note that the AAA Farm Help Program is scheduled for review in about August this year—that is at page 58 of the PBS. Do I understand you correctly: you launched an advertising campaign some months before your scheduled evaluation of the program?

**Mr Banfield**—No, that is not correct. As part of the new AAA package, we have made some enhancements to the Farm Help Program—the case management and the extension of training in alternative careers for those who are exiting farming. That evaluation will provide us with some initial feedback on the effectiveness of those enhancements that we have made.

**Senator O'BRIEN**—Page 58 of the PBS states that you are going to start this review in August or September and end it in October or November. You are saying that you have already enhanced the program that you are reviewing.

**Mr Banfield**—No, I am saying that, as part of the new package, some program enhancements were made. As part of the review, in a preliminary way, we will undertake some assessment of the enhancements that we have made. It is an evaluation.

**Senator O'BRIEN**—So Woolcott's research was about the penetration of the program—

**Mr Banfield**—Yes.

**Senator O'BRIEN**—Nothing more?

**Mr Banfield**—It was about: for maximum effect, in what form do you need to put your message to your constituency? How should you target the message? It was not about the details of particular programs.

**Senator O'BRIEN**—Perhaps you will need to supply this on notice, but who managed the initial program? Presumably, there has been ongoing spending on promotion since 1997, and what you are telling me amounts to all previous expenditures being a failure, or almost a failure, and that you have had minimal penetration of the information.

**Mr Banfield**—I hesitate to use the word 'failure', Senator.

**Senator O'BRIEN**—I am not hesitating; I do not have to hesitate.

**Mr Banfield**—In the original communication, we spent only very modest amounts of money. All the market research that we have undertaken indicates that we needed to take a more intensive approach, and that is what we have sought to do this time.

**Mr Wonder**—In terms the predecessor programs—the program was first known as the Farm Family Restart Scheme, when it was first introduced in 1997—we believe that participation in the program was very significant. As I have said, we can provide some more details in terms of numbers assisted by that program. As Mr Banfield indicated, it is always the case with an ongoing program that you look towards what improvements can be made. On page 58 there is reference to a couple of those—case management and retraining. The purpose of this evaluation is to do the responsible thing and take an early read-out as to the effectiveness of those new elements. We regard that as a healthy thing to do early in the life of the new elements of the program being put in place.

### **Proceedings suspended from 1.00 p.m. to 2.00 p.m.**

**CHAIR**—We are still on rural support and adjustment.

**Senator O'BRIEN**—During the lunch break it occurred to me to ask another question about the database—just one. You told the committee that the cost of the database is \$35,000. Is that for a single use of the database or for multiple use?

**Ms Page**—That is not ownership of the database afterwards. It is downloading it onto the tops of letters and then folding and placing the letters in the envelopes.

**Senator O'BRIEN**—So you do not actually get it. You give your material to someone who addresses it using their database.

**Ms Page**—Yes. We will provide a letter and they will add the address at the top.

**Senator O'BRIEN**—Would that be a letter from the minister?

**Ms Page**—It has not been decided. It will possibly be from a departmental officer because it will accompany a brochure which will be of general information.

**Senator O'BRIEN**—Who makes that decision? Is it the media unit?

**Ms Page**—I am waiting for a comment from the minister's office on that.

**Senator O'BRIEN**—Does that have to be run through the media unit?

**Ms Page**—The media unit comprises just me, really. Sorry, I do not quite understand the question.

**Senator O'BRIEN**—I was told that a lot of these promotional matters have to go through a central government media unit.

**Ms Page**—Through the ministerial committee on government communication? No, not at that level of detail.

**Senator O'BRIEN**—That is all I wanted to ask about the database. The AAA package was changed and relaunched at the time of the last budget, wasn't it?

**Mr Banfield**—Yes, it was extended and relaunched.

**Mr Wonder**—When we say 'relaunched', we mean that the program had been further developed in terms of having some additional elements, so we were not just relaunching what had already existed.

**Senator O'BRIEN**—I said it was changed and relaunched.

**Mr Wonder**—Sorry, I did not hear that.

**Senator O'BRIEN**—Some components of the package changed and some remained pretty much the same, but the totality of the package was relaunched after the last budget.

**Mr Wonder**—Mr Banfield might want to comment, but I just make the point that, in terms of its entirety, it was not in May 2001 precisely the same configuration or composition that it was in September 1997.

**Senator O'BRIEN**—The FarmBis and Property Management Planning schemes were integrated last May but they were still basically the same programs from the previous year, weren't they?

**Mr Wonder**—Not entirely, but basically.

**Mr Banfield**—There are two fundamental differences in relation to FarmBis. The first is that FarmBis was extended to the wild catch fishing sector, which previously it had not been. In terms of the design of the program, it was extended to integrate Property Management Planning. Whereas the original FarmBis had very much a business, financial management and risk management focus, the new program also incorporates natural resource management objectives. The other point I would make is that, in relation to earlier comments about the relaunch of the AAA, several of the programs that were in the extended AAA program do not actually start until 1 July this year. The Commonwealth-state component of FarmBis is a particular case in point.

**Senator O'BRIEN**—What was expended on the promotion of the changed program following the last budget?

**Mr Banfield**—There were some ministerial announcements and press releases—that sort of thing that you would expect in the context of a budget decision—but it was always intended that the vast bulk of the effort would be picked up in this communication campaign which we have undertaken.

**Senator O'BRIEN**—When was the Woolcott consultancy let?

**Mr Banfield**—I do not have the precise date—Ms Page might have it. My recollection is that it was in the latter part of last year, but Caroline might have a more precise answer.

**Ms Page**—The tenders were opened in August and we selected Woolcott in September. They reported to us in December.

**Senator O'BRIEN**—Was that the first review of the effectiveness of the communication program?

**Ms Page**—The communication program really began with the first pictures from the advertising agencies. Their creative concepts were based on what they learned from the market research. We briefed them, using the Woolcott research, in December, they developed their ideas over the Christmas holidays and Woolcott focus tested that for us.

**Senator O'BRIEN**—This is a program which has gone through some changes but it has been running essentially since 1997. I am wondering if this is the first review of the effectiveness of the communication—

**Mr Banfield**—Can I make a point here: the Woolcott research was not a review of the effectiveness of the previous communication campaign. The Woolcott research was designed to assist us in shaping the messages that we would need for an effective communication campaign; it was not a review of previous efforts.

**Senator O'BRIEN**—So there had already been a decision for a new communication campaign, and Woolcott consultancy was engaged to decide how you would do it?

**Mr Banfield**—The budget last year allocated \$6 million for a communication campaign. That was decided and announced in the budget process last year, and the sequence of events that has happened since then is as I indicated. The government requires that any communication effort is properly market researched, and that was done; and then there was a process to select the respective advertising and public relations consultants. It is a lengthy process.

**Senator O'BRIEN**—What has this got to do with the take-up rate or utilisation of the program?

**Mr Banfield**—That relates to some additional research which we had initiated in the context of the original AAA package to try to give us some benchmarks on how farmers were responding to the package. It was in that context that I said that the original research—and we have made some progress in some areas—pointed out that the level of awareness of the package and particular programs was very low. We drew on various bits of research; it was not just the Woolcott research.

**Senator O'BRIEN**—When was this other research conducted and who conducted it?

**Mr Banfield**—Solutions Research did the benchmark in 1998 and I think they have done a follow-up survey.

**Ms Page**—In December of last year.

**Senator O'BRIEN**—So the basic research was done in 1998. Following that, what happened?

**Ms Page**—The package was originally launched in 1997. The following year, Solutions designed some key performance indicators and conducted baseline research to see what the level of awareness and uptake was at that time, only nine or 12 months out from the original launch. That was the basis for our comparing awareness two years later, when we sampled producers in December 2000.

**Senator O'BRIEN**—Did the research tell you in 1998 that there were problems with awareness?

**Ms Page**—We did not consider that the low levels of awareness at that time were a problem because they had sampled producers when the programs were still very new.

**Senator O'BRIEN**—What steps had been taken between 1998 and December 2000 which might have indicated that there would be some change in awareness?

**Mr Wilson**—The action taken following that survey was the development of the AAA communication program. We sought funds in the 2000-01 budget and received those funds. That was in response, that first—

**Senator O'BRIEN**—So from 1998 it took until the 2000-01 budget for you to get to promoting a program which had then been running for four years.

**Mr Wilson**—Yes.

**Mr Wonder**—Except to the extent that—

**Senator O'BRIEN**—You are joking, aren't you? That is not seriously the position is it—that you have got a program that has been running for four years and you are just now being funded to redress inadequacies in the knowledge about the program which essentially were known in 1998?

**Mr Wonder**—I was going to make the point that before lunch Mr Banfield did give some indication of the initiatives that had already been taken at that time to promote awareness. Some of the information pertaining to the level of awareness, as you say, did not become available until 1998. Since that time I would expect there were still the mail-outs and the like, and various articles being included in newspapers and so on. So there was an ongoing effort throughout that period.

**Senator O'BRIEN**—So in an election year you get \$6 million to spend on it?

**Mr Wonder**—I think that as Mr Banfield indicated the money was made available in the 2000-01 budget.

**Senator O'BRIEN**—But you did not do the research to hone up the spending of that money until late 2000. You did not actually commission it until late 2000.

**Mr Wonder**—Well—

**Senator O'BRIEN**—You have got the second round of Solutions research in December 2000 and you have got the Woolcott research—when was that commissioned?

**Ms Page**—September.

**Mr Wonder**—September is hardly late in the financial year. The financial year did not of course begin until July, so if September is late—that is not what I would call late.

**Senator O'BRIEN**—When does the TV campaign start to run?

**Mr Banfield**—It started on 22 April.

**Senator O'BRIEN**—And it runs till when?

**Mr Banfield**—The end of July. In relation to your comment about the four years, I indicated before that a decision was taken when the original AAA package was announced at the end of 1997. We undertook the Solutions research in 1998 and in the context of the renewal of the AAA—obviously recognising that increased communication effort would be

desirable—we included that as an integral element of the package. The government agreed with that in the context of the budget last year. As soon as the decision was taken to provide the funding, we started the processes of commissioning the market research and focus testing. We could not do that until a decision was taken in terms of the new package, because quite clearly it would not have been a good idea to have spent a lot of money on the original program, some of the programs of which were entering their wind-down phase.

**Senator O'BRIEN**—When was the budget last year?

**Mr Banfield**—May last year.

**Senator O'BRIEN**—You commissioned the Woolcott research in September—why the delay?

**Ms Page**—Can I comment on the timing of the Woolcott research. We are trying to conduct the Solutions research every two years. It gives us baseline and comparative data as a way of seeing how the programs are tracking, individually and collectively. The market research through Woolcott was tendered in August following the commencement of the project in July this current financial year. We moved that one along as quickly as we could. Its advice was available to us in December and that was then available to us to inform the development of the creative concepts.

**Senator O'BRIEN**—When you engaged Woolcott you had a fair idea that it would take some time for the material that they needed to be completed by Solutions?

**Ms Page**—I am sorry?

**Senator O'BRIEN**—When you engaged Woolcott to do their work, you had a fair idea that the Solutions work would not be available until later in the year and that Woolcott could not productively do their work until they had that.

**Ms Page**—No, the two pieces of research are different. The Solutions research, conducted every two years, is quantitative, it involves 2,250 producers and it helps us to track the programs. The Woolcott research is qualitative in nature and it helps us to understand the way in which farm families would prefer to receive information. It also helped us to understand the differences across the sector in the way in which the programs might be relevant, because the programs are quite diverse.

**Senator O'BRIEN**—And what were the changes in the second Solutions Research report from the first?

**Mr Banfield**—We might take that on notice. I have got some tables here—

**Ms Page**—It is quite detailed.

**Mr Banfield**—It is quite detailed, ranging from the awareness, to the level of risk management. There is a whole raft of questions that were undertaken as part of the research. It might be better to take it on notice and come back to you with a more considered response.

**Senator O'BRIEN**—One of the programs which is part of the AAA package is the Farm Innovation Program. It was a pilot program to run for two years from the 1999-2000 period. Is that correct?

**Mr Wonder**—Senator, can I ask you to be patient with when we handle the innovation program because it is actually under the innovation and operating environment section of the AFFA program.

**Senator O'BRIEN**—So that is not part of the AAA package?

**Mr Wonder**—It is part of the AAA package but the officers handling it are actually in the innovation and operating environment part of the program.

**Senator O'BRIEN**—I understand that it is a two-year pilot?

**Mr Wonder**—Yes that is correct.

**Senator O'BRIEN**—It concludes shortly—the pilot, that is.

**Mr Wonder**—The pilot was over 2000-01 and 2001-02, so it still has to June next year to run.

**Senator O'BRIEN**—So it did not commence in 1999-2000?

**Mr Wonder**—No it began 2000-01.

**Senator O'BRIEN**—So it took some time to be initiated.

**Mr Wonder**—Yes.

**Senator O'BRIEN**—What about the AAA Farm Help Program? Can you tell me what the take-up rate for that program has been and why it has been promoted so vigorously?

**Mr Wilson**—I will give you some information about the current recipients. As at 30 April 2001 there are 1,079 recipients of Farm Help support. I have that broken down by state.

**Senator O'BRIEN**—How do most people find their way to the program now? Is it through rural counsellors?

**Mr Wilson**—That is certainly one way.

**Senator O'BRIEN**—Have you got any breakdown? Do you have any idea where those 1,079 applicants came from—what their point of referral was?

**Mr Wilson**—I am not too sure that we have, but I can check on that. We do have quite detailed information from Centrelink but I am not too sure that referral is one of those elements.

**Senator O'BRIEN**—Surely it would be fundamental, given that you have had a response to the program, to understand where those people got the information to access the program, which I would have taken to have been most likely through rural counsellors, substantially.

**Mr Wilson**—I would think you are most probably right; I just do not have that information.

**Senator O'BRIEN**—What about the AAA Retirement Assistance for Farmers Scheme which I thought was due to wind up shortly, is that right? 30 June?

**Mr Banfield**—It is. That program is also being administered through the innovation operating environment section of the program. The short answer to your question is yes, it is winding up.

**Senator O'BRIEN**—Has that been promoted in this latest \$6 million advertising scheme?

**Ms Page**—I can comment on that. We did promote the program for a few months using departmental methods of promotion, for example, through our outreach road show that visits rural agricultural shows. We also wrote to rural financial counsellors and to accountants, I believe, drawing to their attention the fact that the program was going to end. We said that if they were aware of any producers who might be in a position to access the program then they



might wish to draw it to their attention. We did not include it in the television, radio or newspaper advertising because of the fact that the program was winding up.

**Senator WOODLEY**—I have some questions.

**Mr Wonder**—Before you ask further questions, our capacity to respond to any detailed questions will be limited because the officers who handle that program are from the innovation and operating environment output so it might be more productive on your side of the table to hold onto that point.

**Senator WOODLEY**—I am happy to wait. My questions are both general and more detailed. It might be better to do them all together when that comes up.

**Senator O'BRIEN**—Putting together the information that you have given me, you could have directly sent a letter to each farmer with an insert of promotional material on these programs 60 times for the money you are spending on this campaign.

**Mr Banfield**—The more important point, though, is the effectiveness of what you are doing, and the professional advice that we have sought is that a television campaign with some radio supplemented by direct mail was the way to go. Just of itself, direct mail, whilst useful, is not as useful as advertising in a wider context.

**Senator O'BRIEN**—It depends what you want to achieve, doesn't it? You are targeting farmers but here you are advertising to the broader community and spending the bulk of the package on advertising to the broader community. What you have told me is that it costs you \$106,000 to print and distribute direct mail to each and every farmer on the database you get.

**Mr Banfield**—What I am also saying to you is that all the professional advice is that a direct mail campaign is not, of itself, a very effective way to communicate the package. You need to use radio and television to get the message out there. All the evidence we have had from people contacting us and hits on the web site would confirm that the mix of mediums, if you like, has been quite successful in this instance.

**Mr Wonder**—Indeed, Senator, you said earlier yourself that you noted the point that we have had mail-outs since 1997.

**Senator O'BRIEN**—Yet you have gone to a direct mail-out format this time because you were advised that that is more effective. Isn't that the case?

**Mr Wonder**—It is part of a broader approach that we regard as much more effective than what we have done before in terms of the reach we are now getting and the quality of the information we are now communicating.

**Senator O'BRIEN**—You could have spent \$106,000 to be more effective than you had been, but you are spending \$6 million because that is what your advice is.

**Mr Wonder**—That is correct. You said we were spending the 'bulk of the package' in that regard. I want to correct that. I am not sure what percentage the \$6 million makes of the entire package, but I suspect it is less than one per cent.

**Senator O'BRIEN**—Perhaps we are at cross purposes: I did not mean it as a component of the package.

**Mr Wonder**—You said, 'bulk of the package'.

**Senator O'BRIEN**—You are spending the bulk of the advertising package on television, that is what I am saying.

**Mr Wonder**—I am sorry: I thought you said the ‘bulk of the package’.

**Senator O’BRIEN**—I am sorry if I have misled you, but the point is still the same: 60 direct mail letters to each and every farmer could be paid for out of this program. And you have not used direct mail before—that is what you have told us.

**Mr Banfield**—We used that in the original AAA package. There was a direct mail-out in the 1997 AAA package.

**Senator O’BRIEN**—You used the same component and that led to a significant uptake in all of the programs?

**Mr Banfield**—The original AAA mail-out, because it had no supporting infrastructure, was basically arriving in people’s mailboxes without any proper introduction or awareness raising. On the advice we had this time, the approach we have taken is to raise awareness through television and radio advertising so that, when the printed material arrives, people will have a better awareness and, we hope, a higher likelihood that they will read the information contained therein.

**Senator O’BRIEN**—So you spend \$5.9 million to fanfare \$106,000 worth of direct mail?

**Mr Banfield**—What we have here, Senator, is an integrated communications campaign. Just focusing on one particular aspect of it does not do justice to the integrated nature of the campaign.

**Senator FORSHAW**—How accurate is your database for the mail-out?

**Senator O’BRIEN**—It is not theirs.

**Ms Page**—I am advised by the firm that we are likely to contract that they have a 95 per cent ability to name each farm family, so we do not have to write to the farmer or the farm household, and that their database is upgraded every four months.

**Senator FORSHAW**—ABARE does not have that sort of database, does it?

**Ms Page**—I could not comment.

**Senator FORSHAW**—I know they have a survey database.

**Ms Page**—Yes, they have a survey database, not a direct mail-out one like this.

**Senator FORSHAW**—I appreciate that. I raised it given some of the issues raised in the wool industry.

**Mr Wonder**—I do not know what size ABARE’s sample is, but it would be 1,000 or 2,000, whereas here we are talking about 120,000.

**Senator O’BRIEN**—The PBS talks about the flood assistance package, which is a program jointly administered by AFFA and the Department of Transport and Regional Services. According to your PBS, next year AFFA administers \$116.2 million and the Department of Transport and Regional Services administers \$6 million. Is that a correct reflection of the PBS, page 50?

**Mr Wonder**—No doubt you have the page reference, but the relevant officer for the Commonwealth flood assistance package is in the agricultural industries part of our program, which is directly after the people at the table now.

**Senator O’BRIEN**—I thought it was in industry development.

**Mr Wonder**—That is correct, but we have had the fisheries and forestry component of that, we now have the rural support and adjustment component, and the next component is agricultural industries.

**Senator O'BRIEN**—We will come back to it then. On farm debt, there was a report on the ABC on 3 January that half of Queensland farmers were in financial trouble. It was based on a survey of farm debt undertaken by the Queensland Rural Adjustment Authority and, according to the survey, 19,000 producers owed \$5.8 billion in 1999. Are officers familiar with the findings of that survey?

**Mr Banfield**—In broad terms, yes.

**Senator O'BRIEN**—Is it the view of the department that these findings present an industry in serious trouble? It seems a lot of debt to be carrying.

**Mr Wonder**—I do not know whether we are in a position to comment on how those numbers should be interpreted. I guess at the end of the day there is a mix of reasons that people borrow money, including to make profits.

**Senator O'BRIEN**—Or to survive.

**Mr Wonder**—Ascertaining exactly why they borrowed that money, we have no information.

**Senator O'BRIEN**—You make a statement: people borrow money to make profits.

**Mr Wonder**—That is one reason.

**Senator O'BRIEN**—Sometimes they borrow money because they have no other income source for a time.

**Mr Wonder**—That is correct.

**Senator O'BRIEN**—They are refinancing debt in order to survive and they are in survival mode.

**Mr Wonder**—Yes.

**Senator O'BRIEN**—What discussions has the department had with Queensland state government officers about this problem? I might say that the ABC story suggests that it is getting worse.

**Mr Banfield**—I am not aware of any formal discussions that we have had with Queensland. But, obviously, the general state of the debt situation and, more particularly, the structural adjustment that is occurring in our agricultural sector, have been the focus of discussions with the states in a variety of fora. Our National Rural Advisory Council, which advises Minister Truss, obviously has an interest in those matters as well. But I am not aware of any formal discussions with Queensland.

**Senator O'BRIEN**—I think you just used the magic words. The government has a rural adjustment package of measures to which these sorts of statistics are relevant, are they not?

**Mr Banfield**—Yes.

**Senator O'BRIEN**—But the department has done no work or no follow up on this new work. You said you were aware of these statistics. They may be invalid. It seems to me that you are saying that this is not a matter that the department has felt it necessary to follow up?

**Mr Banfield**—That is a harsh interpretation, Senator. I am saying that the government's approach generally to rural industries is to encourage self-reliance and to encourage farmers to take a risk management approach. As you know, the only circumstances in which governments get involved is in providing support and assistance for things like farm business training, et cetera. When events are beyond the capacity of farmers to manage, we provide through programs like exceptional circumstances. But, in relation to the ongoing, day-to-day management of issues such as debt, we have not had a role in that.

**Senator O'BRIEN**—Those figures might indicate that, for example, the Farm Family Restart Scheme might have been much more relevant in Queensland.

**Mr Banfield**—The Farm Family Restart Scheme has been available to all who meet the eligibility criteria Australia wide. So it is an entitlement based scheme. Those who meet the eligibility criteria are eligible for support.

**Senator O'BRIEN**—Isn't it coming to an end?

**Mr Banfield**—The Farm Family Restart Scheme?

**Senator O'BRIEN**—Yes.

**Mr Banfield**—That is now called the Farm Help Program, which was extended and enhanced in the new AAA package and includes, as I mentioned this morning, more of a case management approach to help farmers work through their future financial issues. It also includes support for training in areas other than agriculture for those who want to re-establish and for those who are eligible for the re-establishment grant. So the principle of the Farm Family Restart Scheme is embodied in the new Farm Help Program.

**Senator O'BRIEN**—Apart from Queensland, which other state Rural Adjustment Authority undertakes similar surveys?

**Mr Wonder**—So far as I am aware, only Queensland conducts such a survey. I recall that the Queensland Rural Adjustment Authority has done so for quite a few years. I am not aware of any other state survey. The only other data source that I would be aware of—and I am sure that it can be made available to you because ABARE has recently published its farm surveys report—would be information on farm debt nationally in that publication.

**Senator O'BRIEN**—With the funding of rural financial counsellors, wouldn't the department have access to at least anecdotal information about the magnitude of problems? Do you follow that up?

**Mr Wonder**—We do, but whether it was representative information that could be used in a statistically valid way is another matter. The Queensland survey to which you refer, so far as I am aware, is a properly constructed sample survey—it might even be a census; I cannot recall now—similar in validity from a statistical perspective as the surveys that ABARE conducts. The rural counsellor information, as useful as it is—and of course it is helpful to have that feedback—could not be regarded, I do not think, as being of the same statistical quality in terms of giving you a picture nationally.

**Senator O'BRIEN**—Obviously, it would be anecdotal but the ABC story to which I was referring quotes a rural counsellor who, according to the web site, said:

Last year in four months we saw as many new families as we usually see over 12 months in the past. Our numbers are ballooning. There seems to be widespread disruption in the rural industry. I would see that by the end of June in 2001 we could see as much as 80 per cent.

I presume that that means 80 per cent of farmers. That is pretty alarming, even though it is anecdotal. So there was no follow up? You did not approach rural counsellors to see whether this was an outlandish prediction?

**Mr Wilson**—No. Queensland has its own infrastructure with rural financial counsellors as well and it could well have been one of their own.

**Senator O'BRIEN**—Sure, that is certainly true. But how many do you have?

**Mr Wilson**—Ninety-nine.

**Senator O'BRIEN**—Ninety-nine counsellors?

**Mr Wilson**—Yes.

**Senator O'BRIEN**—So you had 99 points you could easily have contacted to follow this through?

**Mr Wilson**—Yes.

**Mr Wonder**—Just more generally—I probably have the numbers around somewhere and maybe I could give them to you later on—the net value of rural production and cash incomes in the rural sector are at levels that we have not seen for many years.

**Senator O'BRIEN**—That does not mean that the benefits will be equally distributed?

**Mr Wonder**—No.

**CHAIR**—Is it not also the case that people are increasingly accessing rural counsellors for financial advice long before they see a difficulty? They are much more aware, certainly in my state of South Australia. A number of new clients to rural counselling are there to get some information on how they can better do their financial planning rather than because they have had a crisis?

**Mr Wonder**—That is probably correct. I guess the rural financial counsellors have been able to establish a reputation over time to provide assistance in that way. Over a period of time we are seeing the benefits of that program.

**Senator O'BRIEN**—It would be useful had the question been asked and that been the response rather than speculation on what might be the experience.

**Mr Wonder**—I do not understand your question, Senator.

**Senator O'BRIEN**—I think Senator Ferris suggested that people go to see rural counsellors to get advancement advice, if I can put it that way, rather than problem-solving advice. I am saying that, had those 99 counsellors in Queensland been contacted, maybe that would have been what you would have told me about the situation in Queensland. It is interesting to note that the statistics the ABC used show that the average debt for those 19,000 farmers was \$3 million, which I would have thought was a fairly significant debt package.

**Mr Banfield**—I understand the point that you are making, Senator. I just make the point that we need to be mindful that a national or a holistic state perspective like that does not necessarily reveal the situation in particular regions. Some regions are doing well and others are not doing so well. So we need something reasonably well targeted to ensure that that message gets through.

**Senator O'BRIEN**—It would have been interesting to know how many of those producers were dairy farmers, given recent announcements about funding the dairy industry.

**Senator WOODLEY**—Sugar farmers as well.

**Senator FORSHAW**—I do not think it necessarily matters if some are doing very well. It does not detract from the seriousness of the problem. If anything, if that is a reflection of an overall state position, for instance, there might be some who are doing well but there must be others who are doing even worse than might otherwise be the case.

**Mr Banfield**—I was just making the point that you need to be careful about relaying a lot of alarmist messages, particularly to some regions which are actually doing quite well.

**Mr Wonder**—In fact, I have those numbers that I was referring to earlier from the ABARE farm surveys which are broken down nationally and by state. These are the numbers for 1998-99 and 1999-2000—the most recent information. For Queensland, at 30 June, farm debt had fallen from an average of \$217,840 per farm to \$185,060. So, in fact, farm debt is down about 15 per cent in the last two years. In addition, it is probably only about five per cent of the level that you were talking about.

**Senator O'BRIEN**—There is quite a discrepancy between ABARE's figures and these figures.

**Mr Wonder**—Yes.

**Senator O'BRIEN**—I just worked out it is in excess of \$3 million, not \$217,000. That is quite a discrepancy. I am not sure what the competing methodologies are, if I can put it that way, between ABARE and the Queensland Rural Adjustment Authority's survey body, whatever that might be.

**Mr Wonder**—Perhaps we could provide you with some further information on a comparison basis, if that is helpful.

**Mr Wilson**—Would it be of help just to say that, in relation to rural financial counsellor service clients in Queensland, in 1999-2000 it is currently 750 of the 6,377? In relation to Farm Help current recipients in Queensland, the figure is 388 of the 1,079. So we have some figures in terms of those clients coming for help.

**Senator FORSHAW**—Is that average figure that you just gave for the ABARE report for a group of broad acre industries?

**Mr Wonder**—That is for all broad acre industries.

**Senator FORSHAW**—No doubt Dr Fisher is listening intently—I am sure we can come back to that.

**Mr Wonder**—I am sure he would be happy to talk about it in detail.

**Senator FORSHAW**—There would be tables in there that would give figures, again based only on the survey for the various sectors within the group?

**Mr Wonder**—Yes. The figures that I am quoting are actually from the most recent farm surveys report, which was released in the last couple of weeks.

**Senator FORSHAW**—I have not got it in front of me, but my experience is that you can, in turn, get figures for wool, beef, et cetera?

**Mr Wonder**—Yes, I understand that that is correct.

**Senator FORSHAW**—It might again show a markedly different position?

**Mr Wonder**—Those industries are subcomponents of those numbers that I have spoken of. So they may have their own peculiar character for grain, wheat, beef or whatever. But they all add up, on average, to these numbers.

**Senator FORSHAW**—We can look at it later, but some industries tend to carry more debt than others.

**Mr Wonder**—I understand.

**Senator O'BRIEN**—I want to ask about Agricultural Development Partnerships. This program is funding \$26.4 million over four years. Is this in part the aggregation of a number of existing programs?

**Mr Banfield**—It is a new program, but it is based on the Rural Partnership Program which existed in the past and which was quite successful. But it is a new program in its own right.

**Senator O'BRIEN**—And it requires matching state funds?

**Mr Banfield**—Yes.

**Senator O'BRIEN**—So we are looking at over \$50 million to go into this program over four years?

**Mr Banfield**—Yes, Senator.

**Senator O'BRIEN**—Can you give me the breakdown of the various components in the program and who will administer the parts?

**Mr Wilson**—The guidelines for this program have not been developed. We hope to speak very shortly to state governments and to other stakeholders about developing this program and about how it will work. As Mr Banfield mentioned, the broad approach we hope to take is similar to the Rural Partnership Program. But in relation to general administration we see it in a similar way to the Rural Partnership Program that the states would carry most of that burden.

**Senator O'BRIEN**—I am sure that they will be interested to hear that you used that word. When will the guidelines be completed?

**Mr Wilson**—We hope in the next few months.

**Mr Banfield**—The intention, though, is that this would be a flexible program to respond to the needs of particular regions. So we envisage that the guidelines would provide for that flexibility.

**Senator O'BRIEN**—Do they need to be agreed with the states?

**Mr Wilson**—Yes, they will be. The states will be 50 per cent funded, so clearly we will be in partnership with the states.

**Senator O'BRIEN**—Page 50 of the PBS refers to structural adjustment measures targeted at specific industries and specific regions. Are those measures exclusive from Agricultural Development Partnerships?

**Mr Wilson**—That is the program, Senator.

**Mr Wonder**—That is the Agricultural Development Partnerships.

**Senator FORSHAW**—You have other programs in specific industries.

**Mr Wonder**—I am sorry, I missed the point. That is correct, there are other programs that deal with specific industry circumstances that are not included in the Agricultural Development Partnerships initiative.

**Senator FORSHAW**—Could they be, though, in some respects? For instance, in the dairy industry, there is a specific package. No doubt we will come to that later. Could this program also pick up some issues that might be addressed in that industry as well as it being subject to another specific package?

**Mr Banfield**—In principle, yes, although I think the preference would be to direct that funding to areas which are not getting assistance by way of another package. So we would be looking to target areas or regions which currently are not in receipt, for example, of other sorts of government assistance packages.

**Senator FORSHAW**—Do you have in mind at the moment any areas or regions where this will apply?

**Mr Banfield**—No. When I say that we have no preconceived ideas, we will be consulting with the states to discuss the matter with them and to identify priority regions.

**Senator FORSHAW**—But, in short, there must have been some indication as to where the money is likely to go in the next year or two?

**Mr Banfield**—On a region by region basis?

**Senator FORSHAW**—Yes.

**Mr Banfield**—No, Senator. We have developed the program from first principles. We will be consulting with the states to identify those regions, consistent with the objectives of the program.

**Senator O'BRIEN**—Under the performance information on page 50 there is a reference to industry development dollars leveraged from the private sector. I take it that that is not only an adjustment mechanism but also a source of seed funding to leverage dollars out of the private sector? Is that a fair interpretation?

**Mr Banfield**—Yes, if we can do that, Senator.

**Senator O'BRIEN**—How will that work?

**Mr Banfield**—We will be looking at particular regions and industries where there would be some adjustment or maybe a change of industry. We, as well as the states, will be looking to working in conjunction with relevant industries if we can to leverage some funds out of that. So we will be looking for some industry dollars there as well if we can get them.

**Mr Wilson**—The private sector in this case also refers to individual farm owners, or groups of farms in some cases, where farmers might be able to provide a contribution towards some work.

**Senator O'BRIEN**—So it could be for the restocking of a group of farms with a new line, such as animals or crops?

**Mr Wilson**—It could be that. But I must say that this program will target capacity building rather than on-farm works. So that would not necessarily be a good example of capacity building.

**Senator O'BRIEN**—What about existing private sector enterprises? Would they be able to seek help from this package for survival purposes?



**Mr Wilson**—Yes. Out of a total regional package they could. But, as Mr Banfield said, we intend it to be a flexible package. So it could embrace those things if there were a long-term public benefit coming from those activities.

**Senator FORSHAW**—Is this a new program?

**Mr Wilson**—Yes.

**Senator FORSHAW**—I thought it was. That is why I return to the question I asked you a moment ago about there not being some understanding as to where the money is likely to be utilised.

**Mr Wilson**—We know that there are regions that are having difficulties.

**Senator FORSHAW**—So do we; we all do. That is why I am trying to get a bit more specific about it. It is a cooperative program with the states. I appreciate that you are setting up the program and that you will then allocate funds, set priorities and do different things. So in that sense you do not necessarily have them detailed specifically. But you do not set up these programs unless you have some idea of where the funding is likely to go.

**Mr Wilson**—We have our ideas but, as Mr Banfield said, we would like at an early point in time to discuss those with the states as well as the guidelines for the program. So I think we would be reluctant to share our personal ideas on the regions outside those discussions.

**Senator O'BRIEN**—So where a state has already announced its budget for a year you cannot really meaningfully expect to implement the program for another year?

**Mr Wilson**—I think that is again subject to discussions. But where states get their funding I cannot answer at this point.

**Mr Banfield**—There is some recognition in the year-by-year funding for the program that it would ramp up; that it would not hit the ground running so to speak; and that it would take some months to decide on the regions and their approach. Traditionally, as you probably know, these rural partnership-type programs which are community driven and community owned actually take a while to set up. So the allocation of the \$26.4 million between the four years reflects that kind of lag.

**Senator FORSHAW**—Would the citrus industry apply in this case?

**Mr Banfield**—In principle there is no reason why not.

**Senator FORSHAW**—It is suffering difficulties in particular regions as well.

**Mr Banfield**—In principle there is no reason at all why that industry would not be eligible, as indeed would particular regional areas of the fishing industry if there are structural problems in the fishing area. As I say, it is deliberately designed to be flexible and to pick up those high priority areas and regions that are undergoing some structural adjustment and that would benefit from support.

**Senator FORSHAW**—So it would apply to those areas that are not getting it at the moment?

**Mr Banfield**—As a preference, yes. We would prefer it if areas that are currently getting benefits by way of other government programs do not benefit.

**Senator O'BRIEN**—Following on about the gradual growth of expenditure in the program over the eight years, which is what I understand from page 50, if you underspend in the first year you will be expecting to reallocate that money in subsequent years?

**Mr Banfield**—Yes, that would be our approach, Senator.

**Senator O'BRIEN**—If there is a difficulty in getting the program up and running in the first year, you would expect it to be compressed into the subsequent three years?

**Mr Banfield**—Let me put it this way. Certainly AFFA would be arguing that we should carry over the funds.

**Mr Wonder**—It would be fair to say that we have also deliberately designed the program so that it ramps up from \$3.2 million. You can see an administrative appropriation in 2001-02, growing to \$8 million in 2004-05, to take on board the point that you are making. I would also like to add in response to Senator Forshaw's point about whether we know the areas. The reality is that we could all identify areas throughout Australia. Our concern is that there will always be more areas and requests for dollars than there are dollars. So we would want to consult carefully and ensure that we put the limited dollars to best use. Therefore, we would not feel comfortable with naming regions, short of actually conducting that research and analysis

**Senator FORSHAW**—I am not in any way questioning that. I suppose that what I am getting at is what we see elsewhere and what we have seen for a long time are specific measures are often developed for specific industries or regions.

**Mr Banfield**—Sure.

**Senator FORSHAW**—This program has a not dissimilar amount of money. I could nominate one or two industries that could pretty well take the lot. So I was trying to get a bit of an idea of what was proposed. You refer to providing assistance. What are those forms of assistance intended to be?

**Mr Wilson**—Again, we would very much like to discuss that with our state colleagues. The types of assistance that we are referring to are not necessarily those that are in the Rural Partnership Program. As I said, we are gearing it more towards capacity building than necessarily to on-farm works and the private good that may have come under some RAS components. For example, some of the ideas we have include business planning subsidies; promoting the uptake of new technologies and best practice; regional adjustment and infrastructure assessment; new product identification; economic market analysis development; encouragement for quality assurance programs and through chain awareness; and training, of course, through FarmBis or in cooperation with FarmBis. It is those kinds of measures that we would be putting on the table with the states. But ultimately, of course, like the Rural Partnership Program, we would be conferring with rural communities in the regions selected about the kinds of measures and how we tailor them.

**Senator O'BRIEN**—What will happen to existing programs under the Rural Partnership Program?

**Mr Wilson**—They will continue until they are completed.

**Senator O'BRIEN**—Where will the money come for the completion of those programs?

**Mr Wilson**—The money has already been allocated for all 12 projects, Senator.

**Senator O'BRIEN**—So none of the money in this package of \$26.4 million will be used in existing projects?

**Mr Wilson**—There could well be bids from existing programs for extensions. But, as Mr Banfield said, our preference would be to go to new areas if we can.

**Senator O'BRIEN**—There is no carry-over of funds?

**Mr Wilson**—No.

**Senator O'BRIEN**—So any funding for those programs that comes out of this package would have to be a subsequent and additional decision? Is that right?

**Mr Wonder**—Mr Wilson is saying that the existing projects are basically fully provided for and funded through to their completion. It has nothing to do with this \$26.4 million.

**Senator O'BRIEN**—But there was a suggestion that there could be extensions?

**Mr Wilson**—There could be bids for extensions, yes.

**Senator O'BRIEN**—In those cases some of this money could be allocated to those programs, but a specific decision would be taken?

**Mr Wilson**—Yes, on its merits.

**Senator O'BRIEN**—On the FarmBis program the objectives are: increased participation in learning activities which enhance the profitability, competitiveness and sustainability of farm business enterprises; developing a greater acceptance of the benefits of continuous learning and skills development; their relevance to the changing management needs of the competitive farm sector; to enhance the capacity of participants to identify and access appropriate learning activities over time; and, over time, to influence more flexible delivery of these activities. Can you outline for the committee the process of review of the FarmBis program? As I understand it, there is an annual review of the states' performance in the delivery of FarmBis?

**Mr Wilson**—Can you just repeat the last part of your question?

**Senator O'BRIEN**—I understand that there is an annual review of the states' performance in the delivery of FarmBis. At least that was the plan. Has that actually happened?

**Mr Wilson**—Yes. We do a survey. The last one was done by Roy Morgan and Associates in March 2001.

**Senator O'BRIEN**—So there was one in May 2000, which you have previously provided to this committee, and there was the Roy Morgan research program in March 2001?

**Mr Wilson**—Yes, that is right.

**Senator O'BRIEN**—As I understand it, there has been a program of regular surveys of service providers, in addition to the Roy Morgan work. Has that been ongoing?

**Mr Banfield**—Yes. In fact, Hassall and Associates are currently completing their mid-term review of the original FarmBis. That will incorporate the review of states' performances. The Roy Morgan research basically provides us with feedback from industries and also from the individuals who undertook the training courses. The Hassall research is more of a review of performance, which includes the states' performances.

**Senator O'BRIEN**—On your web site there is information about a FarmBis evaluation strategy summary which says that there was to be a mid-term evaluation in 2000-01 and a final impact evaluation in 2001-02 to determine the success or otherwise of the program. I understand that that final impact evaluation will be in March next year. Has the mid-term evaluation been completed?

**Mr Wilson**—Yes. The report is not available at the moment but we expect that to be available in mid-June.

**Senator O'BRIEN**—Is that Hassall or is it Roy Morgan?

**Mr Wilson**—It is Hassall.

**Senator O'BRIEN**—Okay. On page 60 of the PBS you advise that the results of this final evaluation may be used by each state to refocus or adjust the operation of the program within the overall framework as agreed under the Commonwealth-state agreement. Does that mean that you have reached the conclusion that this program was not sufficiently focused and therefore taken \$41 million out of it?

**Mr Banfield**—Absolutely not. But, with this program, as with other programs, we are constantly reviewing and evaluating it with the objective of improving the delivery on the ground. At the state level you may be aware that the state planning groups are actually instrumental in terms of targeting particular skills needs, so we would be hoping that this research would feed in to the consideration of the state planning groups, which would report back to the states, and that that process of constant review and evaluation would continue. Certainly, it is not the case that we have concerns about the future of the FarmBis program.

**Senator O'BRIEN**—Can you remind me of the ongoing funding arrangements for that FarmBis program and how they have changed.

**Mr Banfield**—In regard to the PBS, I can do that as well. There are basically two elements of the FarmBis program in general terms. The first is what we call the national component of FarmBis, where in excess of \$40 million was appropriated by the government in the budget last year. There is also a Commonwealth-state component which provides training to individuals on the ground. As you know, that is funded fifty-fifty. In the context of the decisions in the PBS to take some of the funding from the FarmBis program, the answer is that, under the Commonwealth-state component, we match the contributions by the states.

The best advice we have from the states is that they could not accommodate the full amount that the Commonwealth had allocated under the Commonwealth-state component. Because we match on a fifty-fifty funding basis, there was a surplus to the Commonwealth. The government decided that in the circumstances it would be constructive and productive to use some of that money to fund other new programs. I have mentioned the ADP program, which is a particular case in point. On the funding out of the PBS to get to where I think you are heading, under the Commonwealth-state component all the bids we have from the states will be matched. The excess in funds under the Commonwealth-state component will be used for ADP and the rural counsellors. The Commonwealth will also use a component of the national component. A small amount of underspend in the existing FarmBis program—the old FarmBis program—will also be used.

**Senator O'BRIEN**—So next year's evaluation will tell the states whether there is a need to refocus, given that they have not been able to match your proposed spend. I am trying to understand where the program is going. You say you cannot spend the money because the states cannot match part of the program so it is being sent elsewhere.

**Mr Banfield**—But within that, in terms of the priorities of the existing program, the state planning groups and the states and the Commonwealth have an ongoing role to ensure that it is correctly targeted. Within the framework, there is capacity, for example, to amend the subsidy level to particular courses to ensure that we have it targeted at the areas of need.

**Mr Wonder**—The reference to the refocusing must be read in the context of the sentence that comes immediately before it. That sentence refers to the operation of the program in each state, priority strategies, delivery mechanisms and funding and administrative arrangements.

The refocusing is in regard to any of those other aspects that may be changed in response to further information from the study. The SPGs—the state planning groups—operate in each state to ensure that these matters are most responsive and relevant to the particular state we are working with.

**Senator O'BRIEN**—According to the document I referred to earlier, following the review of the state's performance, the FarmBis Evaluation Working Group was to develop a FarmBis program logic map. Has that work been completed? What is a FarmBis program logic map?

**Mr Wilson**—We will have to take that on notice, not so much in relation to what it is, but in respect to the response.

**Senator FORSHAW**—Senator O'Brien, what are you quoting from?

**Senator O'BRIEN**—It is from the web site. What is a FarmBis program logic map?

**Mr Wilson**—I cannot tell you what it is right now.

**Senator O'BRIEN**—Could we have a copy so we can know what it is?

**Senator FORSHAW**—It would probably be provided to us as fuzzy logic.

**Mr Wilson**—No, it is FarmBis program logic; not fuzzy logic.

**Senator FORSHAW**—I just wanted to ensure that Senator Alston's attention was drawn to this issue.

**Senator O'BRIEN**—So in relation to our earlier discussion about reallocation of funding, is the funding for this program \$167.5 million over four years from July this year?

**Mr Banfield**—No, from 1 July last year. The additional component kicked in from 1 July last year. The Commonwealth-state component starts this year.

**Senator O'BRIEN**—According to page 52 of the PBS, the government is reallocating \$41 million out of FarmBis into the Agricultural Development Partnerships program, which is \$26.4 million.

**Mr Banfield**—Yes.

**Senator O'BRIEN**—That leaves \$14.6 million. Where is that \$14.6 million going?

**Mr Banfield**—I mentioned in my earlier answer that there are three areas where the \$41 million is going to come from. One area is an underspend on the existing FarmBis program, and we currently have an underspend of the order of \$13.6 million which is available. A portion of that would be available for use. The rest of the money would come from the Commonwealth-state component, and the remainder would specifically talk about the rural financial counsellors—the 11.6 for the two out-years and the rural financial counsellors will come from the national component. Between those three, we can do it in a way which honours the bids and the requirements of the Commonwealth-state component.

**Senator O'BRIEN**—There is a report about the rural financial counsellors that indicates that there is some problem with providing that service, certainly by the department.

**Mr Wonder**—Perhaps I can help you, Senator. The answer to your question, in terms of the documentation on page 52, is reflected in the footnote under the heading 'Savings from FarmBis—Skilling farmers for the future programme', where it explains the 41 million and its allocation. The Rural Financial Counselling Service, which is also mentioned on page 49, basically has 5.8 million in each of the out years. It was already in the 2001-02 funding, so the government has made available 5.8 for the 2001-02 year as well.

**Senator O'BRIEN**—Has all of the out year funding come from the 11.6?

**Mr Wonder**—It is the 5.8 times two, which gives 11.6.

**Senator O'BRIEN**—So in all of the out years it has come from reallocating money from FarmBis?

**Mr Wonder**—That is correct.

**Senator O'BRIEN**—What impact does the 3 million over two years have on the National Food Industry Strategy?

**Mr Wonder**—You want to ask questions about the food industry strategy?

**Senator O'BRIEN**—I wanted to ask what the impact of that \$3 million in that area will be.

**Mr Wonder**—Perhaps we should go back to the answer that Mr Banfield gave earlier: the reallocation of all those funds, whether it be for Agricultural Development Partnerships, rural financial counselling, or the National Food Industry Strategy, has no impact on the effective operation of FarmBis. The reason it has no impact is that, as Mr Banfield indicated, we are able to fully match the dollars that are available from the states and thereby meet the full requirements of FarmBis as a program. Mr Banfield has added the point that the 40-odd million that is above what the states are able to make available has been redeployed to other priorities that we think will make a significant contribution, and they are those three indicated in the footnote to the table: Agricultural Development Partnerships, the Rural Financial Counselling Service and the National Food Industry Strategy.

**Senator O'BRIEN**—Going back to the FarmBis evaluation processes, is it the case that you have formed the view that funding through FarmBis was not being well targeted to industries in regions in need? Or was it simply the case that the states could not find the matching funds that led to this reallocation?

**Mr Banfield**—FarmBis had always been set up as a dollar-for-dollar matching program between the Commonwealth and the states. We matched 50 per cent and the states matched 50 per cent, and that was for a variety of reasons. Some states cannot access the funds or, in other cases, they do not believe that they need to spend the money. That is why we had the surplus at the Commonwealth end. Certainly, none of that is to imply that we think that the FarmBis program is not meeting its needs. In fact, all the advice that we have and all the research that we have done indicates that it is highly valued and is doing a very good job. It is a matter of the states, for whatever reason, being unable to match us, and we have sought to use the funds for other productive purposes.

**Senator O'BRIEN**—I use that term because that is the terminology in the second last paragraph on page 52 of the PBS.

**Mr Banfield**—Again, I indicated in an earlier answer that we are constantly looking at how we deliver the program, and this is an evolving exercise. That is not to imply, though, that we think that the program is not working.

**Senator O'BRIEN**—No, but you said that the real reason is not what is contained in the PBS but because the states cannot or will not match the funds.

**Mr Banfield**—That is why the surplus has arisen, yes.

**Senator O'BRIEN**—It is not because there is a problem with targeting to regions and industries in need? What empirical evidence is there that there is a problem with regional targeting or targeting of industries in need?

**Mr Banfield**—The best I can do there is to say that the original FarmBis program, which was a much more modest program, has underspent, as I indicated; the new FarmBis program is over three times the size. I guess, on the basis of the bids from the states—where they had indicated how much money could be available—we made the judgment that we could not use it all.

**Senator O'BRIEN**—I accept what you are saying. I simply make the point that the PBS is not going to tell someone who is not privy to this exercise that that is the real problem. They are going to think it is something else if they read the passage in the PBS. That is a fair comment, isn't it?

**Mr Wonder**—Perhaps we are miscommunicating. The point that we are trying to make in the PBS is that, although we have fully matched the state moneys being available for farmers, at a still very substantial level—much higher than it had been historically—there are resources from the Commonwealth end that the states are unable to match. Therefore, we are looking for opportunities to better target those resources to regions and industries that can make good use of them now. Maybe it is semantics, but that is what we are trying to say.

**Mr Banfield**—I think there is an easy answer, just having read the paragraph again. I think the sentence that you are referring to, where it says 'better targeted to regions and industries in need', is not a comment about the FarmBis program but a comment about what we hope to achieve through the agricultural development programs and the rural counsellors program. That is not a comment about the FarmBis program at all, which might have been the cause of the confusion.

**Senator O'BRIEN**—I am afraid you cannot convince me on the words there that that is not what anyone not privy to this conversation would take that to mean. I take it the agricultural development programs will not provide any other services currently being funded by FarmBis?

**Mr Wilson**—No. In fact, what we would look to do if we identified training needs in a region through the ADP process would be to work with the state planning group to maybe target FarmBis in that area to meet those particular needs.

**Senator O'BRIEN**—I thought that would be the case. What has the total level of underspend on FarmBis been during its history?

**Mr Banfield**—About \$13.6 million.

**Senator O'BRIEN**—Over what period?

**Mr Banfield**—Over four years, if we are talking about the original program. The original FarmBis program finishes on 30 June. Our expectation is that there will be an underspend of about \$13.6 million.

**Senator O'BRIEN**—That is down to the reasons that you mentioned—reallocating that \$40-odd million?

**Mr Banfield**—Yes. We will be using some part of that to fund the other initiatives which were announced in the budget.

**Senator O'BRIEN**—I take it that, in all the reviews carried out, there has not been any indication of unmet demand for services provided by FarmBis?

**Mr Wilson**—Not to my knowledge. The mid-term review may reveal something there, but the surveys that we do annually—as you said before—are really surveying participants to find out the level of satisfaction.

**Senator O'BRIEN**—FarmBis Australia was announced in the last budget and, as I understand it, was designed to provide assistance through a discretionary grant system. According to your literature, this national component is focused on the broad education and skills development needs of industries rather than on individual business requirements. How does that national component work?

**Mr Wilson**—As you said, Senator, it is a discretionary program. To date, there has been a call for expressions of interest and program submissions to do basically three things: firstly, to identify appropriate learning and development activities; secondly, to develop and adopt best practices in business management; and, thirdly, to develop any unique training and learning programs. On 26 April, the minister announced 11 projects under that call for applications. You would be aware, too, that on 8 April the minister also announced a program to assist and train volunteers in business management skills in relation to agricultural shows across Australia.

**Senator O'BRIEN**—Does any of the reallocated \$41 million come out of the FarmBis Australia work?

**Mr Wilson**—Yes, it does.

**Senator O'BRIEN**—How will it impact?

**Mr Wilson**—At the end of the day, as Mr Banfield said, with the reallocation of unspent funds from last year there will be less funds in FarmBis National over the remaining three years of that program.

**Senator O'BRIEN**—I wanted to ask some questions about exceptional circumstances assistance, and you may need to take these on notice. Can the committee receive an update on how many farmers are in receipt of exceptional circumstances assistance at the moment?

**Mr Wonder**—Yes, perhaps it would be best if we provided that on notice. I am happy to put together some information.

**Senator O'BRIEN**—With that, perhaps you could provide the current status of each of the EEC declarations that are currently, if I can put it that way, in operation and the details of the numbers involved?

**Mr Wonder**—Right.

**Senator O'BRIEN**—In the lead up to the state election in Western Australia, the minister for transport, Mr Anderson, said that there was a need to look at the response times to requests for help through the exceptional circumstances assistance program. What work has been done on that matter?

**Mr Banfield**—At a variety of levels you would be aware—and we have mentioned it to this committee previously—that the government, in conjunction with the states and the National Rural Advisory Council, is looking at the whole exceptional circumstances program and policy to try to improve its delivery and effectiveness. At the moment, it is seen as a Commonwealth only program. Applications come into the Commonwealth; the



Commonwealth is the sole decision maker. The states really only provide very marginal funding for the program. That is, in our view, not a good way to run a program which really needs to be a partnership with the states. We are looking at ways that we can improve the effectiveness of the exceptional circumstances and to involve the states and the local communities in a more holistic way in the process.

**Senator O'BRIEN**—They have to apply for it, don't they?

**Mr Banfield**—Communities?

**Senator O'BRIEN**—No, the states have to.

**Mr Banfield**—It can be the state or industry, but traditionally it is the state that applies. The point I am making is that, at the moment, the buck stops with the Commonwealth. States put in applications and they are only responsible for very limited funding. There really is not the commitment or partnership by the states in the process. What we are looking to do, in reviewing the scheme, is to get a genuine partnership approach to delivering the program which actually takes some of the angst out of the process.

**Senator O'BRIEN**—I take it this matter was discussed at the ministerial council meeting on 9 March.

**Mr Banfield**—Yes.

**Senator O'BRIEN**—Apparently ministers confirmed their commitment to a more cooperative approach—whatever that meant?

**Mr Banfield**—Yes, they did. There is a subcommittee of officials which is actually doing some additional work on aspects of exceptional circumstances and how we might give effect to the assessment process and those kinds of issues—the menu of options that might be available to provide assistance. Officials will report back to ministers at the next meeting of ARMCANZ.

**Senator O'BRIEN**—Which is in August, as I understand it.

**Mr Wonder**—Yes, that is correct.

**Senator O'BRIEN**—In general terms, are the proposed changes more about even distribution of the costs of the scheme than the assessment process?

**Mr Banfield**—That is one component of it, but it would be unfair to focus on that, Senator. The intention is to have a genuine partnership where the Commonwealth and the states work together to work out what kind of assistance might be provided when areas are in difficulty. We are looking at ways that that can be provided or at least an answer given to communities without necessarily putting them through a long laborious assessment process. As you are aware, some of the processes in preparing applications—which may be rejected—are quite time consuming, and we are seeking to take that out of the process. So Commonwealth and state would get together earlier, and we are even thinking about the potential for joint announcements by Commonwealth and state ministers that there would be an initial assessment done before the community is put to a whole lot of work and that they could be given some guidance about whether they had a chance or not. Those kinds of issues are being discussed.

**Senator O'BRIEN**—Currently, the states do their work, submit something to the Commonwealth, and the Commonwealth makes a decision. That is how it works. How is that

going to change? Do you think there will need to be a joint Commonwealth-state decision to investigate?

**Mr Banfield**—Yes—that, if an area is in difficulty, the Commonwealth would get together with the states and the community and look at the situation against the guidelines, without a whole lot of work being done, and we could provide some advice and guidance as to whether or not there was a prospect.

**Senator O'BRIEN**—How would the communities be involved? At the moment it is essentially a scientifically based program, isn't it?

**Mr Banfield**—Yes, science plays a large part in it; but, historically, a lot of applications that have come in have not met the guidelines. Communities have spent an awful lot of time putting together an application, to be told down the track that it does not meet the guidelines. So, with the states, we would meet the communities early on to provide them with the scientific knowledge and information that we have and to say whether we think, *prima facie*, there is a case. If there was a *prima facie* case, the additional work would be done then.

**Senator O'BRIEN**—In relation to Western Australia, the PBS tells me, on page 52, that the government is providing \$23.1 million over four years for exceptional circumstances in the south-east of the state. When did that exceptional circumstances application get approval?

**Mr Wilson**—That was announced on 2 February 2001.

**Senator O'BRIEN**—The approval was contemporaneous with the announcement?

**Mr Wilson**—That is right.

**Senator O'BRIEN**—There is \$4 million in 2000-01, \$6.13 million for 2001-02 and \$4.133 million for 2002-03. What is the other year?

**Mr Wonder**—I am not so sure it is a matter of another year. It is another department, isn't it?

**Senator O'BRIEN**—It says in the explanation:

The Government will provide \$23.1 million over four years, (including \$4.0 million in 2001-02)—  
But then you have only got two out years in your chart there.

**Mr Banfield**—That is correct. There is some overlap in terms of when these are announced and when the date of announcement does not coincide with a neat financial year.

**Senator O'BRIEN**—But the announcement is in 2000-01, which is the \$4 million figure, surely?

**Mr Banfield**—Yes.

**Senator O'BRIEN**—We know it was announced in February, so the subsequent year is 2001-02—that is two years; and 2002-03 is three years. I am trying to understand why it says \$23.1 million over four years.

**Mr Banfield**—Yes, I take your point.

**Senator O'BRIEN**—You do not know how we can extrapolate that? There is a total of \$14 million there, but I see it is split across three departments.

**Mr Banfield**—There is an additional \$9.5 million, Senator. If you look at the footnote—

**Senator O'BRIEN**—Yes, it says that \$9.51 million held under the Rural Adjustment Act will also be used. Who administers that?

**Mr Banfield**—That is for the interest rate subsidy component out of Western Australia's holdings of RAS funds.

**Senator O'BRIEN**—So it will only be interest rate subsidies that go over the four years. Is that how I should interpret that?

**Mr Banfield**—There is no change—and the four years, I take your point, probably should be three years—to the existing EC policy, which provides assistance for two years from the date of announcement. There is some variation depending on when they are actually announced and how it coincides with the financial year.

**Senator O'BRIEN**—When is this declaration to be reviewed?

**Mr Banfield**—EC declarations are not reviewed. They provide assistance for two years and then they are automatically revoked.

**Senator O'BRIEN**—So it is revoked in February 2003?

**Mr Banfield**—Yes.

**Senator O'BRIEN**—What payments continue after revocation?

**Mr Wilson**—None, Senator.

**Senator O'BRIEN**—None?

**Mr Wilson**—Just any residual payments from the previous month or something like that, but that is all.

**Mr Banfield**—There is some phasing of the interest rate subsidy component. Farmers have a window in which they apply. So under some circumstances some interest rate subsidy might be paid beyond the precise two years.

**Senator FORSHAW**—I want to ask some questions about a research study that was undertaken into water management practices by grape growers in the Murray Darling Basin. I understand it involves some 6,000 grape growers, and it was undertaken by the Cooperative Research Centre for Viticulture and funded by the Murray Darling Basin Commission. It covered the Riverland, Sunraysia, Nyah, Swan Hill and Murrumbidgee areas. Was the department involved in any of this work?

**Mr Macnamara**—The information that I have is that this project, as you have indicated, is a partnership between the Murray Darling Basin Commission, the Cooperative Research Centre for Viticulture, the Grape and Wine Research and Development Corporation and Riverlink agencies, made up of agencies of the Victorian, New South Wales and South Australian governments as well as the CSIRO. Mr Wonder represents the department on the Murray Darling Basin Commission and an employee of AFFA is the government member on the board of the Grape and Wine Research and Development Corporation. As far as I am aware, that is really the extent of AFFA involvement indirectly through those two agencies. The department, again as far as I am aware, is not involved in administration of this exercise. It is a partnership between those agencies that I have mentioned.

**Senator FORSHAW**—Did they have any involvement in the research study itself in terms of collecting, collating or assessing the information?

**Mr Macnamara**—Again, I would probably have to take that on notice. I am not aware that that is the fact.

**Senator FORSHAW**—The information I have is that it was undertaken by the CRC, but do you have any information as to who actually did it? Was an outside consultant engaged?

**Mr Macnamara**—Again, I would have to take that on notice.

**Senator FORSHAW**—Could you do that and provide us with some detail the department has about the study?

**Mr Macnamara**—Sure.

**Senator FORSHAW**—I assume that the department would be interested in the outcome of the research study. Is that correct?

**Mr Macnamara**—Yes.

**Senator FORSHAW**—Have you been given any report as yet? Do you know what the time line for this is and how it is intended to be used once it is finalised?

**Mr Macnamara**—The information I have here is that it is a three-year project and it has a total funding package of around \$3½ million and we have some indications of what the project involves. If you wish I can provide you with these papers rather than read it into the record.

**Senator FORSHAW**—If you would do that, but I am particularly interested in what, if any, focus the department will give to recommendations, findings or outcomes of the study. One would assume that it is not just going to be completed and sit on a shelf as a report. It is a major issue in that region and for the wine and horticultural industries.

**Mr Macnamara**—I understand, according to the news sheet that was released at the time of the announcement of the project, that the main outcome will be an integration of all current information and research about water use and vineyard impacts that will provide growers with strategies that could lower import costs and encourage more effective and sustainable use of water resources. It is aimed at more sustainable use of water resources and greater efficiency of water use by vineyard operators.

**Senator FORSHAW**—It was funded by the Murray Darling Basin Commission. What can you tell us about this, Mr Wonder?

**Mr Wonder**—Very little, Senator. First of all, I should clarify something. Mr Macnamara said it was part funded by the Murray Darling Basin Commission, and precisely what proportion they make up of the total budget I am unable to provide details on.

The other thing I should flag is that since coming onto the commission, Senator, I do not recall a survey being on the agenda of meetings of the Murray Darling Basin Commission that I have attended. I stand to be corrected on that but, in conjunction with Mr Macnamara's response to come back to you, I am happy to follow up details with the Murray Darling Basin Commission and include those in Mr Macnamara's response.

**Senator FORSHAW**—It is being undertaken by the CRC and in part, as you say, funded by the commission. It would seem, on the surface at least, that there is a reasonable amount of government or public funds in one way or another involved—

**Mr Wonder**—I could well understand the interest.

**Senator FORSHAW**—CRCs are a creation of government.

**Mr Wonder**—Yes. I could well understand, and it is consistent with many other things the Murray Darling Basin Commission does, that they would be interested in the efficiency of

water use in different crop applications. They have done studies of that nature in the past, not only in respect of viticulture but also other agricultural applications of water. I am sure that, given the scarcity of water for irrigation nowadays in terms of the alternative end uses it can be put to, they are very interested in ways that result in efficiency increases. But we will follow your question up.

**Senator FORSHAW**—Turning to multi-peril crop insurance, we discussed this on the last occasion in February, and at that time Mr Mortimer appeared—is he here today?

**Mr Wonder**—No, Mr Mortimer is no longer working on this part of the program. You will see him later in the day perhaps.

**Senator FORSHAW**—Taken out some insurance, has he? Mr Mortimer told us on that occasion that the report of stage 2 of the project had been completed and provided to the minister, that the minister was considering his position and that that had taken place in December, prior to Christmas. Can you give us an indication of what has happened since the last time we met in February and, indeed, since the minister received the report in December of last year? He has had it for some time.

**Mr Wilson**—The minister has considered the report. The minister decided that the federal government is not attracted to a scheme which, as outlined in the report, would rely on continuing government subsidies. On the 28 February 2001 he wrote to all state agricultural ministers outlining that position.

**Senator FORSHAW**—Can you provide a copy of that correspondence. I think you will have to take that on notice.

**Mr Banfield**—We will take it on notice and check with the minister.

**Senator FORSHAW**—You have indicated that on that date he wrote to the states and said that he was not attracted to the proposal. Was that all he said?

**Mr Wilson**—Basically he relayed his decision that he was not going to pursue multiperil crop insurance as a result of the findings of the report.

**Senator FORSHAW**—What else? Was anything else put to the states to investigate alternative options?

**Mr Wilson**—I would have to check on the contents of the letter but my understanding is that it did not suggest alternative options or that he was going to continue an investigation.

**Mr Banfield**—I think Mr Mortimer alluded to some of this in his previous answers. The stage 2 project basically demonstrated that multiperil crop insurance was not commercially viable without significant government subsidy and without things like dismantling exceptional circumstances. There was even a suggestion that you might need to make it compulsory. The traditional impediments that have stopped commercial insurance in the past—the adverse selection, moral hazard and data limitations—apply in this case. On that basis, Minister Truss decided that he was not proposing to take the matter any further, that it would not be—certainly in the terms that it was looked at by the steering group—a commercial product which would be widely available. It was not commercially feasible.

**Senator FORSHAW**—Would you provide a copy of the report?

**Mr Banfield**—Certainly I will check with the minister and, if he has no objections, we will make it available.

**Senator FORSHAW**—So the minister has decided that it is not viable and will not pursue it. Did he make any public announcement to that effect?

**Mr Wilson**—He has on several occasions. I know he did at a grains conference in Western Australia.

**Mr Wonder**—The 2001 grains works conference on the 4 April.

**Mr Wilson**—And he has put out press releases in that respect as well.

**Senator FORSHAW**—He did, did he?

**Mr Wilson**—Yes.

**Senator FORSHAW**—Is there intended to be any further work done on this issue, if we have ruled out multiperil crop insurance? I appreciate that there are a range of schemes in operation including some that have been announced last year and again this year. Such things as flood assistance and so on have been around in one form or another for a while to assist farmers in dealing with major disasters or situations but is there any intention to look at the issue further and see if anything innovative could be done?

**Mr Wonder**—Perhaps I can answer the question. We have put quite some effort into determining what prospects multiperil crop insurance has. The evidence to date has not shown a lot of potential, and the minister has passed those results on to the public. There is a COAG review of natural disaster relief that I think is current. I could not give you the details of that; we are not the agency responsible for it.

We had some discussion earlier on this afternoon concerning the ARMCANZ meeting in August, which will look at these EC issues again—the policy way forward. It is possible that some state ministers will raise where this idea might fit in vis-a-vis the EC, but I am not sure how that would come up. It is fair to say that there is still some interest from the states in this idea.

**Senator FORSHAW**—That is what I wanted to ask you. What has been the response from the states and from industry bodies to the minister's decision?

**Mr Banfield**—To my knowledge there are some in the grains industry who would wish to continue to pursue the notion of a crop insurance scheme. You might be aware that Western Australia has announced that they are going to provide some funding to further investigate the matter. Otherwise, my sense is that there is a general acceptance, in terms of the outcomes of the study, that it is not commercially viable at present.

**Senator FORSHAW**—More recent events would demonstrate that insurance is a bit of risk in that area.

**Mr Wonder**—I think Mr Wilson wanted to provide one further piece of information with regard to some comments made earlier today.

**Mr Wilson**—I answered a question this morning from senators in relation to the access that dairy farmers might have to rural financial counsellors under the dairy package. I answered that, yes, they do have access to rural financial counsellors, and that is correct. I could add to that, though, that there is provision in the package for additional resourcing for rural financial counsellors in those areas if demand exceeds the counsellors' capacity to meet it. Communities in those areas can apply to the Department of Employment, Workplace Relations and Small Business to get extended resources, and that has happened on two or three occasions to date.

**Senator FORSHAW**—On that point, when the minister announced some funding under DRAP, it included funding for financial counselling services. We will no doubt get to that later and also in another committee, but how does the funding arrangement work? Are you saying that it can be funded both by DRAP and the rural financial counselling funds in general?

**Mr Wilson**—Yes. If demand exceeds supply, they can seek DRAP funding.

**Senator O'BRIEN**—Before we let officers go, I would like to ask questions about the dairy package in its various forms.

**Mr Wonder**—Mr Roseby and Mr Sutton are ready to answer those questions.

**Senator O'BRIEN**—Thank you.

**Senator O'BRIEN**—This morning I asked a question arising from page 50 of the PBS under the heading 'Commonwealth Flood Assistance Package for Central and Northern New South Wales and Southern Queensland'. There are amounts there of \$116.2 million and \$6 million to AFFA and Transport et cetera respectively. Does that mean AFFA administers \$116.2 and Transport administers \$6 million this coming financial year?

**Dr Samson**—That is correct.

**Senator O'BRIEN**—On page 51 under the heading 'Flood Assistance for Dairy Farmers in Northern New South Wales' the second para of the explanation says:

The cost will be absorbed from within existing funds allocated for the November 2000 floods

Does that mean those funds come from the funds referred to on page 50?

**Dr Samson**—That is correct.

**Senator O'BRIEN**—Are the funds administered by the Department of Transport administered under the program of the same name or is there a different name for their funding package?

**Dr Samson**—The \$6 million administered through the Department of Transport and Regional Services relates to grants of up to \$10,000 for small and medium size businesses that were adversely affected by the floods. My understanding is that that is a component of an existing program within that department.

**Senator O'BRIEN**—Do you know what that program is called? Is it the 'Flood Recovery Fund'?

**Dr Samson**—No, I think it is something like the small business grant program.

**Senator FORSHAW**—These are non-farm businesses, aren't they?

**Dr Samson**—Yes.

**Senator FORSHAW**—I understood that, but just to clarify. I was going to ask about their insurance companies, but that's a different department and I think we should leave it.

**Senator O'BRIEN**—Putting together the information you have just supplied, dairy farmers are funded by this department, within the \$116.2 million bundle of money for this financial year. There is no money for the outyears there. Does that mean the difference between \$122.2 million and \$151.7 million was expended in the current financial year?

**Dr Samson**—Could you just run past me the arithmetic?

**Senator O'BRIEN**—On page 50 it says that the government is providing \$151.7 million over two years, with the amounts of \$116.2 and \$6 million provided in 2000-01.

**Mr Wonder**—The other 30 is in 2001-02.

**Senator O'BRIEN**—Of course. How much of the \$116.2 million has been expended to date?

**Dr Samson**—These figures are as at 11 May 2001 and, with the exception of the small business program that we talked about that Transport and Regional Services administers, the approximate expenditure against those elements of the flood assistance package that AFFA administers is \$97.4 million as of 11 May.

**Senator O'BRIEN**—How much in claims yet to be approved or paid does the department know of?

**Dr Samson**—In terms of applications, as of 11 May, there are 896 applications pending. I am not sure what the monetary value of those applications, if successful, would be.

**Senator O'BRIEN**—How many have been processed?

**Dr Samson**—A total of 7,660 have been lodged; 5,667 have been granted, 1,097 have been rejected which leaves the 896 pending.

**Senator FORSHAW**—Is each one of those applications for an individual farm? Can there be multiple claims or applications?

**Dr Samson**—No, one claim per farm enterprise is my understanding.

**Senator FORSHAW**—What avenue is open to a farm enterprise that makes a claim and is rejected? Is there any appeal mechanism?

**Dr Samson**—One of two things tends to happen in that case. The unsuccessful applicant will go back to Centrelink and ask for a review of the decision and Centrelink will go through its own processes and revisit the application. In some instances unsuccessful applicants will approach the department or the minister through various means, including their local representative, and we will then contact Centrelink and go through.

**Senator FORSHAW**—They do not have an appeal right through AAT, for instance?

**Dr Samson**—As Mr Wonder reminds me, I think the answer is yes but I am not aware of any unsuccessful claimants that have pursued that avenue.

**Senator O'BRIEN**—We have a number of different packages in play here with some possible overlap. We have a package for north-west New South Wales and southern Queensland, and we have a package for northern New South Wales. The second package was for dairy farmers only. I take it the other farmers in northern New South Wales were picked up in the first package and a second package was a top up for the dairy farmers; is that a fair recital of how it worked?

**Dr Samson**—Yes, there are two components. The initial package was for people in the flood declared areas. Subsequently, a case was put that dairy farmers in particular had suffered extra hardship because of the requirement to replace lost feed and fodder.

**Senator FORSHAW**—It is also because in that region they are often located on the river or flood plain.

**Dr Samson**—Exactly, the nature of dairy farming.



**Senator FORSHAW**—But they would have been eligible under the first scheme, wouldn't they?

**Dr Samson**—They would, yes.

**Senator FORSHAW**—Especially if they were in the region where the floods were.

**Dr Samson**—Yes.

**Senator O'BRIEN**—But the minister had to change the criteria for the first package, didn't he?

**Dr Samson**—In what respect?

**Senator O'BRIEN**—I understood that Mr Anderson took a view that the criteria were too tight.

**Dr Samson**—On 20 December the Deputy Prime Minister announced some changes to the eligibility criteria for the flood assistance package and also extended the interest rate component to be eligible from loans from non-bank financiers. Previously, the interest rate subsidy was only applicable to loans that had been obtained through commercial banking institutions.

**Senator O'BRIEN**—It has been suggested that the first set of criteria made the package unworkable.

**Dr Samson**—I think it would be unfair to say 'unworkable'. What happens with these sorts of assistance packages, particularly those that are in the nature of providing assistance for one-off events, is that, even with the best endeavours, when you actually come to implement the package inevitably there is some finetuning required. I would put the announcements made by the Deputy Prime Minister more in the sort of finetuning category.

**Senator O'BRIEN**—There was an extension of assistance to people in northern New South Wales announced on 23 March. What did that relate to? This was on the AAP wire of 23 March:

Access to federal flood recovery fund would help communities in towns along the swollen river systems of the state's north coast. A \$10 million fund was established in November last year adding to existing disaster relief arrangements.

**Mr Wonder**—What was the date you referred to?

**Senator O'BRIEN**—It was 23 March 2001.

**Proceedings suspended from 4.02 p.m. to 4.19 p.m.**

**Senator FORSHAW**—Dr Samson, you were checking some information for me during the break.

**Dr Samson**—Yes. Before I answer Senator O'Brien's question, I would like to go back to a question Senator Forshaw asked about whether unsuccessful applicants could apply to the AAT. During the break I have been advised that there is some doubt as to whether, in fact, they can appeal to the AAT. We will clarify that issue and provide the advice to you, if that is okay.

**Senator FORSHAW**—Yes, that is fine.

**Senator O'BRIEN**—Now the 23 March?

**Dr Samson**—The reason we could not locate anything on 23 March is that that announcement relates to a program administered by the Department of Transport and Regional Services. It is not a program that is AFFA's responsibility. I understand that it is a \$10 million program to assist communities to rebuild elements of infrastructure.

**Senator FORSHAW**—Was paying funds in that way for damage caused by floods a precedent on this occasion, or has it occurred in the past?

**Dr Samson**—I do not know, Senator. We can take that on notice.

**Senator FORSHAW**—Please do. What we are looking at here, as well, is whether these announcements, where you have areas declared disasters and state governments or federal governments saying that they will make funds available and provide relief, are one-off things or part of the ongoing process of dealing with things—that is why I asked that question.

In northern New South Wales, particularly on the north coast, there is special assistance for the dairy farmers—that is set out on page 51—the \$18 million. That is capped at \$15,000 per farm and it is to provide assistance to purchase fodder or to replace pastures that have been ruined by floods. There have been calls by other farmers and producers within that same region, who have suffered in the same floods, for assistance. I understand that they have been rejected. I draw your attention to a report in the *Land* newspaper which is headed, 'No relief for beef'. It says, 'Beef producers are wondering why they have been left out of the \$15,000 grant offered to north coast dairy farmers to help buy feed and resow pastures after this month's devastating floods ... Deputy Prime Minister John Anderson announced the grant after touring flood areas and talking with dairy farmers who won't have home grown feed until well into the winter.' It then says: 'Defending the decision, Mr Anderson said north coast milk producers had been badly affected by dairy industry deregulation and might find it difficult to recover from further losses caused by the floods.' What is the position with beef producers, just to name one group of farmers, who experienced the same problem and have requested that they be provided with similar assistance but their request has been rejected? Why is that?

**Dr Samson**—The best way to answer that is to explain the rationale for the assistance to the dairy farmers. The government believed that, as a result of the floods, dairy farmers in particular had suffered an immediate and significant income effect due to the loss of or damage to their improved pastures. There was a concern that, without that immediate assistance, a number of dairy farmers may not have been able to stay in milk production and, as you pointed out, there was a belief that the specific impact on dairy farmers had been amplified because of the detrimental income effect due to state deregulation.

**Mr Roseby**—I can add to that. The dairy farmers were losing milk production, which was income at the time, whereas that would not have necessarily been the case for beef producers. They were locked into a farm; they had no pasture—they would have had to import expensive fodder, and unless they did that they would have lost milk production throughout that period of recovery, which would have been a loss of income. With the beef industry, they can sell their animals at a later stage and not lose income.

**Senator FORSHAW**—They still have to feed them. They cannot graze because the area is flood damaged. They have to purchase feed.

**Mr Roseby**—I understand that, but the critical factor is the loss of income. The dairy farmers were not producing milk but the beef producer can sell their animals at a later stage. They do not necessarily lose income. That is one of the factors that is taken into account.

**Senator FORSHAW**—I do not want to criticise the assistance for the dairy farmers but, if the beef producer had to purchase feed that he may not have otherwise had to, or make other arrangements, he would face the same cost which this assistance was provided for—to purchase fodder or replant pasture. That does not occur only for dairy farmers. That cost would have applied to other farmers.

**Mr Roseby**—You can claim that, Senator.

**Senator FORSHAW**—I am sure I can. That is what happened.

**Mr Roseby**—There may be some other factors involved there. You can actually move your beef herd elsewhere, whereas you cannot really relocate your dairy cows away from the dairy if you are going to milk them. I think there are a number of factors involved there. But your point about cost is probably quite correct.

**Senator FORSHAW**—Isn't it a factor, really, that the dairy industry in that region was already in major difficulty because of the impact of deregulation and the prices for their milk, which were lower than they expected to get under deregulation? That is the position, isn't it?

**Mr Roseby**—I think it is the combination of factors: they were already suffering significant difficulty, they were going to lose income because they could not milk, and so on.

**Senator FORSHAW**—They were going to lose their income, which was lower than the income they expected to receive if the package and the predictions about deregulation and milk prices had been more accurate.

**Mr Roseby**—We can get on to that as a separate argument.

**Senator FORSHAW**—We will, but it is not unrelated. This is the point. They got hit with a double whammy. They were in a situation where the prices in the contracts they were being forced into negotiating or agreeing to were lower than what they had anticipated. The figures I have been given indicate the price was some 10c a litre less than what they expected. Then they got hit with a flood. That caused damage for pasture. It also caused other problems, such as a need to spend some money on environmental impacts.

**Mr Roseby**—I have already agreed with you on those points. It was a combination of factors.

**Senator FORSHAW**—They were already receiving a package of measures which, for this government, was a very generous package, to assist them with deregulation. This was given to them for the effects of floods. Why shouldn't that assistance stand alone and be applicable to any other group of farmers in the same region who fall into the same category?

**Mr Roseby**—Because of the factor I explained earlier, about the loss of income and not being able to locate your herd elsewhere.

**Senator FORSHAW**—I will leave it there. I am sure we will come back to it later.

**Senator O'BRIEN**—I understand that New South Wales farmers requested special assistance for farmers on the North Coast of New South Wales hit by floods in March this year. What has been the government response to that request?

**Mr Roseby**—You are aware of the government's response in terms of the flood assistance package and the additional assistance for the dairy farmers. That has been the government's response.

**Senator O'BRIEN**—But wasn't that package a response to the floods in 2000?

**Mr Roseby**—November 2000, yes.

**Senator O'BRIEN**—I am asking about floods in March 2001 and a request by New South Wales farmers for additional assistance.

**Mr Roseby**—What you see before you has been the government's response to all of those requests.

**Senator O'BRIEN**—Did those farmers on the North Coast receive any assistance through the natural disaster relief program?

**Mr Roseby**—My colleague Cliff might have a little more detail on the NDRA, but, as you are aware, that is administered elsewhere.

**Dr Samson**—That is administered through the department of finance, so we do not have any figures available on the degree of uptake.

**Senator O'BRIEN**—But they would be eligible for it?

**Dr Samson**—For NDRA?

**Senator O'BRIEN**—Yes.

**Dr Samson**—Yes.

**Mr Roseby**—Other than the fact that there is generally not double dipping through these programs.

**Senator FORSHAW**—What do you mean by 'double dipping'?

**Mr Roseby**—I mean getting a payment for the same thing from two different programs. In other words, if they have already got NDRA grants or loans through that program, then any application for assistance under the flood assistance program for the same purpose would have to be taken into consideration so that they are not getting a payment for the same purpose.

**Senator FORSHAW**—If a dairy farmer, for instance, had received assistance under the general flood assistance package referred to on page 50, do you then establish another fund or scheme to give him extra assistance, up to \$15,000, for loss of pasture? What I want to know is: is it possible for a dairy farmer on the New South Wales North Coast to have received assistance for the floods in November last year under both the flood assistance package and the special dairy farmers flood assistance measure?

**Mr Roseby**—Yes, that is possible. In other words, you could get income support and, for the specific purpose of the dairy package, you could also get assistance for the purchase of fodder or replanting. They are different purposes. What I was talking about was that, where you have similar purposes, you would have to take into account payments under any other scheme for the same purpose.

**Dr Samson**—It would, however, be very unlikely that that has occurred. As you would probably be aware, Senator, the flood assistance package in relation to the floods in November was specifically targeted at crop farmers, who were the worst hit by that event.

**Senator O'BRIEN**—When the first flood assistance package was announced, what was the funding attached to it then?

**Dr Samson**—The announcement on 5 December in relation to the floods in northern New South Wales and southern Queensland in November was that the package was expected to be

worth approximately \$216 million, but that \$140 million of that would be administered by AFFA.

**Senator O'BRIEN**—One hundred and forty?

**Dr Samson**—Yes.

**Senator O'BRIEN**—When was the \$18 million for dairy farmers announced?

**Dr Samson**—That was announced on 19 March.

**Senator O'BRIEN**—That \$18 million was part of the \$140 million that was estimated in December, is that right?

**Dr Samson**—Yes. The original announcement for the November floods, as you will appreciate, was an estimate. With experience of administering the program, we were satisfied that it was likely that there would be an underspend from that; therefore that is where the \$18 million for the dairy fodder assistance was sourced.

**Senator O'BRIEN**—Is the additional \$29.5 million for 2001-02 for AFFA substantially to deal with the flood assistance for farmers on the north coast?

**Dr Samson**—Yes.

**Senator O'BRIEN**—Which means that there is a total to AFFA of about \$169.5 million in flood assistance to administer?

**Dr Samson**—Yes, although the starting point of \$140 million was an estimate. As I said, to 11 May \$97.4 million has been spent, so there is always some doubt as to what the final expenditure will be.

**Senator O'BRIEN**—There are 896 claims remaining. Do you expect any more claims from farmers on the north coast of New South Wales?

**Dr Samson**—It is possible. The different elements of the program have different closing dates for lodging applications, so we may well get some more.

**Mr Roseby**—As you will appreciate, it is a demand-driven special appropriation. Some elements in the package, for example, are cash grants for the replanting of crops, for which the closing date for applications is 30 June 2001, and 30 November for cotton farmers, so there is still scope for other applications to come forward.

**Senator O'BRIEN**—I understand that; I am just interested to see whether there is an over-allocation.

**Mr Roseby**—At this stage we do not know whether there will be an over-allocation or an under-allocation.

**Senator O'BRIEN**—I understand that at this stage you do not. At best guess, it seems very likely, based on the figures you have given us: \$116 million from last year, of which \$97.4 million has been expended. I think they were the figures that—

**Mr Roseby**—I understand that Centrelink will be coming back to us with some revised estimates within the next week or so. Perhaps we can take that on notice and provide those figures to you.

**Senator O'BRIEN**—I would appreciate that. It appears, statistically at least, based on the number of claims paid and those that are outstanding, that \$116 million would go very close to meeting all the claims—that is, statistically, dividing the number of claims paid into what

has been expended from what we were told today and then extrapolating into the outstanding claims.

**Mr Roseby**—The information we have at the moment, based on the last estimates from Centrelink, is that we might be slightly over the original estimate. They are having another look at their figures now and, as I said, they will be getting back to us within the next week with revised estimates. Perhaps we could provide them to you when we have them.

**Senator FORSHAW**—I appreciate that you are going to provide us with some further details. The department's quarterly report, which was forwarded to us only a matter of days ago—Mr Michael Taylor, the secretary, sent it through to the committee secretary on 23 May—states, under 'field crop flood assistance', that almost 4,200 successful claims were processed under the flood assistance package and that a total of \$64 million in assistance had been provided to eligible crop farmers by 13 April 2001. Was the figure that you subsequently gave at May an update of that figure?

**Dr Samson**—Yes.

**Senator FORSHAW**—And that figure was?

**Dr Samson**—It was \$97.4 million in total expenditure as of 11 May.

**Senator FORSHAW**—It jumped a lot in a month, from the figure given for 13 April of \$64 million. The report goes on to state that the fodder pasture grant was developed to assist dairy farmers affected by January-March 2001 rain and flooding in northern New South Wales. It states that over 30 claims had been granted as at 13 April 2001. Do you have an update on that figure?

**Dr Samson**—Yes. As of 11 May, under the fodder pasture grant for flood affected areas, 211 claims were lodged; 182 have been granted; two have been rejected; 27 are currently being processed and there is a total expenditure of \$2.1 million.

**Senator FORSHAW**—That seems to be dramatically in excess of the figures you gave us only a few days ago. As at 13 April, 30 claims had been granted. No total amount was stated there. I assume you are talking about the same thing?

**Dr Samson**—Yes, this is the fodder package that was announced on 19 March. I think it is the nature of the application process that there is not necessarily a linear relationship in respect of the lodgment of applications. Centrelink receive bursts of applications. They report to AFFA on a fortnightly basis so I am not surprised that there is a significant difference between those two reporting dates.

**Mr Wonder**—If I can add to that, you would probably expect that the peak activity in replanting and sowing would be in April and May. In other words, the seasonal effects would go some way towards explaining that change.

**Senator FORSHAW**—I am just pointing out that the report was provided to the committee only a couple of days ago. We appreciate you doing these quarterly reports and they contain some good, up-to-date summaries, but if you read that and then hear the figures you have given us today, today's figures are much greater.

**Mr Wonder**—That is because this information is basically for a third quarter, for January and March.

**Senator FORSHAW**—I do not want to prolong this point, but it says, 'as at 13 April'.

**Mr Wonder**—I understand.

**Senator FORSHAW**—Can I clarify this again? You said that, for the fodder pasture grant, the total was \$3 million.

**Dr Samson**—Expenditure as at 11 May was \$2.1 million.

**Senator FORSHAW**—But isn't this scheme going to provide \$18 million?

**Dr Samson**—Eighteen million has been identified, as an estimate.

**Senator FORSHAW**—And how many more claims or applications do you think are outstanding? You can see what I am getting at. How do you get from \$2 million to \$18 million?

**Dr Samson**—In coming up with the original estimates of what these programs are likely to cost, I suppose we always tend to base the estimates on the worst case scenario of maximum application and maximum acceptance of those applications.

**Senator FORSHAW**—There was \$15,000 per applicant. I presume if I divided \$18 million by \$15,000 I would come up with the estimated number of dairy farmers that you thought would fit into this category. I am sorry to do this, but could you repeat those numbers of how many applications you have received and approved?

**Dr Samson**—Certainly. As of 11 May 2001, we are advised by Centrelink, 211 applications have been lodged, 182 have been granted, two have rejected and there are 27 currently being processed.

**Senator FORSHAW**—I am trying to remember the number of dairy farmers in the North Coast region of New South Wales. We are not talking in thousands here.

**Dr Samson**—What may be of a factor there is that, to be an eligible dairy farmer, you must be located in a natural disaster relief arrangement declared area on the North Coast of New South Wales, and the assistance has also been made available to dairy farmers in those local government areas which were NDRA declared as a result of the flooding in November.

**Senator FORSHAW**—I am very familiar with the area and I have a pretty good idea of where the farmers were who were flood affected. I am intrigued that you have said you have got 211 applications in. We are talking about that North Coast strip of New South Wales. You originally estimated that this would be \$18 million but, as at this stage, you have paid out \$2 million.

**Senator O'BRIEN**—Less than \$10,000 on average.

**Senator FORSHAW**—That is right. This sounded terrific at the time, that it was going to be \$18 million. But it is not going to get anywhere near \$18 million, surely. There are not enough dairy farmers in the whole of the state, I would have thought, that would get it to that figure.

**Mr Roseby**—If you look at the criteria for this program, and also bear in mind that people might not apply for the whole \$15,000, they have got to demonstrate that the majority of their farm income—that is, greater than 50 per cent—is derived from dairying. So they have got to do some work for a start to be able to demonstrate that. They must declare a loss of improved pasture, fodder or stock feed as a direct result of the rain or flooding. The applicant must produce receipts or invoices demonstrating expenditure to address that loss. All of that may well be in the system now. But they have got to demonstrate those things before they can actually make an application and get the money, and they may not even be applying for the

full \$15,000. So, as I say, there is a number of factors there and I think it is too early to call where this program is going to end up.

**Senator FORSHAW**—My point is that, first, not every dairy farmer in that region was affected. The second thing is that, on the calculation of a grant of \$15,000 per applicant, which is the maximum they can get, you have got to have over 1,300 farmers all applying and getting the maximum of \$15,000 each to get to \$18 million. There are not 1,300 farmers in the dairy industry on the North Coast of New South Wales. I am just wondering where the \$18 million figure came from?

**Mr Roseby**—The way these figures are calculated as estimates is that we normally attempt to indicate to governments that if everybody we thought could be eligible applied and received the maximum grant, then the figure would come out at about \$18 million. We could provide those calculations to you.

**Senator FORSHAW**—Would you please provide those, because I am intrigued to know how you set the upper limit at \$15,000 and, as a simple matter of mathematics—if you multiplied it by the number of registered dairy farmers, which is very easy to find out because we have that information from previous inquiries and from the deregulation process—how you got to a total figure of \$18 million?

**Mr Roseby**—We will provide that to you.

**Senator WOODLEY**—I would like to move to the \$140 million additional funding through the DSAP, if we could, and try to tease out the way in which that is going to be spent. Obviously, we have the bare bones of that from the various budget papers, but I am wondering if there is some more information available. If I can begin with the \$99.5 million to dairy farmers who were heavily reliant on market milk premiums before deregulation. I presume the federal government will not want to say, 'This is for compensation for quota,' but in a sense it relates to the fact that those states that were heavily reliant on market milk certainly were quota states. Can you give us some idea of the basis of calculating that entitlement to farmers who had market milk production? I know it had to be above a certain percentage of market milk, did it not?

**Mr Roseby**—Yes, that is correct. The origins of the second package really came from the study of the ABARE report on the impact of deregulation and the impact on prices and, from that, it was clear that the actual decline initially in the prices was greater than the industry had been anticipating and that there was a need to try to assist those people who had been most severely affected. The criteria that were set basically looked at the issue of the degree to which a dairy enterprise was dependent upon market milk within its total production mix. The criteria that had been set start at 35 per cent dependence going up to 45 per cent dependence. At 35 per cent dependence, it is 0.01c per litre for each 0.1 of a per cent going up to 45 where there is a payment of 12c per litre made. It is a graduated scale.

**Senator WOODLEY**—There was a cap on it as well, wasn't there? A cap that over a certain amount they would not receive any—

**Mr Roseby**—Yes, there is a cap of \$60,000 per enterprise.

**Senator WOODLEY**—I presume this does not in any sense prejudice any action that state governments may take, even belatedly, to compensate for loss of quota. I believe that some farmers, certainly in Western Australia, are still talking about legal action and I believe that state governments should be taking action given the National Competition Council payments



to the states. That is obviously a debate that may go on forever. But there is no intention of the federal government to relieve states of any obligations they might have, is there?

**Mr Roseby**—No. As you are aware, there were some payments made by the previous government in Western Australia, but the ongoing issue between the local dairy farmers and their particular states is a matter that is between them.

**Senator WOODLEY**—And the states would not be able to say, ‘You have additional money from the federal government so you have been paid on that?’

**Mr Roseby**—Our payments are not compensation.

**Senator WOODLEY**—I was just wanting to make sure that that was so, because I know it will be a debate that will go on for some time—who knows, the states may finally do something about that, although I would not hold my breath.

**Senator FORSHAW**—Can I just follow that up at this stage—

**Senator WOODLEY**—Sure. I think we can probably tick-tack on it.

**Senator FORSHAW**—Senator Woodley was talking about potential legal action. I read an article recently in the *Land* newspaper suggesting there are some dairy farmers or groups who are looking at taking legal action. In fact, one of the articles I read said that they were looking at retaining Tom Hughes to argue their case. I thought, ‘They are going to need more than a dairy package to fund that,’ but anyway. Any such litigation would be of interest to the Commonwealth, would it not?

**Mr Roseby**—As I say, that is a matter between the people taking the action against the states and the states—

**Senator FORSHAW**—They are not just limiting it to the states, I am told. The article that I read—I am just trying to find it—said that it does not necessarily mean that it would be limited to the states. For instance, they could well join the Australian Dairy Industry Council and the dairy farmer organisations. Whether they would join the Commonwealth, I do not know. Given that this was a scheme that was developed and implemented nationally with the agreement of the state governments and the various organisations, and that was legislated at both state and national level, is it not a matter of interest to the Commonwealth, if there is going to be litigation on the issue of compensation for loss of quotas?

**Mr Roseby**—I am not aware of any action that has been taken against the Commonwealth. In fact, the Commonwealth would not be involved in the quota compensation issue because we did not have the quotas. The quotas were run by the states. I am also told that the states—we were speaking to them last Friday—see the chance of any success of this action as being remote, if it is followed through. They even doubt that the legal action will be followed through.

**Senator FORSHAW**—I am not going to argue that part of it with you. I probably would not disagree with a lot of what you just said. But the point is that, if some test case was taken, even if it was not against the Commonwealth—I understand precisely the point you make—it nevertheless does not prevent the Commonwealth from being involved. The Commonwealth has an automatic right to intervene, I would have thought, in that sort of litigation because some of the issues that would be canvassed would go to the nature of the national package.

**Mr Roseby**—It depends on the nature of any action taken. If there were any action taken that involves the Commonwealth or the Commonwealth programs, of course we would take

an interest. But I cannot see why the Commonwealth would want to intervene in matters before third parties which do not involve Commonwealth interests.

**Senator FORSHAW**—I will leave it at that. They may not want to be involved but the question is whether they should be. That is a bit of speculation at this time. As Senator Woodley pointed out, some people are saying this is the only way this issue will be resolved, and in that I would have thought at least the Commonwealth has an interest in the outcome of the proceedings, if not a direct interest as a party principal.

**Senator WOODLEY**—Another category was \$20 million for eligible people who, because of extraordinary circumstances, were excluded or their entitlements were significantly lower than normal. There was a whole series of them. I understand from talking to the minister—you may need to correct me if I have it wrong—that the way in which eligibility would be determined was through the DAA, the Dairy Adjustment Authority, and that we will have legislation to free up the guidelines so that they can have more discretion than they have had in applying entitlements to people under that \$20 million category. Have I described it correctly?

**Mr Roseby**—Nearly. The \$20 million is for people who, for an extraordinary event, extraordinary circumstance or some significant anomalous circumstance in the eyes of the DAA missed out when they should have received something. That is the purpose. It is not a variation to the existing scheme; this is a new scheme. So we will not be varying existing guidelines but there will be a new set of guidelines specifically for this \$20 million discretionary payment. Let me give you an example of the people that I believe would be looked at very carefully by the DAA. We are aware, for example, that there are some farmers who destroyed their herds because of a disease and did not milk during the base year but they are still dairy farmers and were dairy farmers preceding that. We hope to be able to correct that type of case.

**Senator WOODLEY**—If they have already applied under the original guidelines and missed out, can they apply under the new guidelines?

**Mr Roseby**—Yes, certainly. The DAA has records of rejections and has a fairly comprehensive list of the cases that we have discussed with them in this discretionary payment scheme. I believe the DAA will follow up with those applicants who may have been rejected for one reason or another. There may be a few who simply looked at the original criteria and said, 'I won't even bother applying,' and they may not have contacted the DAA. It is open for them to put their case to the DAA.

**Senator WOODLEY**—The example used is the lessor/lessee situation, and in that situation they had to have 50 per cent of their income obtained through the particular lease and they had to suffer a loss of at least 20 per cent of that income. I am getting a lot of inquiries that while 20 per cent does not seem to be a problem many lessors are saying that the 50 per cent criteria would prevent them from getting any payment under the new guidelines. Can you give an explanation of the justification of those kinds of thresholds?

**Mr Roseby**—Yes, certainly. Bear in mind that the lessor/lessee is just one component of the discretionary payment and you might recall the history of the scheme itself in dealing with the lessor/lessee situation.

**Senator WOODLEY**—Yes, I do.

**Mr Roseby**—Bear in mind that at a large number of these people come from Victoria where the impact on prices has been less than anywhere else and where their prices overall

this year are higher than last year. We took into account the fact that the lessor received rental income rather than having to deal with the day-to-day production costs, et cetera, and that the price declined and, on average, that would have been around 20 per cent of the total take for the farm. All of those factors led to the arrangements that we initially had in place.

There are some cases that may come to light where, for one reason or another, particular lessors may have got into difficulties or suffered some extenuating circumstances. So the government put a component in there to deal with that but also put in some fairly stringent criteria. Bear in mind the history of the scheme and why it was built the way it was, and bear in mind that if there are hardship cases they must at least have had a significant reliance on that lease income in terms of their total income, and then there was the 20 per cent decline in lease income criteria as well. That is how the government arrived at those particular criteria. It was not just a one-off saying that you have to have 50 per cent. You have to bear in mind the history of the package and why those payments were sorted out the way they were.

**Senator WOODLEY**—That is what I was looking for, how those figures were arrived at. I think it is important that we understand that. I want to go on and ask you some more questions about banks. I am sure Senator Forshaw or Senator O'Brien may want to talk more about this so I will hand back the questioning to them.

**Senator FORSHAW**—I have a few more questions on the dairy package. Can I go back to the flood assistance question again? It would be appreciated if you could provide us with details of the range of payments that have been made to the successful applicants for that dairy flood assistance program. You said that there was \$2.1 million and there have been 211 applications. I would like to get an idea of what the range of payments is.

**Mr Roseby**—We can take that on notice.

**Senator FORSHAW**—With the additional dairy package—and I hope I do not repeat some of the issues that Senator Woodley has already raised—can you tell us exactly how you determine which farmers would be eligible for this money?

**Mr Roseby**—If you are talking about the additional assistance package, the supplementary payment—

**Senator FORSHAW**—Yes. The 142—

**Mr Roseby**—The DAA has records of the milk production and the mix of milk production from the application form that comes in from the farmer when the initial DSAP payment is being determined. They can go straight back to those documents and work out the respective proportions or dependencies on market milk and they should be able to process that automatically. The only involvement of the potential recipients of this program will be that they will receive a form from the Dairy Adjustment Authority notifying them that, by their calculations, they are entitled to something and setting out what the entitlement might be, and basically asking them to tick a box saying, 'Do you want the payments over eight years or do you want a lump sum payment?' And they still had to have been dairy farmers as at the date of the announcement of the supplementary package, which was 21 May. Those who had already left the industry will not be eligible for a supplementary payment.

**Senator FORSHAW**—So you consulted the DAA. What was the rationale for the market milk percentage that you set?

**Mr Sutton**—Basically, we started with the ABARE analysis, which indicated the nature of the price reduction felt in each of the states. As you would be aware, in the so-called pool

states, the whole milk average price reduction was of the order of three to seven per cent. In the quota states, the price fall was in the high twenties to mid-thirties range. We were seeking to capture most of the people who had been affected by those very substantial reductions. We came to an arbitrary 20 per cent price decline in average total milk price receipts. We then went to the DAA database and had it modelled. By trial and error, we arrived at a mix of about 80 per cent coverage in each of the quota states, in terms of a 20 per cent price reduction. That equated to a market milk to manufacturing milk ratio of about 40 per cent. We then wanted to make the transition less abrupt, so it was ramped from 35 per cent dependency to 45 per cent dependency. We were trying to address the interests of people who had been affected by a very approximate—given that it is a national program—20 per cent decline in average milk return. Is that clear? I can give you modelling and other details.

**Senator FORSHAW**—That is as clear as it can be. Regarding the 82 per cent—can we bring this down to regions? Are you able to say what percentage of farmers in particular regions will be—

**Mr Sutton**—It was not modelled on that basis. Clearly, there are quota states and there are pool states, and the populations are quite distinct. The price impacts are quite distinct. It was not a matter of modelling it on a regional basis. It could be done using the database, but we have not done it.

**Mr Roseby**—It drove off the back of the ABARE report and their assessment of the average declines in prices across the various states. It was quite obvious that the declines in Western Australia, New South Wales and Queensland were significantly greater.

**Senator FORSHAW**—There were differences within those states, particularly in New South Wales.

**Mr Roseby**—Yes.

**Senator FORSHAW**—Not huge, but differences.

**Mr Roseby**—Certainly. There will be people within those states who suffer to varying degrees, depending on that dependency.

**Senator FORSHAW**—And some of them have had a quicker rate of recovery than others in more recent months as the prices have picked up.

**Mr Roseby**—That is correct.

**Mr Sutton**—And they are treated differentially by the nature of this formula. Some are not over the 35 per cent, others produce smaller quantities of market milk, and the payment is related to the volumes of market milk delivered in 1998-99. So it is well targeted, but it is also measured in terms of the relative reliance on market milk.

**Senator FORSHAW**—Who will actually be making the decision on how the money will be allocated?

**Mr Roseby**—For the supplementary payments, it will be basically automatic. The DAA has the data which will determine what each person who is eligible gets. There will be a process whereby they check out whether they want the payment in one lump sum, and then they should be able to automatically process that data.

With the discretionary payments, in essence, the DAA will look at each case against the criteria or guidelines that are established for the program and then one of two things may happen. There may be some that are so clearly within the guidelines that they can authorise

those payments themselves. There may be some that are not so clear and they would make recommendations to the minister. The minister would then consider the recommendations on each of those cases. We estimate that there may only be in the order of 300 that fit into that category of discretionary payments.

**Senator WOODLEY**—Will it cause any long delay going from the DAA to the minister?

**Mr Roseby**—It depends on the case. There are some cases that are now being appealed that may be picked up under this discretionary payment. There may be some people who have not even applied, and those people will have to go through the process of a farm business assessment—the same as everyone has—in order to become entitled to be considered. It will depend on each case as to just how quickly these are processed. It could take quite some time for some of them, but others might be able to be picked up very quickly.

**Senator FORSHAW**—Will the payment be one-off or could they be staged in the same way that the existing package payments are?

**Mr Roseby**—Take an example. If the DAA believe that a particular applicant is eligible for their full entitlement under the original scheme, that will be administered according to the original scheme and they will get a back payment to 1 July 2000. Similarly, if that person happens to be eligible for the supplementary payment scheme, it would be paid in the same way as all others under the supplementary scheme, with a backdating to 1 July of the payment.

**Senator FORSHAW**—So, whatever choice they have made, it would be paid in the same way?

**Mr Roseby**—The difference with the supplementary scheme is that they can actually take it up front, as against—

**Mr Sutton**—Basically all the discretionary program does is reinstate the DSAP right that people did not achieve because of some anomaly or exceptional circumstance, so their payment will be subject to the DSAP rules, which is payment over eight years. But, as Mr Roseby said, the supplementary payment can be taken either as a lump sum or over the eight years.

**Senator FORSHAW**—I am probably just anticipating one of Senator Woodley's questions on the banks about how quickly they might get their hands on this supplementary payment, given that they have been able to do that in some cases with the original one. I understand that legislation will be required to extend the levy.

**Mr Roseby**—Correct. The bill was introduced into the House on Thursday.

**Senator FORSHAW**—I notice that the PBS, on page 53, says:

As the payments are levy funded and delivered by the Australian Dairy Corporation, outside the general Government sector, this Measure has no impact on the fiscal balance.

Would you explain what that means?

**Mr Sutton**—It means that it is off budget. That is, it is funded by the levy stream and it is paid out not through an appropriation but by the DAA, which draws on a fund managed by the Australian Dairy Corporation.

**Senator FORSHAW**—From the outset of this package, and as well with the six-month extension of the 11c per litre on market milk sales, it is entirely funded by a special levy on consumers.

**Mr Roseby**—A levy, which is a tax. I make one correction to the PBS. There is a figure identified of a further six months. The best estimate we can make at the moment is 10 months, but bear in mind that the length of time that the levy goes for is dependent on the level of consumption and on interest rates, and if there are significant variations to either of those the time frame will change. That is really the best estimate of the time that the levy will run.

**Senator FORSHAW**—But this tax will continue for at least the next seven or eight years to fully fund this package?

**Mr Roseby**—Correct.

**Senator FORSHAW**—The minister has been rather vocal on a number of occasions when responding to requests for assistance, particularly from those who were hardest hit by deregulation. To paraphrase him—and I think I am reflecting his comments correctly—the federal government has provided all of this assistance and the states should now provide their share and, for instance, on the issue that Senator Woodley raises, maybe consider paying compensation for loss of quota. I could take you to any number of press releases in which the minister said that, if you wanted me to, but I am sure that you are aware of them. How does the minister or the federal government expect the states to fund any further assistance?

**Mr Roseby**—There has been an outcome in Western Australia where the state government found some funds to assist the industry in some way, there was the issue of the national competition policy payments, and there may be others.

**Senator FORSHAW**—Has the minister ever identified ways in which states can find the revenue within their existing sources? Has he ever identified and outlined how they can do this?

**Mr Roseby**—I doubt whether he thought that was his responsibility; it is the states' responsibility.

**Senator FORSHAW**—But it was okay for the federal government to take the approach of funding all its contribution, including the tax clawback, out of a special tax.

**Mr Roseby**—It is a tax. Do we want to have a discussion again on the tax clawback?

**Senator FORSHAW**—No, I just want to clarify what it means.

**Mr Roseby**—Our discussion of the tax clawback is already on the record, and there is no windfall gain for the government.

**Senator FORSHAW**—I did not ask whether or not there was a windfall gain. That is something that we can make an assessment of on a future occasion.

**Senator WOODLEY**—I have some questions about banks that relate to the payments, but they are not on that particular package.

**CHAIR**—But do they relate to a dairy package?

**Senator WOODLEY**—Yes.

**CHAIR**—You might as well ask them now.

**Senator WOODLEY**—When I asked this last time you said that it was not the Commonwealth's direct responsibility, and I accept that. But I do still have a concern that what is clearly designed as a restructure package has not been within the ability of some farmers to use it in that way because of the actions of banks.

I went back and checked on this because I wanted to be sure that I was right. I talked to a solicitor, a number of rural counsellors and a number of farmers directly, and I was correct in saying that, in some cases, banks are accessing the DSAP payment directly in order to have debts repaid—before the farmers have a chance to get hold of the payment. They may not be doing that absolutely by going to the DAA and getting the money directly, but they are able to put such pressure on farmers that that is the effect of what is happening. Another issue that we raised last time was that, in some cases, banks are charging dairy farmers risk percentages for any of the loans that they have with banks. In one case I was able to ascertain that the rate is 13.8 per cent.

I will give you a couple of examples, and you may want to comment. In another case, the banks were actually taking all of the milk cheque from the factory, so the farmers were not getting any of their milk cheque. It is going directly from the factory to the bank in repayment of their debt. That also includes the GST amount, so the farmer is not getting his milk cheque—it is going straight to the bank—which includes the GST amount for which the farmer is still liable. I think that is rather unfair.

**CHAIR**—I am not sure if any of the officers are able to assist with that, but it is an interesting issue.

**Senator WOODLEY**—They may not be, but all of these things are prejudicing the government's intention that the DSAP payments allow farmers to either get off their land with some dignity or restructure their farms so that they can increase production. Those are the two major objectives of it.

I think I will leave it at that, but these are some of the issues that are concerning me. I have tried to resolve it with the banks and I was unable to do so, even though they complained to me when I spoke about this in the media following up the last lot of estimates. I took the bank at their word and tried to resolve it, and it was not resolvable because the banks did not really have any good intention. They just wanted there not to be a story in the media; that was the only reason they dealt with me. I have spent a lot of time on it, and I think it is still a very serious problem. It is prejudicing the ability of the government's policy to be put in place. I do not know if you can comment on it.

**Mr Roseby**—I can make some observations. We had a meeting which involved state officials last Friday, and we received some reports from them on what had taken place as a result of deregulation and the package. One of the interesting things that came out of that was that they do not consider that there has been a decline in the dairy herd, notwithstanding the fact that a number of people have exited the industry, which means that those herds are being snapped up very rapidly by people who are wanting to expand and now have the opportunity to expand using the payments from the package.

There has been a range of responses to the package and, in a number of states at least, the response from industry has been described as very positive. There has been a range of responses in terms of the structural adjustment component. We know that there will be an increase in the number of people who have exited the industry. We believe that with this opportunity they will decide to leave now rather than be forced out of the industry in three or four years time under the natural attrition in terms of dairy numbers over the last 10 years, and probably a lot longer. There are people reinvesting quite substantially within the industry by buying the farm next door or additional cows, putting in a larger milking shed or simply restructuring or retiring their debt so they can lower their costs.

On the particular issue you have identified, the payments are made to the farmer by the DAA and it is then the farmer's choice as to what they do with that money. As you are aware, a range of banks offered a facility to give them that money up front and they then basically secured the payments over the eight-year period. In the normal course of events, one would expect that the rate of interest charged by a bank would be lower, having secured that payment because it is basically a guaranteed payment from the Commonwealth, whereas without that secured payment stream the banks may well be charging a higher rate of interest on any borrowings going to the farmer.

No doubt there are farmers out there who are in a high risk situation as far as the banks are concerned. They were already probably heavily in debt, to a point where the banks might have had to foreclose over them. Normal business activity is that banks will charge a higher rate of interest when there is a significantly higher risk related to the recipient of whatever loans the banks make. I think what we are seeing here is the situation of a few people who are in that sort of debt, where the banks are saying to them, 'Well, your loan or debt profile is such that we have to move on you,' and that is inevitably a part of business. The payments will allow these particular people to restructure their debt: they will receive the payments and then maybe go to a lower risk profile. Part of their doing that means that the banks will say, 'Well, we need to be able to secure these payments in order to be able to do that for you.' That is as good an explanation as I can give for the situation that you are describing.

**Senator WOODLEY**—I realise you are not responsible for the banks and I appreciate your comments. I will pursue the issues myself, but I think it is useful to put them on the record.

There is one question that comes out of your statement. There are claims being made, certainly in Queensland, that there has been a significant decline in production in that state. Is it too soon for you to have any figures which give an indication about where milk production is at in Australia? Has there been any increase or decline in production?

**Mr Roseby**—The best information we could get from the states was that research at their end indicated that the total herd will not decline. There are reports, however, that production may be down slightly this year and the states are describing that as being due to seasonal factors such as droughts and floods, but not necessarily to herd numbers declining. They are saying that they do not think they are.

**Mr Sutton**—It would not be surprising anyhow if milk production were down, given that we are in a part of the year when there are seasonal effects. It is a little uncertain whether some farmers in higher cost situations decide to shift from year-round market milk supply to more seasonal supply, depending on when pasture is available; so I guess the critical time to note what happens to the figures will be in spring next year. At this point it is a bit hard to make a judgment as to the impact on milk volume.

**Mr Roseby**—That is the immediate impact. ABARE is forecasting that milk production will rise in the outyears and I think there are a number of reasons why we can expect this to happen. It may not happen in certain areas but, with the substantial investment in dairying going on in Victoria, Tasmania, and southern New South Wales probably, you will see an increase in production there. We are seeing in other areas, which one might consider to be vulnerable, changes in production patterns. You are actually seeing a slight trend, which could escalate, of the movement of dairy farmers out of the dairy farms with high real estate value on the coast to the inland and relying more heavily on either feed grain or potential new pasture species. It is a little more difficult to predict what is going to happen there, but there



are some early signs that those sorts of things may happen over time. So they will be able to move to a lower cost of production base, but I think those things are a little more difficult to forecast. No doubt the impact will be that production will decline in some regions, and some of these may be in Queensland and northern New South Wales. But, again, that is a little hard to pick because we saw the example of the Bega Valley which prior to all of this happening was one area we considered vulnerable but in fact a new plant is now being put in down there for export and it will create a couple of hundred jobs. This is all the result of various commercial considerations by the parties involved.

**Senator WOODLEY**—One last question on the \$140 million package. It is anticipated that we will deal with the legislation in the two sitting weeks at the end of June. Would the DAA be in the position to begin processing those additional payments fairly quickly after that?

**Mr Roseby**—That is the intention. We are now getting close to finalising the guidelines for the program and we would want the DAA to be in a position to move on those payments as soon as possible after a royal assent is received.

**Senator O'BRIEN**—I have several questions on dairy, not necessarily that particular package. Firstly, according to the communique dated 9 March, the ARMCANZ meeting discussed the significant impact of dairy deregulation across the country—given the mess, it is pretty understandable—and a high level task force was established or reconvened to consider a range of issues. Who is on the taskforce? When was it set up? How often has it met?

**Mr Roseby**—I am chairing that taskforce. It had its fourth meeting on Friday last week. Obviously, one of the base documents being used is the ABARE report and some subsequent work from the BRS.

**Senator O'BRIEN**—Who else is on it?

**Mr Roseby**—There are representatives from each of the dairying states at senior level, and Centrelink is also on it. First, at that meeting on Friday, we reported on the new package which included, as you know, the additional \$20 million for the Dairy Regional Assistance Program. We had a report from each of the states on their assessment of the impact of deregulation. As I said, in a number of states that report was very favourable in terms of what has happened within their states. Clearly, there are no surprises in what they were saying to us about the impact on particular regions, and I think fairly closely aligned with what was identified in the ABARE report.

I think one of the positives that came out of it is that the states will, where they see a need, try and assist people to actually access the package through the regional committees. I think that they were a little bit concerned that some of the areas really had not been in it and possibly did not have the necessary skills, or what have you, to put together business programs to put to the administrators of the program. Clearly, we will be liaising further as we go through the program.

**Senator O'BRIEN**—When did you say that the next report back to ARMCANZ is?

**Mr Roseby**—There will be a report put to ARMCANZ when ARMCANZ meets in August.

**Senator O'BRIEN**—In relation to the movement in milk prices as measured by the ACCC, the ACCC report was released on 9 April, I think, and the New South Wales minister,

Mr Amery, said that prices had been measured only over the past 12 months when the retail price of milk had been deregulated in July 1998 and, according to Mr Amery, supermarkets had increased their margins from 27c to 49c a litre since prices were deregulated—at least in New South Wales. Are you aware of those comments by Mr Amery?

**Mr Roseby**—I have not read them specifically but that certainly was not what was indicated in the ACCC report, but perhaps Mr Sutton could refer to that.

**Mr Sutton**—We are aware of those comments. I guess the issue for the Commonwealth is that the conclusion that was reached by the industry was that the Commonwealth had decided that deregulation was inevitable. It was not a matter of identifying the extent of the change that came with deregulation but rather accepting that it was coming, attempting to anticipate the size of those price declines, and motivating the Commonwealth to provide an assistance package to assist the industry to meet that challenge. So there was not much sense, from our perspective, in interpreting right back to the various actions by individual state governments going back many years in terms of the progressive deregulation of the dairy industry which, as the New South Wales Premier mentioned, started many years ago.

**Senator O'BRIEN**—In 1998, not many years ago.

**Mr Sutton**—No, state deregulation occurred progressively. Farm gate deregulation occurred relatively recently, but there was deregulation at other levels—at the vendor level and supermarket level—going back over some time.

**Senator O'BRIEN**—Yes, but in New South Wales the retail price of milk had been deregulated in July 1998 and that was the factor that Mr Amery was referring to.

**Mr Sutton**—And in other states it happened at earlier times.

**Senator O'BRIEN**—He said from that datum point the supermarkets' margin had gone from 27c to 49c a litre—is that right? Have you looked at that?

**Mr Sutton**—The ACCC analysis went to supermarket margins.

**Senator O'BRIEN**—Over what period?

**Senator WOODLEY**—The problem is that the ACCC took its starting point from 1 July 2000 and came up with the conclusion that there had been an improvement in the retail price of about \$118 million, I believe. The problem is that if you start from that point you can show a decrease in the retail price. But that really is a false statement, because in Queensland the retail price was deregulated on 1 January 2000 and there was an increase of 20c a litre between 1 January 2000 and 1 July 2000, a much closer period. The problem with the ACCC report is that if it is based on a starting point of 1 July 2000 and draws from that the conclusion that the retail price therefore has dropped, not taking account that the retail price had gone through the roof in the previous reasonably short period, then you end up with really a false conclusion, I believe.

**Mr Sutton**—I do not think that we would dispute the facts in terms of what happened to prices. The point I was seeking to make is that regulation imposed all sorts of distortions in the market because farm gate prices were so high, and in some areas there was no retail price setting arrangement in place—for example, in the ACT and the Northern Territory. There were distortions across the country. What we were seeking, in supporting and developing this package, was not to try and argue that deregulation should not occur and, if it did, to try and control the outcome in terms of supermarket margins, but rather accept the industry's assessment that, because of these competitive pressures in the marketplace—heavily

dominated by the desire to increase competitiveness in global markets and in this market against international competition—deregulation had to happen, and it was going to happen. It was a matter of not seeing much merit in pursuing the question of relative price movements at the supermarket level. It was not going to take us anywhere in terms of addressing the fundamental problem that deregulation was happening.

In terms of those distortions in the marketplace that I mentioned earlier, it is clear that the retail margin or mark-up on milk—and that has been picked up in the ACCC and other studies—was less on milk than for many other food products. To an extent, most knowledgeable people in the marketplace—in the industry—expected that there would be a return to a more natural margin in terms of supermarket mark-up. Supermarket spokesmen have indicated publicly that their margin was well below the normal 25 per cent that they applied to food products. I am not defending that; I am just saying what was in the public domain at that time.

**Senator WOODLEY**—I apologise to Senator O'Brien!

**Senator O'BRIEN**—It seemed to me that the very point that, apparently, the department is not concerned about is the point that the Senate committee inquiry asked the ACCC to investigate—that is, the appropriation of the benefits of deregulation and whether there was a disproportionate flow-on of benefits to one particular sector through deregulation. Mr Amery was suggesting that supermarkets had appropriated to themselves a much higher proportion of the price of a litre of milk arising from deregulation. Senator Woodley says that the same thing happened in Queensland—by implication, at least. The ACCC obviously were tasked to do their work using 1 July 2000 as their benchmark and, therefore, were constrained in what they could look at. That suggests to me that these claims should be looked at. If they were valid, should not the minister make a new direction, or ask that the Treasurer make a new direction, to the ACCC to look at the distribution of the benefits of deregulation in the context that different states have different datum points for the purpose of assessing the benefits of the aggregation of the benefits of deregulation?

**Mr Wonder**—In the first instance, it might be best if some of the clarification you are seeking were obtained from the ACCC. It is difficult for us to go into the whys and wherefores of the ACCC's analysis, what underlies their conclusions and what different people think about those conclusions. From the perspective of giving the ACCC the opportunity to explain their own results, I suggest that, in the first instance, you give them the opportunity to speak to their own analysis, rather than ask us to do so.

**Mr Roseby**—I recall that the original request to the ACCC was to monitor prices for six months before and after 1 July 2000. They took into account prices from 31 December for roughly a 12-month period.

**Senator WOODLEY**—We will have to check; that is not my recollection.

**Mr Roseby**—I think it stands to reason, Senator, that in order to make some comparison they must have been able to study what the prices were before, as against after, to assess the impact.

**Senator O'BRIEN**—I will ask the ACCC if I have the opportunity. On the question of the DAA, how has that authority been going? Have there been any problems which remain unresolved?

**Mr Roseby**—Mr Sutton can give you the latest figures. I think the DAA has done a tremendous job, given the diversity of the industry and the 30,000 potential recipients. The statistics speak for themselves.

**Mr Sutton**—In terms of the dairy structural adjustment payments, some 30,161 notices of determination have been issued as of 25 May. About 96 per cent are now receiving payments. The only people who are not now receiving payments are those who have not returned their bank account details or have legal action under way or are involved in legal action and whose rights have been put on hold pending the resolution of those issues. There is only one being held up because of an absence of a farm business assessment and we are advised that that will be addressed in the very near future. There are about 113 internal reviews outstanding. The dairy exit payments are not administered directly by the DAA, but I have figures on those if they are of interest to you.

**Senator O'BRIEN**—Yes.

**Mr Sutton**—A total of 123 farmers have applied for an exit payment. Thirty-two have been granted a payment. A further 27 have been considered eligible but have yet to sell their farms, and about 61 applications are still outstanding. While we are doing a round-up on the state of play, I can give you the Dairy Regional Assistance Program figures. Ninety-one projects have been approved in three rounds and a fourth round is about to be announced, we understand, from the Department of Employment, Workplace Relations and Small Business. Ninety-one projects have been funded, worth approximately \$10.3 million.

I have more figures from DAA which I can pass across to you if you wish. An interesting figure is that some 63 per cent of DSAP entitlement holders have entered into agreements with banks in terms of borrowing—in other words, an up-front payment. The government is not involved in that. The DAA is not involved, other than registering that securitisation.

**Senator WOODLEY**—Is that all through the Commonwealth Bank or through other banks as well?

**Mr Sutton**—I imagine it is a number of banks. The Commonwealth Bank would have a proportion, but it is not exclusive to that Commonwealth Bank.

**Senator O'BRIEN**—I suppose in some way it would be anticipating the legislation that is coming through that, whilst not varying the arrangements the DAA have been administering, is about putting in place new arrangements which will deal with some of the anomalies in the \$140 million package. I am trying to think ahead. You were talking about a timetable for passage of the legislation in the next sitting fortnight. There obviously is no time in that timetable for this committee to take any evidence on the matter.

**Mr Roseby**—I had heard the other day that an announcement had been made that there would be a one-day sitting.

**Senator O'BRIEN**—Has it been referred?

**Senator WOODLEY**—Yes.

**Senator O'BRIEN**—Was that the motion you moved? Okay. I apologise. Going back to the DAA, I think you gave me some figures on the number of appeals that have been lodged and where those are up to. Did you tell me there are 46 appeals outstanding?

**Mr Sutton**—There are 43 appeals with the AAT.

**Senator O'BRIEN**—You told us that 422 applicants had appealed as at 20 February, and five had taken their appeals to the AAT.

**Mr Sutton**—There have been 620 requests for review to the DAA. There are 113 outstanding. Forty-three have appealed to the AAT according to the last figures we have from the DAA.

**Senator O'BRIEN**—How many appeals have been resolved in favour of the applicant?

**Mr Sutton**—I would have to come back to you with that figure.

**Senator O'BRIEN**—Perhaps you could give us that general package of information to round out the information that we have. You were going to get us a figure on the administrative costs of the DAA. Could you also update us on the figure that the department has recovered from the DAA to meet its costs?

**Mr Sutton**—Yes, I think so. The total administrative cost estimate—and that is all it is—was based on two per cent of the cost of the package overall. That came to \$38.4 million.

**Senator O'BRIEN**—That is the DAA cost?

**Mr Sutton**—Yes, but that is the total administrative cost, including AFFA cost. The DAA cost to 30 April was \$13.27 million and AFFA costs, including fairly extensive legal and drafting costs, amounted to \$625,669. That was to 31 March.

**Senator O'BRIEN**—So when you say 'drafting', what drafting was involved—the bill?

**Mr Sutton**—That involves all the scheme drafting costs. Whenever we have had to consult, for the purposes of drafting schemes under the original package and under the latest package, drafting costs are involved.

**Senator O'BRIEN**—In relation to the tax clawback in the dairy package, Senator Crane asked in the estimates committee on 20 February whether a comparison could be made between the tax paid by the dairy industry before and after the package and Mr Roseby said that should be referred to the tax office. You have advised that the level of taxation paid back to the government is zero. Is that correct?

**Mr Roseby**—No. It is our view that, if you had no scheme, or if you had this scheme, the advice from professionals is such that the tax take by the government is revenue neutral. One could go a step further and say that, because the farmers have income equalisation deposits the fact that we are dealing with an industry which has taken a significant decline in prices, their income will be down. Therefore, if we had no scheme as against having a scheme, the tax take by the government would actually be lower with the scheme. But the official advice from the tax office, which was confirmed by Arthur Andersen, is to say that the tax take by the government is revenue neutral.

**Senator O'BRIEN**—You said that the original budget for the Dairy Regional Assistance Program was \$45 million. We have just been told that for the 91 projects funded, total funding to date is \$10.3 million. Out of the \$45 million, how much was set aside for administration?

**Mr Roseby**—The program is administered by DEWRSB. I do not have details of their costs of administration.

**Mr Wonder**—We could refer that question to DEWRSB and ask them to provide you with some details. We do not administer the programs. We do not have much information on them.

**Senator O'BRIEN**—Mr Truss, your minister, said in a media release on 3 January that projects announced under this program 'have considerable community support'. Can you tell me what the basis of that claim is?

**Mr Roseby**—It is the Regional Assistance Program that is run by DEWRSB. They have regional advisory committees that actually assess potential projects and then come forward with recommendations for consideration by the department and the minister. One would assume that if these regional advisory committees are supportive in putting forward these programs that you would have a fair degree of regional support and, indeed, the logic of it would be—

**Senator O'BRIEN**—These are the area consultative committees?

**Mr Roseby**—The area consultative committees—I beg your pardon, that is the correct name. It is logical, following it through, that if you actually get an injection of money into your region which is going to generate employment then I would find it very odd if anyone objected.

**Senator O'BRIEN**—Who decides who are on the eight area consultative committees?

**Mr Roseby**—I do not have that information.

**Senator O'BRIEN**—It is the government, isn't it?

**Mr Roseby**—I do not know the detail of that, Senator.

**Mr Wonder**—The arrangements are not in our portfolios; we would have to refer that to the department of workplace relations.

**Senator O'BRIEN**—So Mr Truss's media release was based on the assumption that the area consultative committees were representative of their communities but Mr Truss was not aware of who appointed the committees.

**Mr Roseby**—He may well have done but those recommendations come from DEWRSB to our minister. It is not our department. Our department is not involved. They consult with the minister in terms of the proposals that are put forward.

**Senator O'BRIEN**—In a media release dated 30 January the minister said that he had asked that RAP officers visit dairy regions 'to ensure that the benefits for the regional grants were maximised'. Can you confirm for me, that prior to this announcement, applications from interested parties for assistance under the Regional Assistance Program went to the local ACC for assessment and that recommendations then went to Canberra for approval?

**Mr Sutton**—That is the way that program operates. It is similar to the regional assessment program generally—the non-dairy specific program. The local area consultative committees are in place, and have been for some time. They receive the applications. The guidelines are available on the DEWRSB net and are widely publicised. There are teams of people who travel around the regions where there is an interest and where there is a request for assistance in the development of programs. We have been advised recently that the capacity of those local area groups to come up with worthwhile projects has dramatically increased. Whereas earlier on in the days of the program there was a paucity of quality projects, that is changing quite dramatically now. There are many quality projects ready to come forward now and a number will be announced in the coming weeks, in the fourth round, as I mentioned earlier.

**Senator O'BRIEN**—Mr Truss announced that there would be visits to the regions rather than a decision made in Canberra on recommendations of ACCs. Was this department involved in advising him?

**Mr Roseby**—No, as I say, this scheme is administered by DEWRSB and they are working with their respective ministers and our minister on the actual final allocations for projects.

**Mr Sutton**—Staff from AFFA do accompany that group as and when required to explain the broader package. There is an industry audience so, while the purpose of the meeting is a regional package, issues are often raised on the broader package.

**Senator FORSHAW**—I followed that through the Main Committee, but you just said that early on in the program there were not that many suitable or worthwhile projects and that it has picked up in recent times. Is there any particular reason why? The area consultative committees have been around for a while and I would have thought that they would be fairly quickly able to identify suitable projects within their area at the outset of the program, or weren't they consulted?

**Mr Roseby**—The reason for the slow start to the program is that often with programs of this nature it takes a while for the regions to come to grips with the program, how they need to operate and what they can potentially do under the guidelines. It got off to a slow start probably for that reason and also because a lot of those people in the most disadvantaged regions are struggling with what the impact is going to be in the longer term on market prices and so on. Those factors probably meant that it got off to a slow start. Then they saw what happened elsewhere and they started to get working with some professionals to bring proposals forward. I can't imagine that there would be any other reason, certainly not that I am aware of.

**Mr Sutton**—I can just add that early on in the program there were a number of projects which were essentially provision of counselling and financial advising services. That was in the initial shock period post deregulation but, subsequent to that, perhaps that expertise has been available to help community and industry groups develop projects of an employment generating nature, which is the main aim of this program.

**Senator FORSHAW**—It occurred to me when we had this discussion last time that some of the ones that qualified first time around were, at least in a couple of cases, ones that probably were sitting in the bottom drawer of somebody's desk and were fairly quickly whipped out and put in when the program was instituted. I am aware that that can happen. Area consultative committees could, in many cases, I would expect, have more projects or ideas on their books or being flagged as potential projects for promoting employment in their region, but there is not necessarily a scheme available at the particular time.

**Mr Roseby**—I do not feel qualified to answer that question because, as I say, you would have to talk to someone closer to the administration of the program.

**Senator O'BRIEN**—Has anyone undertaken any analysis of the outcomes of the first round of grants from the program in terms of their appropriateness?

**Mr Roseby**—You would have to ask that of DEWRSB. We would not be reviewing their programs.

**Senator FORSHAW**—For instance, there is the famous polocrosse one. That, as I understand it, had been looking for funding for some time.

**Mr Roseby**—Again, I do not know the answer to that.

**Senator FORSHAW**—And they struck it lucky with this program coming along.

**Mr Roseby**—Yes, but they do have some fairly comprehensive guidelines for the administration of the program and one assumes that it met the guidelines of creating employment, business and tourism or whatever it might have been. But, again, you would have to talk to the department about that.

**Senator FORSHAW**—I am just responding to Mr Sutton's comments about what happened in the early stages.

**Mr Roseby**—I do not think we can add any value from hereon, Senator.

**Senator FORSHAW**—You may have added value to the program in more recent times with some of the more successful applications this time around, at least I hope so.

**Senator O'BRIEN**—Or DEWRSB has.

**Senator FORSHAW**—Or DEWRSB has, yes. We will ask them later.

**Senator O'BRIEN**—I wanted to ask follow up questions about the progress with the review of the wool levy exemptions. We were told that there had been 30 submissions and that they would be taken into account by the government in deciding what to do, and that it was thought that the matter would be resolved by the end of March or the beginning of April. Can you give us an update on the situation—the timing of outcomes, et cetera?

**Mr Sutton**—All I can say is that the matter has been the subject of a very comprehensive review by the department with, as you mentioned, 30-odd submissions, visits to fellmongering operations and consultations with all of the key industry bodies, including Australian Wool Innovation Ltd. The report is with the minister. He is at an advanced point in terms of his decision, but he has not made that decision yet.

**Senator O'BRIEN**—When did the minister receive the report?

**Mr Sutton**—I do not have the date before me. He has been in consultations with industry players over the last month, I would guess—or his office has.

**Senator O'BRIEN**—So he has had the report for more than a month?

**Mr Sutton**—I would say of that order, yes.

**Senator O'BRIEN**—Please take that on notice and tell us the date that he received the report. How would the wool levy exemptions change—by regulation or by a change in the act?

**Mr Sutton**—It would be a change of the regulation. The definition of 'eligible wool' set in the regulation would be amended to provide for a change away from the current non-shorn wool to whatever other definition were appropriate.

**Senator O'BRIEN**—So there is a report to the minister about the outcome of the submission process and the inspections that you described. Ultimately, of course, if the minister makes a decision that it is disallowable in the parliament, is the minister intending to make available the report?

**Mr Sutton**—That is a decision for the minister. We have asked him that question. He has not made that decision yet. Just so that you are aware of the considerations, it was not only the industry views that were taken on board—and, as you can imagine, there are a range of views. The government has a set of levy principles against which any new levy proposal or extension or change to a levy is considered. Central to those considerations is an assessment as to



whether there is market failure—in other words, whether the appropriate R&D would otherwise occur. There is also consideration as to whether the prospective new levy payers are prepared to fund it and see the proposed R&D arrangements as being in their interests. So there is a whole raft of considerations involved in going down through the government's levy principles' checklist. It is a fairly robust assessment process.

**Senator O'BRIEN**—I think the purpose of my question is fairly obvious. Ultimately, if there is someone seeking to disallow, it may well be that more information is required. We will come to that when we do. There was a report on trade in cotton released by Mr Anderson on 9 May in Melbourne. Is it the view of the department that a removal of trade barriers and subsidies is not only at a standstill but that, in some areas, these barriers are increasing substantially?

**Dr Samson**—Senator, could you repeat the question?

**Senator O'BRIEN**—Yes. Is it the department's view that the removal of trade barriers and subsidies is not only at a standstill but that, in some areas, the barriers are actually increasing substantially?

**Mr Wonder**—When you say 'barriers', are you referring to any particular barriers? Are you talking about the US situation or about the European situation, for example?

**Senator O'BRIEN**—Mr Anderson said that if the US removed all trade barriers, its own consumers would benefit to the tune of \$20 billion. What are the US trade barriers?

**Mr Rose**—Senator, I can shed some light on that. The US has a fairly complex system of direct subsidies and tariffs, which it has maintained with almost continuous change in the details but with essentially little change in the overall protective effect over a quite long period. I am not up to date on the very recent changes, but there have been no reductions in substance, over possibly even the last decade or so.

**Senator O'BRIEN**—What about other countries? Is it true that in some areas, protection has increased substantially?

**Mr Rose**—I am not aware of substantial increases in protection in recent times.

**Senator O'BRIEN**—No, I am not either.

**Mr Rose**—But I am certainly not in a position to say that there have not been any. I am a fair bit more familiar with the US than other areas.

**Senator O'BRIEN**—What about substantial reductions?

**Mr Rose**—Again, not that I am aware of. I would be extremely dubious about the idea that there had been substantial reductions. In essence, the major producing and importing countries have not done much in the way of changing cotton policy for some time.

**Senator WOODLEY**—According to OECD figures, the amount of protection provided by other countries for agricultural products has been rising again. That is an average; I do not know specifically what it is for different commodities.

**Mr Rose**—Across the board, that is probably true. That is dominated by a few large movements in a few large commodities. Dairy is a significant part of that.

**Senator O'BRIEN**—I think the Cotton Research and Development Corporation is the author of the report being referred to by Minister Anderson. Are you aware of that organisation?

**Mr Rose**—I am not aware of that report.

**Senator O'BRIEN**—But the organisation itself?

**Mr Wonder**—The organisation is a portfolio R&D corporation, Senator.

**Senator O'BRIEN**—Yes. The report apparently says that the OECD figures show that 40 per cent of farming in group member nations came from government subsidies. What is the equivalent figure for Australian farmers in the cotton industry?

**Dr Samson**—Very little. The Australian cotton industry receives no government subsidies, other than the R&D matching.

**Senator WOODLEY**—The diesel fuel rebate is the main subsidy.

**Dr Samson**—Yes, you are right, Senator. The diesel fuel rebate and the government matching contribution to R&D would be the two areas.

**Mr Wonder**—And they have access to the programs that we have spoken about earlier today, such as AAA and the like.

**Senator O'BRIEN**—What is the impact of US barriers on Australian cotton trade?

**Mr Rose**—The impact is one on world price rather than on a specific country to country basis. ABARE has not done any specific work on the cotton industry, so I could not give you a price difference. But we have shown that the kinds of protections we are talking about in other industries have reduced world prices substantially from what they could have been with a freer trade.

**Senator O'BRIEN**—Do we export any cotton to the US at the moment?

**Mr Rose**—No. I doubt whether we have ever exported cotton to the United States because we produce similar qualities of cotton and both countries export into similar markets.

**Mr Roseby**—It might be helpful if we got back to you on this one. I think we have been caught a little on the hop with it. But I can give you the information that our principal export markets last financial year were Indonesia, Japan and Thailand. We are not as forthcoming on this issue because we have been caught a bit on the hop with your question.

**Senator WOODLEY**—Are we able to get rid of all our production?

**Dr Samson**—We export about 95 per cent of our production.

**Senator WOODLEY**—So there is no overproduction in any year at this stage?

**Dr Samson**—No.

**Mr Sutton**—I just add that, as for wool, the major inhibitor to our trade prospects is in the form of exports of TCF products from third countries such as China or India for sale into, say, the United States market. Although we may have only limited direct trade in fibre, we have indirectly a much more substantial trade and an interest in liberalisation in relation to textiles, clothing and apparel. It is in those areas that we need to be making progress in the interests of market access for the cotton and wool industries. That is where a major part of the Australian effort is.

**Senator O'BRIEN**—A free trade agreement with the United States would be irrelevant to our cotton trade?

**Mr Sutton**—I guess that it would depend on the quid pro quo in terms of inward products.

**Senator O'BRIEN**—I am referring to trade between Australia and the United States. Essentially, if we are selling to others who sell completed garments to the United States, the free trade agreement concept would seem, to me at least, to be irrelevant to the cotton trade.

**Mr Sutton**—In relation to the relative costs for the production of textiles, yes.

**Senator O'BRIEN**—On the question of lamb exports, can you update the committee on the reaction from the United States to the WTO's decision to support Australia's appeal?

**Mr Read**—That is a question about which Dr Gebbie would have more detail. There will be a review of that decision and a possible reference of that appeal decision back to ITC for consideration in the United States.

**Senator O'BRIEN**—So where do we take it, assuming that it will not change?

**Mr Wonder**—Dr Gebbie, our trade policy person could add a lot more detail. He could answer your questions more satisfactorily. Could we leave that question until that time?

**Senator O'BRIEN**—I will have to find a place to put it in my notes.

**Mr Wonder**—Under 'Market access and Biosecurity.'

**Senator FORSHAW**—Is that also the appropriate time to deal with EU beef?

**Mr Wonder**—Mr Read will answer questions on EU beef.

**Senator FORSHAW**—I might leave that until later. Following Senator O'Brien's question about the lamb decision, the WTO dismissed the appeal by the United States. When making that decision did it do anything to undermine the original decision?

**Mr Read**—It substantially reinforced the original decision.

**Senator FORSHAW**—That is right, yes. What is the next stage in the process? We are awaiting a response from the United States, are we not?

**Mr Read**—We are awaiting a response from the United States but a time period is involved. Dr Gebbie will be able to specify that precise time period and he will be able to give you a reasonable estimate of the time required for the implementation of the recommendations from the appellant body. That process will possibly result in a reference from the USDR back to the ITC for a review of that decision as to whether it can be implemented in terms of a corrective response with regard to safeguarding measures, how those measures were determined in the first instance and to bring them into accord with the response of the appellant body.

**Senator FORSHAW**—I will leave that matter until later.

**Senator WOODLEY**—I wish to ask a few quick questions about the Wheat Export Authority. I am interested in the progress of the current review. I understand that a draft report has been completed. Is there a final draft yet? I do not know whether or not it has been released.

**Mr G. Taylor**—I seek clarification from you, Senator. Are you talking about the review announced by the minister as a result of NCC findings, or the ongoing performance review of the Wheat Export Authority of AWB International?

**Senator WOODLEY**—I am talking about the review conducted by the National Competition Council.

**Mr G. Taylor**—A draft response has not as yet been completed. Currently a process is under way. The Wheat Export Authority is consulting with AWB International, the Grains Council of Australia and with various industry bodies to come up with a range of options for export licensing arrangements and also to develop performance indicators.

**Senator WOODLEY**—I presume that the Wheat Export Authority—and I am using broad terms as I am not familiar with all the terms that should be used—is using a single desk. Is that still the position?

**Mr G. Taylor**—Again I seek clarification from you on that point, Senator.

**Senator WOODLEY**—I refer to the maintenance of a single desk for wheat exports?

**Mr G. Taylor**—The Wheat Export Authority does not have a view per se on the maintenance or otherwise of a single desk. The Wheat Export Authority's role as a statutory authority is to monitor the performance of AWB International, which has special export privileges, including a veto on bulk exports.

**Senator WOODLEY**—We may not be able to go much further. I was going to ask you about the problem in New South Wales. Again, I am a bit at a loss as I do not know the correct terminology to use to describe the large debt which was incurred and which is causing consternation amongst wheat growers in New South Wales.

**Mr Roseby**—Is this the New South Wales Grains Board?

**Senator WOODLEY**—Yes.

**Mr Roseby**—That is not Mr Taylor's area. If you look at the report from the New South Wales Public Accounts Committee you will see that they have identified a range of parties to the statutory arrangements. They have made a number of findings about the board and the management of the organisation and about the various responsibilities of those bodies throughout the system. We, as the Commonwealth, will not be involved. However, it is something that we look at carefully because it has highlighted—and will continue no doubt to highlight—a whole range of issues on which the government must keep its eye, such as corporate governance issues, particularly when governments are involved.

The factors that have been identified—factors that the Commonwealth has been aware of—could arise at any time in any organisation. That is one of the reasons why areas of the department monitor carefully what is going on. We are keen to get skilled people on boards. We are careful to get those people properly trained. They attend courses run by the Institute of Directors on directors' responsibilities. We closely monitor them. We have in place business and risk management programs. We will, of course, monitor our own affairs and review them again to ensure that they are adequate. Other than that, Senator, that is the extent to which we would be involved in this exercise.

**Senator WOODLEY**—The problem is to get to the right authority to ask some of these questions.

**Senator O'BRIEN**—The Wheat Marketing Act requires the Wheat Export Authority to formally consult with the Grains Council on a regular basis. Who else does the authority have to consult with?

**Mr G. Taylor**—Under the Wheat Marketing Act the authority must consult with AWB International in relation to applications that are received for export consent. The arrangements for the GCA—the Grains Council of Australia—are such that the authority is required to report on its operations to the Grains Council. That occurs a minimum number of three times

a year. The authority also consults more broadly with a range of industry and other authorities in going about its daily business.

**Senator O'BRIEN**—How is that consulting process conducted, and how often is there consultation with the groups with whom WEA consults?

**Mr G. Taylor**—The number of agencies that are consulted largely depends on the issues that are being dealt with. In relation to the daily business of considering applications for export, the authority must consult with AWB International on each occasion. When it is considered necessary, the authority consults with other parties to get additional information in order for members of the authority to make a decision against an application. That occurs regularly; I could almost say daily.

**Senator O'BRIEN**—What role does the Grains Council play in that process?

**Mr G. Taylor**—The Grains Council, as such, does not have a role in consulting with the authority for applications. Export consent applications that are received by the authority are generally commercially sensitive. The authority must consult appropriately in gathering information against those applications.

**Senator O'BRIEN**—Do you nevertheless have regular consultations with the Grains Council?

**Mr G. Taylor**—Yes, we do.

**Senator O'BRIEN**—But that is not in relation to particular applications for export?

**Mr G. Taylor**—No. We have a general consultation arrangement with the Grains Council of Australia. A working group has been established to consult on the broader range of Wheat Export Authority business with the GCA.

**Senator O'BRIEN**—Some growers choose to sit outside the Grains Council. Is there a mechanism to draw them into a consultation process that involves the GCA? Do you have a plan to set up a reference group or something like that?

**Mr G. Taylor**—When the authority is dealing with a significant issue, it consults quite broadly. An example would be the review of the guidelines of the authority that was conducted in late 1999. In that instance the authority consulted with 60 exporters and industry groups and invited submissions to that review. Insofar as broader consultation is concerned, for example, the 90-day time frame within which we have to consider the outcomes of ministers' announcements from NCC, the authority has invited submissions from a range of industry organisations to provide an input into that process.

**Senator O'BRIEN**—But they are driven by particular events.

**Mr G. Taylor**—That is correct.

**Senator O'BRIEN**—Whereas you have a routine consultation with the Grains Council. I am asking you whether there is some proposal to have a routine consultation that picks up the people who choose to fall outside the Grains Council.

**Mr G. Taylor**—There is nothing specific. But the authority does consult broadly and it has regular interaction at industry forums with a range of industry groups.

**Senator O'BRIEN**—So the Grains Council has its own consultative process and it may be approached from time to time about particular export matters?

**Mr G. Taylor**—Yes, that is correct.

**Senator O'BRIEN**—That is part of the general consultation process.

**Mr G. Taylor**—Yes.

**Proceedings suspended from 6.31 p.m. to 7.33 p.m.**

**Senator O'BRIEN**—We are back on the Wheat Export Authority. The minister announced in a media release dated 4 April that the single desk arrangements would remain but improvements would be made to the consent system operated by the WEA. As I understand it, these changes will only be of an administrative nature and there is no need for any legislative change. Is that correct?

**Mr G. Taylor**—Yes.

**Senator O'BRIEN**—Can you give me some detail of what these changes will involve?

**Dr Samson**—At the moment we do not know precisely what those changes will be. Following the minister's announcement on 4 April the Wheat Export Authority is chairing a group comprising the Wheat Export Authority, representatives of AWBI, the Grains Council of Australia and AFFA. The group is working through what the possible options are for changes to the administrative arrangements.

**Senator O'BRIEN**—Is there any ministerial instruction on what they should be or is that entirely for that working group to decide?

**Dr Samson**—There is no ministerial instruction, Senator.

**Senator O'BRIEN**—Okay. What consultation will there be with others apart from that group—the parliament, for example?

**Dr Samson**—The minister has asked that the Wheat Export Authority report back to him on the outcomes of that process. And I understand that, in addition to the groups that I mentioned that form part of this formal consultative group, the Wheat Export Authority has also sought the views of other players in the industry.

**Senator O'BRIEN**—What work is the authority or the department doing on an improved export consent system?

**Dr Samson**—That issue is also being addressed in that same forum that I mentioned in the previous answer.

**Senator O'BRIEN**—Is there a precise time frame for this consultation and deliberative process?

**Dr Samson**—The minister asked that the Wheat Export Authority report back to him with respect to the performance indicators and performance monitoring of AWBI within 90 days of his announcement in Grains Week.

**Senator O'BRIEN**—So some time about the beginning of July?

**Dr Samson**—I think that is correct.

**Senator O'BRIEN**—Will this group, WEA-AWBI, in AFFA be seeking submissions from outside parties?

**Dr Samson**—Not a formal submission process. As I mentioned earlier, I understand that the Wheat Export Authority is consulting with other players in the industry. But, at the end of the day, any decision in terms of amending the current export consent arrangements or the performance monitoring and reporting on AWBI is a matter for the Wheat Export Authority.

**Senator O'BRIEN**—According to Mr Truss's media release:

Under the Wheat Marketing Act, the WEA has until the end of 2004 to assess the performance of the AWBI with regard to its use of the wheat export rights.

Can you tell the committee what work has been done and, for that matter, what development has taken place of the performance indicators for the 2004 review of the AWB performance?

**Mr G. Taylor**—The development of the performance indicators is currently being undertaken by the same group that is looking at the export consent arrangements. Prior to that, the Wheat Export Authority had developed a broad framework to monitor the performance of AWB International which identified key areas of performance, as the manager of the single desk, that would be the focus of the attention of the Wheat Export Authority. The indicators that are being developed as part of the process that the minister has announced will feed into that particular exercise.

**Senator O'BRIEN**—So the group that is developing the indicators is also developing the new administrative arrangements?

**Mr G. Taylor**—That is correct. There are two different exercises that the one group is dealing with, one being indicators and one being alternative export consent arrangements.

**Senator O'BRIEN**—Someone mentioned to me that they thought that Allen Consulting was engaged to assist in the development of the performance indicators. Is that correct?

**Mr G. Taylor**—The Allen Consulting Group have been contracted by the Wheat Export Authority to assist with the overall monitoring of AWB International's performance. Performance indicators are a part of that process, but there is the ongoing performance monitoring activity which Allen Consulting will be assisting the Wheat Export Authority with.

**Senator O'BRIEN**—Can the committee be supplied with the terms of engagement for the consultants, and the time and price arrangements for the consultancy?

**Mr G. Taylor**—Yes. Allen Consulting were engaged by the Wheat Export Authority in October 2000 after a tender process was gone through.

**Senator O'BRIEN**—Was it open or restricted?

**Mr G. Taylor**—It was a closed tender process. The Allen Consulting Group charged us about \$230,000 for the first year. The Wheat Export Authority retains the right to review performance, with a view to extending the contract should it be deemed necessary.

**Senator O'BRIEN**—Is there a specific instruction as to the terms of reference for the consultant?

**Mr G. Taylor**—The tender process included some fairly broad contractual obligations upon the consultant, which they have agreed to and undertaken on behalf of the authority.

**Senator O'BRIEN**—When you say 'fairly broad', they must be narrow enough for a price to be struck.

**Mr G. Taylor**—Yes. The contract that has been put in place deals with the overall monitoring framework, which is a broad ongoing performance assessment, and it does have some detail attached to it about the manner in which the Wheat Export Authority expected that particular activity to be undertaken.

**Senator O'BRIEN**—Can you supply to the committee that part of the contract which identifies the task?

**Mr G. Taylor**—Yes, we can. I will take that on notice.

**Senator O'BRIEN**—According to Mr Truss, the new consent arrangements will be based on the licensing arrangements proposed in the review. He says that these arrangements will enable longer term consents to be provided for the export of wheat in containers and bags and provide greater certainty for exporters. How does the current system operate? And exactly how, in general terms, could these proposed changes improve the system?

**Mr G. Taylor**—The current system operates in the following way: starting with the Wheat Marketing Act, the authority must consult with AWB International on each application that is received, and the authority must also have guidelines which set down the criteria against which each application will be assessed. The guidelines that are in place refer to the maintenance of AWB International sales premiums and strategies in the market as being the core criteria for assessing an application. They are the basis under which each application received by the authority is assessed. The consultation arrangements that are built into the Wheat Marketing Act do mean that it takes time to go through that consultation and decision making process by the Wheat Export Authority. Any new system being considered by the authority will look at what mechanisms may be available in order to streamline that process.

**Senator O'BRIEN**—What does he mean by 'longer term consents'? Or don't you know.

**Dr Samson**—If I might answer that, Senator: one of the issues this working group is looking at is to try and give potential exporters of bagged and contained wheat a greater degree of certainty as to whether or not they will be granted a consent. One of the things that is being looked at—and it is only one of many options—is that, if an individual might, for example, be granted an export consent to export a certain quantity of wheat into one or more markets, that consent be active for a period of time. So you might be given a consent to export a certain tonnage of wheat into a particular market sometime over a six- or 12-month period.

**Senator O'BRIEN**—Typically it is a consignment consent at the moment, is it?

**Dr Samson**—That is my understanding.

**Mr G. Taylor**—Consents are issued on a consignment basis so that any one consent can cover a particular market and up to a tonnage threshold. There may be multiple shipments against that consent. But it is the one consent that has been issued with certain specifications and stipulations on it.

**Senator O'BRIEN**—How would the sort of model that Dr Samson mentioned fit with current practices?

**Mr G. Taylor**—There is scope to modify the existing arrangements to take into account the kind of changes that Dr Samson was alluding to.

**Senator O'BRIEN**—Has the authority considered that?

**Mr G. Taylor**—It is being considered or would be considered by the authority as part of the process of looking at alternative arrangements.

**Senator O'BRIEN**—But it has not considered that in the past?

**Mr G. Taylor**—No, not to date.

**Senator O'BRIEN**—Again, according to the minister's media release:



The Government has accepted the review recommendation that there is a need to better define the objectives of the Wheat Marketing Act.

Mr Truss goes on to say it is the view of the government that:

... WEA's role is to complement the single desk arrangements in maximising net pool returns through AWBI, while at the same time facilitating the development of niche and other markets—

Could you explain what he means by that and how it would be put into effect?

**Dr Samson**—The recommendation in the NCP review came about because there was some uncertainty or difference of opinion within the industry as to precisely what the role of the Wheat Export Authority was in granting consents in relation to the activities of AWBI. The clarification that the minister gave as part of the government's response to the NCP review was to make it quite clear that the primary aim of the Wheat Export Authority was to complement the activities of AWB International rather than, as some people had chosen to construe, compete with AWB International.

**Mr G. Taylor**—If I could just add to that: in the guidelines which the authority uses to assess applications, the two key criteria are the maintenance of AWB International's sales premiums and strategies in a market for which application for consent has been sought. Those two key criteria have been a part of WEA guidelines since the organisation commenced and they remain in the current guidelines. So the authority would see that each decision it makes against those guidelines is complementary to identify AWB International strategies in a particular market.

**Senator O'BRIEN**—How does WEA propose to facilitate the development of niche and other markets? What will it do now that it was not doing before—any ideas?

**Mr G. Taylor**—At this point one of the issues that the technical or the reference group that is being formed is considering is just how that may be accommodated within any new arrangement.

**Senator O'BRIEN**—What do you do now as distinct from what you might do following the review?

**Mr G. Taylor**—The current arrangements would allow for the development of niche and new markets for Australian wheat with the background of an assessment being against the guidelines of the authority, and the decisions are based on identified strategies of AWB International.

**Dr Samson**—One of the issues is to get a better handle on what AWB International's marketing strategies are into particular markets. I believe if we establish a position where we have a much clearer understanding of what those strategies are, we will be able to indicate to would-be exporters those markets that are likely to receive export consents. Therefore, it will allow those people to focus their marketing strategies on new and niche markets into those areas, rather than into areas where AWB International's marketing strategy in all likelihood would preclude them being granted export consents.

**Senator O'BRIEN**—I understand that. There was a recommendation from the review that, for a trial period only, the export of durum wheat should be deregulated. Do you know why the government rejected that recommendation?

**Dr Samson**—It stems from the overarching decision by the government that the government response to the NCP review of the wheat marketing arrangements would not

include amendment to the legislation, and the deregulation of durum marketing would have required legislative amendment.

**Senator O'BRIEN**—Changes to the legislation would have upset the floating of AWBI on the stock market later this year?

**Dr Samson**—That was certainly a consideration.

**Senator O'BRIEN**—Were there any other policy or public interest reasons, sound or otherwise?

**Dr Samson**—In the course of conducting the NCP review and consultations with key stakeholders when the draft report was presented, there were indications from AWBI that they were proposing to put in place new arrangements that they believed would go some way to meeting the concerns expressed by some of those durum growers—that is, that AWBI itself was prepared to offer more flexible arrangements.

**Senator O'BRIEN**—Indeed, the minister says in his press release that AWBI has written to him about its plan to develop a number of market options for durum growers in New South Wales. What are those options?

**Dr Samson**—They are still being worked on to some extent, but my understanding was that AWBI was proposing to offer something akin to an agency arrangement with durum growers whereby the durum growers would identify markets and sell to those markets, but on behalf of AWBI, and that AWBI would ensure that any premiums obtained were passed on to the durum growers.

**Senator FORSHAW**—Would examples of that be, as I read in the *Land* recently, that AWB had broken into durum markets in South Africa and South America?

**Dr Samson**—I am not aware of that article. That may well be an example.

**Senator FORSHAW**—While we are on this issue, I understand also that the company, New England Agricultural Traders, were unsuccessful in their proceedings against AWB over its failure to grant export permits for durum wheat, but they have indicated that they intend to appeal. Are you aware of that case?

**Dr Samson**—I am aware of the case in broad terms. Yes, I understand that there is an appeal against the original decision.

**Senator FORSHAW**—What can you tell me about the decision of the court in that matter?

**Mr G. Taylor**—Not a lot. What I can tell you is that the last day of hearings was in early October last year. The case against the Wheat Export Authority, which had originally been included by the applicant, was dropped. There has been an appeal against the decision of the judge in the Federal Court. The most recent advice I had was that the appeal was heard by a bench of three judges and that they have reserved their decision.

**Senator FORSHAW**—Thank you.

**Senator O'BRIEN**—I am trying to understand the concept of flexibility working in with the single desk remaining and I hear what you say about the durum wheat issue. Can you give us some examples of how the system might become more flexible under a single desk arrangement? We have one example of some longer-term consents. What other examples can you give us of how the single desk system could become more flexible?

**Dr Samson**—I think one example is the combination of an extended consent system. Another example would be the way AWBI is now treating the marketing of durum. The durum example is probably the best indicator that AWBI may be able to develop arrangements with a whole range of niche producers, like the durum growers, which meet the concerns of those growers and are more flexible than we have seen to date.

**Senator O'BRIEN**—But we are all guessing, aren't we?

**Dr Samson**—Well, we are. Hopefully, these things will develop in this group we referred to earlier.

**Senator O'BRIEN**—But then again, they might not.

**Dr Samson**—That is always a possibility.

**Senator O'BRIEN**—Moving away from the WEA issue, with regard to Australian grain exports to Mexico, can you provide us with details of the process that led to the agreement with the Mexican authorities for access to that country for Australian barley and sorghum? How long did the process take? What were the key sticking points? What are the markets worth to Australian growers?

**Dr Samson**—I might have to take some of those points on notice. As you would be aware, the minister announced on 22 March that access to the Mexican market had been granted for some grain products. The Mexican quarantine authorities completed a favourable pest risk analysis of Australian malting barley. The formal approval process is yet to be completed, but I understand that an interim option of export through special permits has been granted by the Mexican authorities.

**Senator O'BRIEN**—When will the formal process be completed?

**Dr Samson**—I do not have that information here. We will provide that.

**Senator O'BRIEN**—Thank you. With regard to the permits to export provided to Australian growers, will there be a requirement for a new permit to be issued for each shipment or will there be continuous permits?

**Dr Samson**—Again, I do not have that detail with me. We will provide that.

**Senator O'BRIEN**—Perhaps you could take that on notice. Could you also let us know what criteria applications for permits will need to meet, who will do the assessing and what limitations and restrictions will automatically apply to such permits?

**Dr Samson**—Certainly.

**Senator O'BRIEN**—Spinning off that to the Australian seeds authority, how is the establishment of the Australian seeds authority progressing?

**Dr Samson**—As you are aware, there have been ongoing efforts to establish an industry run body to administer the OECD seeds scheme and other certification schemes. In 1999, the Australian seed growers and traders who were represented by the Grains Council of Australia funded a consultancy to develop a business plan for a body to be called the Australian seeds authority which would assume some of AFFA's responsibilities on a delegated basis to operate the scheme. At the moment, progress to establish the Australian seeds authority has stalled due to a lack of consensus among industry stakeholders and insufficient financial support from the industry. We estimate that approximately \$150,000 to \$200,000 would be required.

**Senator O'BRIEN**—Who are the interested parties?

**Dr Samson**—Most of the states have systems for certifying seeds so there are bodies that currently do it that have varying views about relinquishing their role to a single authority. Ostensibly, the main issue at the moment is funding, but underlying that I think there is ongoing debate between some of these agencies as to how comfortable they would be relinquishing their current role to an overarching authority.

**Senator O'BRIEN**—You make it sound like a turf war.

**Dr Samson**—That is probably a very good way of describing it.

**Senator O'BRIEN**—So that is at a standstill. There is no progress at all.

**Dr Samson**—AFFA is still having discussions with all the parties to try and break the impasse. If we are unable to do that, it may be necessary to go to SCARM and ARMCANZ in August to report that impasse and possibly recommend that AFFA appoint a third-party auditor to fulfil the role nationally on a fee-for-service basis.

**Senator O'BRIEN**—Okay. On the question of the Tasmanian Wheat Freight Subsidy Scheme, I understand the government had announced the scheme would be reviewed prior to the budget just gone. Did such a review take place?

**Dr Samson**—The review did take place and was undertaken by the Centre for International Economics. The report was delivered to AFFA on 24 April and AFFA provided the report to the minister in early May.

**Senator O'BRIEN**—Can that report be made available to the committee?

**Dr Samson**—I would need to take advice from the minister on that.

**Senator O'BRIEN**—Where in the PBS do I find the funding for the wheat freight scheme?

**Dr Samson**—While we are looking for the page, as you know funding has been identified for this year and the outyears at the current level of \$1.2 million, and that that remains the situation?

**Senator O'BRIEN**—Subject to the next budget.

**Dr Samson**—Yes.

**Senator O'BRIEN**—So there has been no decision.

**Dr Samson**—It is on page 32.

**Mr Wonder**—It appears under output 3 on page 32, the second line from the bottom.

**Senator O'BRIEN**—Right.

**Dr Samson**—In answer to your question, no, the minister has made no decision in relation to the review undertaken by the Centre for International Economics.

**Senator O'BRIEN**—This is for the financial year the subject of the budget, but does not mention the out years?

**Mr Roseby**—You will see there that that payment has been continued at \$1.2 million for 2001-02, pending consideration of the review recommendations by the minister.

**Senator O'BRIEN**—So it has been continued for the coming financial year, pending the outcome of the review?

**Mr Roseby**—Yes.

**Senator O'BRIEN**—It was not clear to me that that was the position, so I wanted it clarified.

**Dr Samson**—It is the position.

**Senator FORSHAW**—Can we go to the EU beef issue now, as I am likely to be called away to another committee hearing shortly. Mr Read, can you tell us the arrangements for the quota allocation for the forthcoming year, which I understand begins on 1 July?

**Mr Read**—Consistent with the government's response to the Senate report which was tabled on 17 April, there is no change to the EU beef arrangements. Therefore, an order will soon be finalised that will outline those arrangements for the next quota year, commencing from 1 July.

**Senator FORSHAW**—When do you expect that order to be gazetted?

**Mr Read**—I suspect that—consistent with last year—it will probably be the first week in June.

**Senator FORSHAW**—The government's response which you have referred to was tabled last week, I think.

**Mr Read**—It was before that—it was 17 April. It was tabled out of session.

**Senator FORSHAW**—That was a series of five recommendations which were unanimous. The government response effectively rejected the recommendations of the committee with the exception of the recommendation that the order not be disallowed—as you know, the reason for that was that time had run on somewhat—and there were other recommendations on how the issues of those who had been complaining about the outcome should be addressed. I think recommendation 5, which related to the new system coming into operation in the future, was also accepted. Did the department consult with organisations in the industry prior to finalising the government response?

**Mr Read**—There was certainly strong support from the Australian Beef Association and the Cattle Council of Australia not to change the arrangements. There was the obvious view from AMC and the common interest group as to their position. There was a fairly silent position from the National Meat Association of Australia, which represents possibly around 90 per cent of beef exporters. Those views were taken into consideration, I suspect, in the final position that the government has announced.

**Senator FORSHAW**—My question actually was: did the department or the minister consult? You have expressed to me what the views of the relevant interested parties were, but what precise consultation took place?

**Mr Read**—I will have to confirm with the minister's office what discussions they had with the industries.

**Senator FORSHAW**—So it was all handled by the minister's office, was it?

**Mr Read**—A significant amount of it was handled by the minister's office.

**Senator FORSHAW**—Who prepared the government response? Did the department prepare a response for the minister to consider?

**Mr Read**—Mr Roseby signed off on and was responsible for some comments on the committee's report. That report would have included some draft documentation.

**Senator FORSHAW**—How seriously did the department take the committee's report and recommendations?

**Mr Read**—They took it extremely seriously. There were a significant amount of allegations made in that report, and consequently there were a number of interested players in the department that scrutinised that report.

**Senator FORSHAW**—What about the recommendations? As I said, they were unanimous. They sought—if I could characterise it this way—to maintain the new system for the future, but try and address what the committee felt were some unfair or inequitable impacts of the minister's decision due to that retrospective element and the potential for some parties to be in a more advantageous situation than others. I do not want to canvass everything we have discussed before, but given that those recommendations were unanimous and were put forward as a proposed solution to the concerns, the outcome was that they were just rejected out of hand by the—

**Mr Roseby**—That report by the Senate was taken very seriously, as Mr Read has said, and it was not rejected out of hand. In providing advice back to the minister, the department considered the policy intent of the government in terms of the administration of the quota, which is a very fundamental element. We also considered a number of claims that had been made leading to the Senate report being finalised. We then went forth with recommendations to the government. The government itself, the minister, and subsequently the Prime Minister, considered the government's response to the Senate report. The final response which was tabled went through the process with the approval of the minister and the Prime Minister.

**Senator FORSHAW**—You said that the views of interested parties were taken into account and you have taken on notice the question that I asked about providing details of what consultations took place. You referred in particular to the Australian Meat Council. Are you aware that the AMC endorsed the recommendations of the Senate committee?

**Mr Read**—Yes.

**Senator FORSHAW**—Are you aware that the council wrote to the minister on 7 December seeking an urgent meeting, following the Senate committee's report, to consider how the issue might be resolved?

**Mr Read**—I am aware of that letter.

**Senator FORSHAW**—Was a reply ever sent to that letter?

**Mr Read**—I do not believe so, but I will have to check. I will take that on notice. There has obviously been a significant amount of correspondence between AMC and the minister.

**Senator FORSHAW**—I will help you. Given that the council wrote to the minister on 7 December seeking an urgent meeting, even if the Senate committee's recommendations were to be accepted, rejected or whatever, everyone knew that there was a need to try to get the issues sorted out amicably, or sorted out in any event, in time to proceed with the allocation for the coming year. Now I am advised that they had not received a reply to that letter—at least certainly not at the end of February.

**Mr Wonder**—I think he already answered the question, and he said he would take it on notice.

**Senator FORSHAW**—Yes, but I think you indicated that it had not been to your knowledge, and that you would check it out. Assuming that no reply was sent—and certainly there was no reply by the end of February—to the request for a meeting, why was there not a

response? This was a request by one of the major interested parties to meet to discuss the recommendations of the committee's report.

**Mr Wonder**—We record that we have not confirmed that there was no response. We have taken your question on notice.

**Senator FORSHAW**—At the end of February, according to the council, there was no response. The date of the letter sent to me was 22 February, so we are talking about at least 2½ months after they wrote to the minister requesting a meeting. You tell me that there was consultation and that the views were taken into account. I am advised that they did not even get a reply. I am further advised that they sought a meeting with ministerial staff, which was held. They were advised at that meeting to supply more detailed information as to how the adoption of the Senate recommendations would still support the overall policy intentions of the original decision. They supplied that information in correspondence on 1 February, and since then they have received no reply.

**Mr Read**—As I mentioned earlier, the government's response to that Senate committee report was tabled on 17 April. There was significant scrutiny of all the information contained in those transcripts provided to the committee, as well as the report and the recommendations. I suspect that a position as to the government's view on the committee's recommendations could not be finalised earlier than the day that it was tabled, so consequently it would be difficult to have discussions with the AMC a few weeks after the committee hearings and add anything further to the evidence or to the issue.

**Senator FORSHAW**—Did you have any discussions with any of the other groups, like the Cattle Council?

**Mr Read**—Are you asking whether I, the minister's office or the minister had discussions?

**Senator FORSHAW**—The department, the minister's office or the minister.

**Mr Read**—I have taken that on notice, so I will provide that.

**Senator FORSHAW**—What consultation took place—with either yourself, the department, the minister's office or the minister—with respect to this issue?

**Mr Read**—I will take that on notice and we will provide you with a detailed list of dates and consultations.

**Senator FORSHAW**—You will recall, of course, that one of the major complaints of the Australian Meat Council and the group was that they were, in effect, shut out and their views were not listened to the first time around, prior to the minister's announcement at the end of 1999?

**Mr Roseby**—It might be better to say their views were not accepted.

**Senator FORSHAW**—I think they argued, certainly very strongly before us, that they were not given the same equitable treatment.

**Mr Roseby**—As I say, often when people do not get their way they feel a little bit that way, but their views were taken into account and they were not shut out. We take exception to that; we do not believe that was the case.

**Senator FORSHAW**—I am putting to you what they put to us in the committee, and what has now been put to me again, that there was a Senate committee inquiry, and then when they tried to meet with the minister or to pursue this issue further by writing letters they did not get any answers. Then when they were asked to provide further information, and they provided

the further information, there was no further response to that. I understand that the thing they are complaining about is the thing they have been complaining about all along. Decisions were made and their input, when they did have an opportunity for input, was pretty much taken to be irrelevant.

**Mr Wonder**—I think the officers at the table have indicated that they believe they were aware through your own inquiry processes of the views of the AMC. Mr Roseby has added to that, saying that he is confident that their views were taken into account. I am not sure that we gave them more than that, but I do not think that we can just accept that their views were shut out.

**Senator FORSHAW**—Let me take you to the conclusion of the government's response. It says here that the broad intent of the allocation process was supported by the majority of the industry, in particular the producers and processors that actually supply the EU market. Can you expand upon that?

**Mr Read**—The broader industries are more than just the common interest group that had an interest in receipt of quota and include those that had demonstrated investment actually within the supply chain that supports the EU. That supply chain that supports the EU is not just non-packers; it includes packers and it also includes beef producers.

**Senator FORSHAW**—What do you mean by the terms, firstly, 'the industry' and, secondly, 'the majority of the industry'? Who are you actually referring to there?

**Mr Read**—I have already said that the supporting parties were the Cattle Council and the Australian Beef Association, which would represent all the beef producers supporting that particular system, as well as a number that were actually commercially in the industry that supported the EU market.

**Senator FORSHAW**—So it was the producers you were talking about?

**Mr Roseby**—I hear Mr Read saying that considerable investment takes place in order to meet the requirements of the EU market, and that investment is made by those people actually doing the processing. There are investments made by cattle producers in order to meet the specific requirements. These are the people who support the report and these are the people who are doing all the work.

**Senator FORSHAW**—I am not asking that question, Mr Roseby, with all due respect. I am trying to understand what the minister and the government mean in their response where they say it is supported by the majority of the industry. In those words, what industry are you talking about? Are you just talking about producers?

**Mr Read**—I am talking about the beef supply chain that supports the EU beef market. As I said before, I will have to clarify the consultation that the minister's office undertook, the phone calls that they would have received, the discussions they would have had in relation to the committee's findings and also the market itself, which clearly supports the consensus they have. The consensus of those in the EU beef market does not, as I said before, include necessarily the 30-odd that were once involved in a trading activity on EU quota; rather it includes those that are principally breeding livestock, fattening livestock, slaughtering and marketing livestock into the EU.

**Senator FORSHAW**—I cannot help thinking, at least from one perspective here, that we have just had a debate about the wheat industry—and I am not putting forward a particular policy position here or anything like that—where it is accepted that the interests of the wheat



industry as a whole predominate. There are sections of the industry that have to toe the line despite their own particular niche market interests, such as the durum wheat producers. We then come across to the beef industry. At least on one theoretical argument, if not practical argument, it is one group you talk about as if it is some sort of separate industry or specific industry within the broader beef industry in Australia because that group has one particular market that it services.

**Mr Read**—They made that reference specifically with the EU beef market—not the Australian beef industry, not the broader beef markets, but a particular niche market that is only a 7,000 tonne market. There is a particular group of marketers, processors and the cattle industry specific that supports that particular niche market.

**Senator FORSHAW**—Who are the groups within that who oppose this or who are still seeking a revised outcome? You have nominated the Meat Council and industry groups.

**Mr Read**—I think you have mentioned who the parties are that seek a revised outcome. As I mentioned before, that was the AMC, the Australian Meat Council, and the disaffected common interest group which is a subset of the AMC. Whether that represents the broad processing industry is another question.

**Senator FORSHAW**—What is that comment supposed to mean?

**Mr Read**—What that means is that they are an association, a council, out there representing a group of members but they do not in the main represent all beef exporters. They have a position derived from those that have a clear interest in this issue.

**Mr Roseby**—One of the fundamental issues that this policy ensures is that the premium that can be paid, or can be obtained by selling beef into the EU, goes back to the people who have made the additional investment in order to be able to supply that market. I hardly think that that as a policy intent can be contested.

**Senator FORSHAW**—I do not think we did contest that in our report. What we focused on and what our inquiry focused on was whether or not the decision was fair in the way in which it was made at the time it was made. That is what we focused on, and I still do not think that issue has been satisfactorily addressed. It may be the department that thinks, certainly the minister thinks it, that we just let time run on until this noisy little minority—as you think it is, but it is not; it is not that little—just goes away and gives up. That seems to be the approach. We had an inquiry that looked at this issue. We looked at it in estimates and there was a unanimous report from members of the government, the opposition and the Democrats. We tried to find solutions to this. We thought we had come up with what was fair all round and would set the system up on a proper footing to go forward in this coming year.

**Senator WOODLEY**—The last couple of comments made by Senator Forshaw also concern me. I am interested in whether or not the government is concerned that it is ignoring the advice and unanimous views of a Senate committee. For example, did the government talk to the Chair of the Senate committee before it made this decision?

**Senator Alston**—I do not know whether a public servant can be expected to answer that question.

**Senator WOODLEY**—I suppose not, but I can try.

**ACTING CHAIR**—Mr Read, who comprises the Red Meat Advisory Council and are there producers on that council?

**Mr Read**—The Cattle Council of Australia is represented on that council.

**ACTING CHAIR**—Where did the Red Meat Advisory Council stand in relation to the minister's decision?

**Mr Read**—The Red Meat Advisory Council was supportive of the minister's decision but, clearly, consensus was not reached on the timing of the change. That issue was contested between the cattle industry and the processing industry. The decision that was finally taken was the one that was supported by the cattle industry.

**ACTING CHAIR**—Who makes up the Australian Meat Council?

**Mr Read**—I do not pretend to be an authority on every member of the AMC but it is principally made up of sheep meat packers, beef packers and non-packers who essentially market produce in markets around the world for both those sectors.

**ACTING CHAIR**—So no producers on the council?

**Mr Read**—No, not that I am aware.

**Senator FORSHAW**—How much of the quota for the current year has been shipped to the EU?

**Mr Read**—All but about 180 tonnes. Product is still being cleared presently through various EU ports, but that figure is expected to finish up close to full tonnage shipped by 30 June.

**Senator FORSHAW**—Could you comment on the report in *The Land* dated 10 May which states:

From the start of the quota year in July, to the end of April, 5194t of beef was shipped to the EU. In the same period last year 6779t was shipped.

The quota is 7000t, so there is roughly 1800 tonnes to be filled by the end of the quota year in June.

**Mr Read**—The figure I provided you—the 180-odd tonnes was as of today.

**Senator FORSHAW**—This was as at the end of April because the report was in the paper on 10 May. That is a pretty big improvement in the last period.

**Mr Read**—That is exactly right. The background essentially is, as you would be aware, that there has been an FMD and BSE crisis in Europe. That resulted in about a 75 per cent reduction in the consumption of beef in that country. That has not all gone well for exporting beef into a market that is building intervention stockpiles fairly rapidly. However, there has been a slow return of confidence and obviously a fairly strong marketing of the product towards the end of the quota year. The value of that market returned somewhat in the last five weeks. There has been significant shipping and activity within that period.

**Senator O'BRIEN**—There is no potential for growth in the quota. Is that under review in the EU?

**Mr Read**—At this stage, the question has been asked of the commission. As I said, it is unlikely they will be looking—and this is the response of the commission—for further beef imports into the commission, given the current state of the industry there at present.

**Senator O'BRIEN**—Has it had an impact on the US market? I know we have a huge quota in the US market.

**Mr Read**—The FMD has had a minor impact on the US market, given that restriction on Uruguay and Argentina with 40,000 tonnes at present. The main driver into the US market has

obviously been the value of the dollar. At the level that it is at, less that tonnage I just talked about, it is all going well for the significant amount of beef that is going into that market -

**Senator O'BRIEN**—But we have a huge quota that we do not normally use into the US market.

**Mr Read**—Yes, I know. We will use a significant proportion of that quota. I think there were 355,000 tonnes in the last quota year. This year it certainly will not be less than that. It will be somewhere between 355,000 and, I suspect, 378,000 tonnes of that quota.

**Senator O'BRIEN**—Anecdotally, the price that producers of beef in the domestic market are receiving is quite high. With emergence from drought and restocking one would have thought that that would have had some effect on the price of stock at market. What effect is the US market having on prices? Are we getting a better price in US dollar terms or is it simply the currency exchange?

**Mr Read**—It is principally driven by currency. Overall, in real terms in US dollar terms there has probably been a slight drop in price in the US but, as a consequence of the commensurate drop in the Australian dollar, it is very much a product that is doing well at the moment in the United States.

**Senator O'BRIEN**—The EU high quality beef quota issue has had an impact on some producers. Is there a broad spread of sales to the US through the export licence to processors around the country or can we attribute the growth to a particular part of the country? I mean, is Queensland or Western Australia or New South Wales doing particularly well?

**Mr Read**—Anyone who has US accreditation is doing particularly well. That is pretty much all accredited plants, as I understand it. As I said, it really is just a numbers game into the US, given the value of the dollar and the demand for that sort of profile product, the chemical end product that is going in there. It is very price competitive to our competition into the US at this stage.

**Senator O'BRIEN**—In terms of type of beef, has there been any change to the profile over the years?

**Mr Read**—Over probably the last five years, there has been a slight change in the profile of the product going into that market. There is an ever-increasing presence of chilled product and more niche product. I mean that has grown from nothing to around possibly 20,000 tonnes. The balance of the product that would be going into that market would be forms of trimmings and very lean carcasses.

**Senator O'BRIEN**—Meat and Livestock Australia had a report prepared by S.G. Heilbron Economic and Policy Consulting, finalised in February this year, which was entitled 'Study on the impact of government on industry competitiveness'. Are you familiar with that report?

**Mr Read**—I am familiar with the report.

**Senator O'BRIEN**—The executive summary states that the consultant looked at livestock, feedlots and processing sectors to allow analysis of data along the value chain, and took a wide view of costs, not just inspection charges. I want to turn to the key findings and get some advice from you on each of them. Firstly, the consultant found that government influenced costs and charges were higher in Australia than our key competitors, and that Australian industry received less assistance from government compared with that received by our international competitors.

**Mr Read**—Mr Roger Rose, who is with me, has reviewed that report and its recommendations in their entirety. You may well want to direct that question to him.

**Senator O'BRIEN**—We will start with that one.

**Mr Rose**—On the first one, the consultant's definition of government influenced costs, you will note that they have said 'government influenced costs' rather than 'costs imposed by government.' What they have called government influenced costs is just a grab bag of things which, had they defined it differently, could have produced completely different results. I will give you one example. Had they decided that grain costs were government influenced costs—and they are obviously strongly influenced, particularly by the American government with its protection policies—the results would almost certainly have been reversed. The US would have come out as the higher government cost country, well above New Zealand and Australia. So their measure of costs is not terribly useful. It does not really tell us anything that we can rely on.

**Senator O'BRIEN**—So you say that their view of government influenced costs was inadequate?

**Mr Rose**—Yes. It was not obvious where it came from and it did not mean anything much.

**Senator O'BRIEN**—Maybe it was designed to achieve an outcome.

**Mr Rose**—It could easily have been designed to achieve the outcome. I certainly could have designed one to achieve another outcome simply by making that one change. Their observation about Australia being less assisted, I think would hold up quite well. I doubt that their view of assistance was comprehensive, although they seem to have covered most of the obvious areas of assistance. I think that is quite consistent with what we know from more comprehensive studies.

**Senator O'BRIEN**—What about the government charges, where it said that charges were higher in Australia than our key international competitors?

**Mr Rose**—Again, it is hard to get a handle on that because they were not comprehensive. They made some recommendations on some government charges that seemed to make some sense, particularly in trying to rationalise or at least review state government charges and environmental charges. It is a little difficult to see whether they were comprehensive in those government charge areas.

**Senator O'BRIEN**—The research found that an Australian mixed sheep-beef producer pays one-third of their livestock revenue, excluding wool, and around one-fifth of their livestock revenue, including wool, in government influenced costs and charges. I guess that that goes back to what government influenced costs are?

**Mr Rose**—It does.

**Senator O'BRIEN**—But in New Zealand the number is one-sixth without wool and one-tenth with wool. How comparable are we with New Zealand in terms of the 'grab bag' of government influenced costs?

**Mr Rose**—I think we come out, on their measure, a little higher than New Zealand but in the same kind of ballpark.

**Senator O'BRIEN**—They say that we are one-third and one-fifth and that New Zealand is one-sixth and one-tenth. So they are saying that our revenue cost structure is twice that of New Zealand?

**Mr Rose**—Again, it just depends on what you put in that pile. They did a number of other strange things in that collection of costs as well. Some of them were not really comparable across countries. For instance, they made direct comparisons of Australian superannuation payments with a number of income insurance and social security payments in the United States. In the Australian case the superannuation payments are a straight benefit to employees. The group of costs that they were looking at in the US are a fuzzier set of benefits to individual employees. So you would expect the labour cost effect of those two different kinds of payments to be quite different but they lumped them in as being equivalent. They also neglected to update fuel costs to take into account the recent changes in diesel rebate. So they overestimated the Australian fuel costs.

**Senator O'BRIEN**—What is that worth in subsidy terms to Australian producers?

**Mr Rose**—That is probably a small proportion of their total of government influenced costs because there was quite a bit more in there. We are talking about four or five per cent of their collection of costs.

**Senator O'BRIEN**—So in terms of the US example of government influenced costs and charges as a proportion of revenue, would there be any difference for sheep farmers as against obviously feedlots with that grain example? Would their comparison on sheep farmers be much more accurate than their feedlot example?

**Mr Rose**—No, probably not because, if we are taking account of the assistance to revenue in the US, assistance inflates revenue, which is another thing to reduce their estimate of the ratio of government influenced costs to revenue. So what they are taking on the revenue side is just straight revenue including all the payments, with much higher support to revenue in the United States than in Australia. That is another thing pulling their estimate of the US costs down compared with Australia.

**Senator O'BRIEN**—What about the processing sector? There are quite a number of figures which say, for example, 'for processors, the larger Australian works pay around four to five per cent of revenue in government influenced charges and costs and smaller works pay upwards of seven per cent'.

**Mr Rose**—So far as we can see on a quick review of it that is probably reasonably accurate, or the component parts of the processing sector are probably kept fairly accurate.

**Senator O'BRIEN**—It estimated that—even on the low percentage of four—that amounts to payments of upwards of \$330 million in charges and costs by the processing industry, comparing that to the profit margin in this industry of about two per cent. Is that accurate?

**Mr Rose**—One of the things which would make those kinds of comparisons look fairly tough for Australia against the US is the underlying competitiveness because of the scale of organisation, the scale of individual plant operations and the economies of scope, which the US processing sector operates on, and a much lower variability in throughput than the Australian processing sector operators can manage. So anything added to those costs on the Australian side will show up as being more significant, even if there is no difference in the two different government regimes.

**Senator O'BRIEN**—The report says that US processors pay significantly less than Australian processors—in fact, half as much as Australian processors—and that, in relation to feedlots, the major areas of cost disadvantage relative to the US are in respect of on-costs and meat specific charges, such as cattle and grain levies.

**Mr Rose**—As you will note later on in the report, they admit that quite a bit of that is because of US government subsidies. Again, later in the report and in the executive summary, they observe that the Australian government cannot or should not really get into competitive subsidisation. One of the recommendations, I think No.2, is that the industry should seek ways of reducing costs in terms of finding economies rather than going to the government and seeking competitive hand-outs.

**Senator O'BRIEN**—Getting down to tintacks, it talks about a reduction in meat inspection charges and that it should reflect marginal cost pricing and that the present cost recovery regime based on accounting principles should go. What should we make of that recommendation?

**Mr Rose**—There are a couple of things to note about that. The authors of the report claim that marginal cost pricing is something that is consistent with economic principles on the basis of an assumption—they do not mention the assumption—that if governments could come by tax revenue at no cost to the economy then it would be best for these kinds of government operations to provide all the capital, any up-front costs, from consolidated revenue and then just charge the users for marginal costs. The reality, as we all know, is that raising taxation revenue is expensive. It costs the tax office, it costs the taxpayers and it inevitably distorts people's choices about production and consumption. So it involves fairly substantial costs. Looked at from those terms, the more sensible question to ask is, 'Who are the users of this service? Can't we do some kind of two-part pricing arrangement where we charge an access fee—obviously only for those who want access—and then we charge marginal cost after that?' AQIS will be in a much better position to answer the detail of your question than I am, but, in essence, that is what AQIS does. So what it is doing is not really based on accounting principles as such but on commonsense economics. Try to find the least distortionary and most practical way of covering off total costs but, at the same time, getting that marginal cost signal through for the users.

**Senator O'BRIEN**—I take it then that ABARE has been doing some work on this report for the department, or is it coincidental that you have done the work on it?

**Mr Rose**—The department passed it on and asked us to review it.

**Senator O'BRIEN**—In the context of where the report purports to identify potential savings of \$15 million, what is ABARE finding in that regard?

**Mr Rose**—We do not have an equivalent figure because we have not attempted to do more than just review the report. To come up with an equivalent figure, if there were one, we would have to go and do what they purport to do but do it rigorously and look at the costs imposed by government in some sensible way that was sensibly defined.

**Senator O'BRIEN**—Does what I think you identify as the deficiency in the rigour of the analysis in terms of cost comparison undermine the total validity of the report? Is there any part of the report that ought to be given validity, or should we reject it because of that lack of rigour?

**Mr Rose**—It undermines any attempt to use the numbers. But I think that there are several of the recommendations which make perfect sense, such as the recommendations to the effect that the industry should attempt to review or have reviewed a number of sets of government activities, including environmental regulations. The pursuit of some of those things seems perfectly sensible. It is really the numbers and the marginal cost pricing assumptions that—

**Senator O'BRIEN**—And therefore the potential available savings?

**Mr Rose**—Yes.

**Senator O'BRIEN**—But no alternative number has been derived?

**Mr Rose**—No, that would take a fair bit of effort.

**Senator O'BRIEN**—You have not been asked to do that work. Mr Read, is it proposed to pursue that, given that there is quite possibly a view in part of the industry that such a review should take place and that, on the basis of the economic policy consulting report, considerable savings are available?

**Mr Read**—The report itself, as it was provided to the minister, was provided almost as a first cut of that report and the Red Meat Advisory Council was to provide further follow-up advice to the minister on it. So essentially it is a report for the minister's information. There has obviously been some economic scrutiny of the principles contained in that report, but I think it is the case that the minister may well go back to RMAC, identifying some of the strengths of the report and some of the aspects that are not quite so strong and also looking for assistance in putting some priority and structure around some aspects of the report. As you would read it, it is all and sundry, looking at all government costs and mixes of state and federal charges, and it cuts across a myriad of issues. The report needs a bit of structure, with issues given priority, so that some of that agenda that should be reasonably pursued can be pursued. In terms of that report, it is very much early days, as has been already been outlined.

**Senator FORSHAW**—I have two other issues. In a report that I read recently, Minister Truss, after lengthy discussions with meat processors, is understood to have written to the Prime Minister proposing a change to abattoir pay-as-you-go withholding tax deadlines to align them to GST payment times. Is there any truth in that?

**Mr Read**—There may well be. I do not know the answer to that. I would have to take that on notice.

**Mr Roseby**—We are not aware of that from within our businesses.

**Mr Wonder**—We will refer your question to the minister.

**Senator FORSHAW**—The story is in the *Land* of 26 April. I will give you a copy of it if you like. It is related to problems that abattoirs have been talking about for some time relating to the impact upon their cash flow of the introduction of the GST.

**Mr Read**—That issue has been specifically pursued in the office, and we will have to go back to the office to get that advice.

**Senator FORSHAW**—Please do that, because this was dated April and I would have imagined that if there was to have been any change it may have been timed to coincide with the start of the new financial year, because it relates to tax collections. Are you aware of any proposed changes to the national livestock reporting service?

**Mr Read**—The little I know about it is that it is a service that is currently run out of New South Wales with contributions from Victoria, New South Wales and Meat and Livestock Australia, as I understand it. Victoria will cease funding that activity as from the end of this financial year. The Cattle Council of Australia took a particular policy on that issue at its last council meeting, whereby they will be seeking the views of RMAC as to the future course of that reporting service. I suspect that means that there will be a close scrutiny of the service itself, looking at its place as fulfilling a market value within the industry, the desire to continue to pay for those services and how that particular cost is to be met in the future if there is a decision to continue with it. As well as that, there are many aspects of the service

that are provided that have commercial aspects to them. For example, all that material provided in the back of the *Land* comes from that particular service. There are views in the processing sector, for example, that some of that service is not as useful to them as it may well be to producers. The minister has been asked to have a look at that service and I suspect he will be going back to RMAC along supporting lines with the Cattle Council for a response not only as to the most suitable administrative process for the reporting process but initially as to its necessity and then how to keep the thing progressing if, in fact, industry are supportive of it.

**Senator FORSHAW**—There is no government contribution?

**Mr Read**—At this stage, apart from state government—

**Senator FORSHAW**—Federal government.

**Mr Read**—There are no federal government contributions to NLRS at present—only through the levy stream through Meat and Livestock Australia, as I recall.

**Senator FORSHAW**—Thank you.

**ACTING CHAIR**—We will take a short break.

**Proceedings suspended from 9.04 p.m. to 9.19 p.m.**

**CHAIR**—We are continuing with agricultural industries.

**Senator O'BRIEN**—Who is the rice expert?

**Dr Samson**—I will attempt to answer your questions, Senator.

**Senator O'BRIEN**—In other words, no one.

**Mr Wonder**—I have full confidence in him, Senator.

**Senator O'BRIEN**—Okay. From what he just told me, I don't.

**Mr Wonder**—I beg your pardon?

**Senator O'BRIEN**—He just told me that he has been flying for a long time, so you might want to check the *Hansard* afterwards to see that he got everything right! Where is the national competition policy review on rice up to?

**Dr Samson**—Perhaps it would be useful to give a bit of background and go through how we got to the current point. As you would be aware, Senator, in 1995 the NCP review of New South Wales rice marketing arrangements recommended that the domestic marketing of rice be deregulated and that single desk arrangement for exports be retained. The New South Wales government subsequently decided to extend existing arrangements to 2004.

In September 1998 the Commonwealth Treasurer indicated his support for a single export desk for rice, under Commonwealth jurisdiction if necessary. Subsequently a working group was established to examine options for rice marketing and single desk export arrangements under Commonwealth jurisdiction. In January 1999 the working group did identify a model which comprised a small statutory authority which would manage the rice export monopoly, with monopoly rights residing with a sole exporter. It is not dissimilar in many respects to the model we have for the wheat single desk arrangements. In April 1999 the Premier of New South Wales gave his in principal agreement to deregulation of the domestic rice market and the introduction of a Commonwealth single rice export desk, but reserved the right to retain the current arrangements if it could not be demonstrated that all relevant issues had been properly addressed.



The current state is that discussions are continuing between the Commonwealth in the form of the Treasury, as it is a Treasury issue at the end of the day, and New South Wales on possible arrangements. My understanding is there has been a series of exchanges of correspondence between the Treasurer and the New South Wales Premier, and Treasury is currently awaiting a response from Premier Carr on the parameters of that single desk model. If and when we get Premier Carr's agreement in principle to the model, the next step will be to consult with other states, who have not as yet been part of the process. So in a sense the ball is in the court of New South Wales at this point in time.

**Senator O'BRIEN**—Is the existence of a single desk into the future an outstanding issue or has that been resolved and we are only talking about the model?

**Dr Samson**—Up until recently we were talking principally about the model. In recent times the New South Wales rice growers have raised the more fundamental issue of whether at this point in time they actually think the single desk is a good idea. That slight shift in their view has come about as a result of increased US subsidies to American rice growers and how that has affected Australian exports into Japan. The New South Wales growers are currently of the view that whilst they are focusing on minimising the impact of those increased US subsidies on our exports to Japan, in essence they would like to focus their energies on that issue and not be distracted or diverted at this point in time with the introduction of a new marketing arrangement.

**Senator O'BRIEN**—What is the source of that information? What spokespeople are saying that on behalf of New South Wales rice growers?

**Dr Samson**—It is the Ricegrowers Cooperative based in Leeton which is the body tasked with the marketing of rice. As you would be aware, all rice grown in New South Wales is vested in the New South Wales Rice Board, which in turn have appointed the Ricegrowers Cooperative as the marketing agent for rice.

**Senator O'BRIEN**—What proportion of our rice crop is grown in New South Wales?

**Dr Samson**—It is in the vicinity of 98 per cent.

**Senator O'BRIEN**—What is the relevance of the consultation with other states? How many other states need to be consulted on this issue?

**Dr Samson**—If we were to move to the model which, as I said, would not be dissimilar to the current wheat model where you have the single desk, that would be done under Commonwealth legislation—and obviously rice is grown to a very small extent in Victoria. Indeed, for some time the states of Queensland and Western Australia have also talked about developing rice industries in those states. Clearly, New South Wales is by far the largest player.

**Senator O'BRIEN**—If there is no progress at a national level, the New South Wales effective single desk will market 98 per cent of the crop, subject to the decision of the New South Wales government.

**Dr Samson**—Yes. Then there would be the issue of what, if any, action the Treasurer chose to take under the national competition policy principles. As you would be aware, there is a provision for the Treasurer to impose financial penalties on states that have not met their obligations under NCP.

**Senator O'BRIEN**—But the national competition policy review in New South Wales found there was a net public benefit in the single desk, didn't it?

**Dr Samson**—It found two things, basically. In terms of domestic regulation, the domestic regulation arrangements imposed costs on the Australian economy in the order of between \$2 million and \$12 million per annum. The 1995 review did acknowledge that, in terms of exports, the regulated exports achieved benefits of more than \$30 million.

**Senator O'BRIEN**—We import a fair amount of rice, don't we?

**Dr Samson**—I am not sure, to be honest, Senator.

**Senator O'BRIEN**—I see it in the supermarket regularly; we must.

**Dr Samson**—True. I am not sure what the proportion is. We can find that out for you.

**Senator O'BRIEN**—So it is not a monopoly situation for New South Wales rice producers for the domestic market?

**Dr Samson**—No.

**Senator O'BRIEN**—Which is quite different from sugar, isn't it?

**Dr Samson**—Yes, you are right. Rice is imported from Thailand and a range of countries. I am not sure about the quantity. It tends to be more on the speciality side.

**Senator O'BRIEN**—Is there anything preventing the Americans landing rice here?

**Dr Samson**—In a regulatory sense, I do not believe so. I assume they do not simply because of the cost-effectiveness of doing it.

**Senator O'BRIEN**—Presumably, the price of rice in Japan, even with a reduction, is significantly better than the price they would achieve here.

**Dr Samson**—Indeed. There is a significant premium, I understand, in exporting rice to Japan.

**Senator O'BRIEN**—The New South Wales rice producers' view is to leave the situation as it is. Is that what you are saying?

**Dr Samson**—The last time I spoke to representatives of the New South Wales rice industry, which would have been two or three months ago and was shortly after the Americans had increased their subsidies to their own rice growers, that was very strongly their view. Their preference would be to have the NCP process as it relates to rice at the very least put on hold. I suspect some of them would even go further and say: permanently maintain the status quo.

**Senator O'BRIEN**—What then happens about the Treasurer's potential action against New South Wales?

**Dr Samson**—That obviously is a matter for the Treasurer. My understanding is that under the NCP process the New South Wales government is required to provide a report to the Treasurer as to its progress in implementing the recommendations of the NCP review. I believe the latest report was due at the end of March or the beginning of April. I am not aware if that report has actually been made. I am sorry, if I can correct myself, I think the report is actually made to the National Competition Council and, on the basis of receipt of the report, the National Competition Council makes a recommendation to the Treasurer as to what action, if any, he might wish to take.

**Senator O'BRIEN**—Thank you for that. I am going to ask some questions now about sugar. Does that smile, Dr Samson, mean that it is not yours?

**Dr Samson**—It is mine, Senator.

**Senator O'BRIEN**—What I would like to know first is the basis for the funding cut for the Cooperative Research Centre for Sustainable Sugar Production.

**Dr Samson**—That is not something I am able to help you with at this point in time. Mr Wonder reminds me that the cooperative research centres are administered through—

**Mr Wonder**—The Department of Industry, Science and Resources.

**Senator O'BRIEN**—So they would be the organisation to ask about the funding cut to the CRC?

**Dr Samson**—Yes.

**Senator O'BRIEN**—Can you update the committee on the size of the year 2000 sugar crop? At the last hearing we were talking about a crop of around 4.5 million tonnes.

**Dr Samson**—As you would recall from the last time we appeared before the committee, raw sugar production in 2000-01 fell to 4.2 million tonnes, which was down from 5.4 million tonnes in the previous year. As we discussed at the last estimates hearing, that was largely due to a coincidence of wet weather, flooding, problems with rats and disease which reduced cane yields in most Queensland regions. While some of those problems have been addressed, we understand that bad weather which occurred in November and December last year and some continuing problems with rust have led ABARE to predict a crop of approximately 4.9 million tonnes in 2001-02—so that is up on the previous year but not yet returned to previous levels.

**Senator O'BRIEN**—In relation to the sugar industry assistance package, in February you advised that the package would be reviewed, that that process was to be completed in November and that there was still a number of projects to be completed. Can you give us an update on those outstanding projects?

**Dr Samson**—This is the sugar industry infrastructure program. It is still the intention to undertake that review by November, as we indicated last time. Indeed, we have commenced preliminary discussions with our state counterparts as to the form of that review, what would be included and what data is available or would need to be collected.

**Senator O'BRIEN**—A number of them were running a long way behind the original time frame. Can you tell us about completion?

**Dr Samson**—We are still pretty much where we were the last time we met. Of the 11 projects under the Queensland component, eight have been completed. Of the others, wet weather has delayed construction on the Murray Valley infrastructure Riversdale water management project and the Herbert River Valley water management project has not yet completed its environmental assessment process, though I am advised that that is progressing fairly well. The other outstanding project in Queensland is the Russell Mulgrave Rivers water management project. Construction is complete for two of three subprojects. I am advised that the environmental assessment process is well advanced for the third subproject.

**Senator O'BRIEN**—They are the three outstanding ones—the Murray Valley is one and the Russell Mulgrave projects are the other two.

**Dr Samson**—The Herbert River Valley project.

**Senator O'BRIEN**—What is the current estimate of completion? When will the projects be completed?

**Dr Samson**—I do not have estimated completion dates, just commentary that those three outstanding projects in Queensland are well advanced.

**Senator O'BRIEN**—On the South Johnston Mill question, during the last hearings Senator Forshaw asked a number of questions relating to this mill and the fact that, despite significant financial assistance from the government, it had gone into receivership. Can you give us an update on where that matter is up to?

**Dr Samson**—You correctly say that the South Johnston Mill was placed in the hands of the receiver. You will recall that originally the Commonwealth provided an indemnity guarantee of approximately \$3.4 million to the South Johnston Mill cane growers. At the time we met last, approximately \$1 million of that \$3.4 million had been repaid as part of an agreement we have with the cane growers to use five per cent of their cane receipts to repay that amount. At the time the mill went into receivership and the Commonwealth's indemnity was called in, the amount that the Commonwealth paid was \$2.59 million. This was the \$3.4 million minus the \$1 million that had already been repaid, but with the addition of some interest charges and legal fees associated with the transaction. Since the mill has been in receivership, the agreement for five per cent of cane receipts to be paid to the Commonwealth to offset the debt is still in place. We have received approximately another \$85,000 against that. We will continue to receive those payments.

As I said, the mill is in the hands of the receiver. On 15 March, Bundaberg Sugar Ltd finalised its purchase of some of the assets of the South Johnstone Mill, to the tune of \$15.1 million. We understand that the receiver is now looking at the potential for sale of some of the remaining assets of the mill, principally a large area of land that the mill owns to the south of the mill. If and when that land is sold by the receiver, depending on the price that is received for the land, there is an expectation that all of the outstanding debts that the South Johnstone Mill has to its banker and the Commonwealth could be discharged. The timing of that possible purchase—

**Senator O'BRIEN**—It is heavily qualified.

**Dr Samson**—Indeed. The receiver obviously looked at who was interested, what price he could get, fluctuating land values, et cetera.

**Senator O'BRIEN**—Can I go to the agreement between the Commonwealth and the cane growers in relation to the funding provided to the mill. At the last hearings we were told about a mill agreement. As I recall, the agreement provided for the suppliers to the mill to pay five per cent of their earnings each year until the loan is repaid. You have specified that that is ongoing. In the answer referred to in the February hearings, which was taken on notice—D2, agricultural industries, question 6—you advised that the potential liability would be reduced by almost \$1.1 million this season. You have now advised in answer 08 that the advice the government had in terms of the rate at which this potential liability would be paid back was only provided informally. What does that mean?

**Dr Samson**—When asked a question at the last hearing we said that we believed at that time that up to \$1.1 million had been repaid. When asked what the source of that information was, at that time our principal source of information was through the Canegrowers organisation. So it was informal in the sense that we had been given that information via a telephone conversation rather than through any exchange of correspondence.

**Senator O'BRIEN**—What about the agreement to repay? In what form was that?

**Dr Samson**—There is a complicated set of back-to-back legal agreements between South Johnstone Mill cane suppliers, the Canegrowers organisation, the bankers of South Johnstone Mill and the Commonwealth. Those agreements, taken collectively, are the vehicle by which the Commonwealth is guaranteed the five per cent of the cane supply payments.

**Senator O'BRIEN**—The Commonwealth has a complicated set of agreements—

**Dr Samson**—There are a set of agreements made between various parties. We are not party to all the agreements but we have an agreement in place, principally with the Canegrowers organisation, because we provided the indemnity to the Canegrowers organisation.

**Senator O'BRIEN**—The Canegrowers organisation has undertaken on behalf of their members that their members would contribute five per cent of their revenue from the sale of their produce towards any loss; is that what you are saying?

**Dr Samson**—They have, but the fact that they are doing that is also underwritten by the fact that there is a formal agreement in place, signed off by the cane suppliers to South Johnstone Mill—that five per cent of their cane supply payments will be withheld at source and used to pay off the Commonwealth indemnity.

**Senator O'BRIEN**—What is the link to the Commonwealth? What security does that give the Commonwealth? I do not know what the consideration is for the suppliers' agreement with the organisation and whether it is able to be repudiated in any particular season or generally.

**Dr Samson**—As I understand it, the cane suppliers' agreement is in place, which guarantees that five per cent of cane supply moneys will be withheld for the purpose of paying off the Commonwealth indemnity. With that agreement in place, Canegrowers then undertook to guarantee a loan that was provided to the mill.

**Senator O'BRIEN**—Canegrowers, the organisation?

**Dr Samson**—Yes. Canegrowers—the organisation—agreed to guarantee a loan that was provided to the mill by the mill's bankers. With those two documents in place, the Commonwealth provided the indemnity to Canegrowers.

**Senator O'BRIEN**—Is the authority to Canegrowers from the suppliers irrevocable?

**Dr Samson**—No. It is guaranteed to be in place for the next season. After that, there is an issue because the South Johnston Mill changed ownership. The cane supply agreement after the next season will have to be renegotiated and Canegrowers, the organisation, have given the Commonwealth an undertaking that they will use their best endeavours to ensure that that arrangement continues.

**Senator O'BRIEN**—So you are getting \$85,000 this season out of the suppliers?

**Dr Samson**—We have got that \$85,000 up to 25 May.

**Senator O'BRIEN**—How much are you expecting out of this season from the suppliers?

**Dr Samson**—We would have to take that on notice. The issue is that the cane payments are provided to the Canegrowers on a staggered basis over a period of some nine months. They do not get it all in a lump sum up front. That is why it is difficult to extrapolate the \$85,000 that we have currently received for the whole year.

**Mr Roseby**—I think that it would have been misleading to do so in that the amount of payment we should receive from the coming harvest will depend very much on the tonnage harvested, the sugar cane content and the movement of world prices.

**Senator O'BRIEN**—What is the best guess?

**Mr Roseby**—One would expect that it would be of the order of the initial payments that we received. We would be expecting \$1 million plus—

**Senator O'BRIEN**—This season?

**Mr Roseby**—Yes. I would think that is a fair estimate, wouldn't you, Cliff?

**Dr Samson**—Yes. I think, given that the price of sugar remains reasonably high compared to what it has been in previous years, and given—as I mentioned earlier—that the harvest is expected to be up on last year, though it will perhaps not return to historical levels, then I would agree with Mr Roseby that, with those two things together, we should be looking at about \$1 million as a ballpark figure.

**Senator O'BRIEN**—Is that for next season or for this one?

**Dr Samson**—The cane supply payments are still coming in for the cane that was harvested in the 2000 season.

**Senator O'BRIEN**—So you expect to go from \$85,000 to in the vicinity of \$1 million?

**Dr Samson**—With the caveats that we have said.

**Mr Roseby**—We have got here advice that AFFA received two payments from Canegrowers: on 30 March, they received \$37,000, and on 4 May, \$48,000. Bear in mind that in a full season—and I am talking about payments spread over the entire season—we would expect around \$1 million to come by way of repayments. So we have had the first year of basically repayments from the 2000 harvest, and that has reduced the amount to be recovered. It is actually closer to \$900,000 when you put into place the interest charges. What I was looking at was the forthcoming harvest. We would expect that returns from that harvest would be probably \$1 million, or in excess of \$1 million.

**Senator O'BRIEN**—What security do you have if the debt falls on Canegrowers? After next season, it is obviously not going to pay off the amount on your estimates, so security is therefore the loan against the Canegrowers organisation if the suppliers decline to provide the authority that they currently have—

**Mr Roseby**—There are two aspects there, as Dr Samson explained. First, should the sale of the cane farm go ahead, we consider that the price for that should cover the remaining debt. Secondly, in the renegotiation of the supply agreement for the out year, it would be the intent of Canegrowers to force the new supply agreement to continue that provision of paying five per cent of proceeds until the debt is repaid.

**Senator O'BRIEN**—Is that a decision of the organisation or an undertaking from executive officers?

**Mr Roseby**—We have undertakings to the extent that all parties will use best endeavours to continue the arrangements.

**Senator O'BRIEN**—Okay. So there is a financial exposure. I guess what I am getting at, which must be quite obvious, is that guarantees were given with what some people might

consider to have been inadequate security of the Commonwealth exposure. What consideration was given to the degree of Commonwealth exposure in that context?

**Mr Roseby**—When we entered into the agreement initially, we had a guarantee under that mill supply agreement through until the debt was repaid. The negotiations were under way at that time for the sale of the mill which indicated that an early repayment of that debt was a possibility. The mill then went into receivership and that meant that the second year of repayments was still secured. However, as part of the arrangements which allowed the sale to go ahead to Bundaberg Sugar, we had to enter into arrangements which were described by the Australian Government Solicitor as best endeavours—which is not quite as it sounds; it actually has strong legal implications—to put in place a continuation of the arrangements to fully repay that debt.

**Senator O'BRIEN**—It is not the sort of security that one would expect with a loan of that size. It was not an ironclad guarantee that the debt would be repaid, was it?

**Mr Roseby**—It is not a 100 per cent ironclad guarantee that that debt would be repaid down the line, but our legal advisers tell us that it is a strong arrangement and, under the circumstances, they considered that it was a pretty secure package.

**Senator O'BRIEN**—In terms of the money raised by the sale of assets to Bundaberg, how much of that money did the Commonwealth get?

**Mr Roseby**—I do not think we are anticipating any repayments out of the sale of the SJM assets of \$15.1 million. If the cane farm is sold, it would depend on the price received from that sale, but some of the estimates coming through indicate that that price could be of the order of \$12 million, which would basically write off all outstanding debt.

**Senator O'BRIEN**—If it is sold at that sort of price, then the debt will be repaid.

**Dr Samson**—Correct.

**Senator O'BRIEN**—If it is sold at a significantly lower price—I am not sure what figure that would be; you may be able to help us—the Commonwealth will rely on what has been described as back-to-back agreements?

**Dr Samson**—The continuation of the five per cent of cane receipts.

**Senator O'BRIEN**—Past what is currently guaranteed in those agreements?

**Dr Samson**—Yes, correct. However, as we said, the Canegrowers organisation has given its best endeavours to ensure that the nature of that agreement is carried over into any new cane supply agreements that will be entered into.

**Senator O'BRIEN**—How much is outstanding in secured debt—not to the Commonwealth but to the others?

**Mr Roseby**—Overall, our understanding was that the total debt of South Johnston Mill was of the order of \$24 million, so \$15.1 million of that should be cleared, which leaves basically \$9 million.

**Senator O'BRIEN**—What about the receiver's costs?

**Mr Roseby**—That does not include the receiver's costs.

**Senator O'BRIEN**—So something less than \$9 million, probably?

**Mr Roseby**—No, including the receiver's cost it would be slightly more than that.

**Senator O'BRIEN**—It may even approach \$10 million?

**Mr Roseby**—Correct.

**Senator O'BRIEN**—What commercial valuation is there on the land?

**Mr Roseby**—On the cane farm?

**Senator O'BRIEN**—Yes.

**Mr Roseby**—The Commonwealth has not made a valuation of that property. I have heard that, if the prices are at a certain level for cane, the price of that land could be as high as \$18 million. We have not formally done a valuation on it. I have also heard another estimate saying it could be as low as \$8 million. We have not done any valuations on that property.

**Senator O'BRIEN**—If it is as low as \$8 million then presumably there are still secured creditors. What would their status be in relation to moneys collected by canegrowers from the suppliers?

**Mr Roseby**—From the mill supply?

**Senator O'BRIEN**—Yes.

**Mr Roseby**—I do not think they would have any claims over the moneys paid to the suppliers of the mill.

**Dr Samson**—I do not believe so.

**Mr Roseby**—That is quite separate. It is only the actual South Johnston Mill company itself. The suppliers are not bound to any debts held by the company.

**Senator O'BRIEN**—What obligation does the receiver have in terms of the price agreement that might be made for the sale of the land? What obligations does the receiver have to the Commonwealth's debts?

**Mr Roseby**—The receiver has the obligation to discharge secured debt.

**Senator O'BRIEN**—Which is not the Commonwealth's debt?

**Mr Roseby**—I will ask my colleague.

**Dr Samson**—The Canegrowers organisation have taken out a second mortgage.

**Mr Roseby**—They have taken a second mortgage over the South Johnston Mill for that amount of the outstanding debt.

**Senator O'BRIEN**—What is the obligation of the receiver in relation to that if the receiver gets an offer of \$8 million for the land? What obligation does the receiver have, taking into account that second mortgage debt?

**Dr Samson**—I am not sure of the answer to that question.

**Mr Roseby**—I would have thought the receiver's obligation is to seek to get the best results and discharge all debt, if that is a possibility. I would have to go to my legal advisers on that.

**Senator O'BRIEN**—Would that be subject to a vote of creditors?

**Mr Roseby**—I do not know. I would have to take it on notice.

**Senator O'BRIEN**—Could you take that on notice please?

**Mr Roseby**—Yes.



**Senator O'BRIEN**—At the last hearing in response to a question from Senator Woodley we were provided with some details on the sugar assistance package. I wanted to get an update on the numbers you gave us last time. The components were income support, interest relief, general interest subsidies and financial counselling.

**Dr Samson**—The updated figures as at 15 May this year in terms of income support show that \$18.77 million has been expended. The interest rate relief for replanting is \$4.71 million, the general interest rate subsidy \$9.2 million and the financial counselling \$1,750. This totals \$32.69 million.

**Senator O'BRIEN**—How much has been provided to be paid out under this program?

**Dr Samson**—When the program was announced, the original estimate was \$83 million, which included \$1 million for assisting the industry to put together its proposal to bring back to government by June 2002 on possible rationalisation and restructure.

**Senator O'BRIEN**—Would it be fair to say that it does not look like it will get anywhere near expending that \$83 million?

**Dr Samson**—There does appear to be a potential for a considerable underspend against that original \$83 million. As we have seen on a number of occasions today, it just highlights the difficulty, in putting together these programs, of estimating what the uptake will be, particularly, as in the case of the sugar industry assistance package, where there is a component that is subject to an assets test. Obviously, without knowing the financial circumstances of individual growers, we have to make a number of assumptions in terms of what the uptake is likely to be. As I think I said earlier in response to another question, inevitably we err on the upside.

**Senator O'BRIEN**—Mr Roseby, during the last hearing of the committee in February you advised that you or another officer—I am not sure who—had been in discussions with the Queensland government and the industry in relation to the restructuring of the sugar industry. We were told that the committee could not be provided with any information as, at that time, you were just scoping what had to be done and that there had been a number of meetings. Can you provide details on exactly when this process commenced and how many meetings there have been to date?

**Mr Roseby**—Not a lot has changed, Senator. We are still scoping existing information and we are having discussions with our Queensland counterparts about studies and work that they have been doing. I will have to take on notice the number of meetings and things like that, if you do not mind.

**Senator O'BRIEN**—Is there a time frame for the process?

**Mr Roseby**—The time frame is to come back with some proposals by June 2002.

**Senator O'BRIEN**—I got the impression that the whole process seemed more like a process of brainstorming sessions than anything else. What rigour would you say has been put into this process since it started?

**Mr Roseby**—I would simply say that we are still basically at the scoping stage. We have not actually entered into a rigorous process at this stage to bring all parties together, to enter discussions and so on. We are having ad hoc discussions to try and find out as much information as we can about what is already available and what has been done.

**Dr Samson**—It would also be fair to say that the events that occurred at the South Johnston Mill, particularly putting it in the hands of a receiver, and the completely separate

issue of the longstanding chairman of the Canegrowers organisation stepping down after 12 years and the subsequent election of a replacement, which has only just been finalised, have—

**Senator O'BRIEN**—Are you talking about Mr Bonanno?

**Dr Samson**—Indeed. The South Johnston issue and Mr Bonanno identifying his successor have certainly diverted the focus of some aspects of the sugar industry.

**Mr Roseby**—Another element there is that it is significant that Bundaberg Sugar has taken over the assets of the South Johnston Mill. That means that it now owns four mills in the area. As you know, the Far North Queensland sugar milling area has some significant difficulties. It may well be that, within a short period of time, there will be some commercial rationalisation of that milling area, given that the equity of those four mills is now held by one company.

**Senator O'BRIEN**—So why did it pay \$15 million for South Johnston?

**Mr Roseby**—South Johnston Mill is considered to be a good mill. The problem with South Johnston Mill was not so much to do with the mill itself but with how it had been managed. Now that Bundaberg has the mill, the expectation is that, of the four mills, perhaps one might close and there will be redirections of tramlines and so on in order to get greater throughputs in the remaining mills. That would happen as a result of the commercial rationalisation I referred to earlier. That may address some of the problems in that area.

**Senator O'BRIEN**—The original budget for the project to restructure the sugar industry was \$1 million. What is the current actual expenditure? Has there been any change to the budget?

**Mr Roseby**—The budget for that part of the package is still \$1 million. I cannot tell you off the top of my head precisely how much of that has been spent at this point in time. In fact, I do not believe that any real expenditure has been incurred.

**Senator O'BRIEN**—Could you take that on notice?

**Mr Roseby**—Yes, I can do that.

**Senator O'BRIEN**—Who was Mr Bonanno's successor?

**Mr Roseby**—Mr Jim Pedderson.

**Senator O'BRIEN**—In relation to Agricultural Industries, Mr Roseby, could you tell the minister what the political affiliations of Mr Bonanno are? I think he made some comments about them in the Senate recently. If he has not already been advised of his long-term political affiliation, I am sure Mr Roseby can help.

**Mr Roseby**—I do not necessarily follow those sorts of things.

[10.09 p.m.]

**CHAIR**—Senator O'Brien, we quite appreciate your sense of humour, but let us move on to Management Services and Corporate Governance. I thank the officers from Agricultural Industries for their contributions this afternoon and this evening and welcome the officers from Management Services and Corporate Governance.

**Senator O'BRIEN**—I want to ask about courier services. How does the department organise the distribution of material such as brochures and the like? Is it all done by a contractor? I ask that question because I have two packages or envelopes here that were sent to the office of a New South Wales senator. One contained 22 brochures about the government's scheme for retiring farmers, the cost of delivery of which was \$16.90; and the

second envelope contained 50 brochures relating to dairy exit and that cost \$15.94 to deliver. Is there some special reason why you use such a courier system to deliver items like departmental brochures?

**Dr Fisher**—AFFA has a contract for courier services with a company called Australian Air Express. If you could tell me what company—

**Senator O'BRIEN**—Toll Logistics

**Dr Fisher**—That would suggest to me that those two items were in fact sent by some other department and, given that the program you have referred to is covered by officers from the innovation and operating environment output, it would probably be appropriate to take that up with those officers.

**Senator O'BRIEN**—What does that mean—that, whilst you have got a contract, particular divisions can have their own arrangement?

**Dr Fisher**—No. It would be normal for any material sent from AFFA to go via our contractor. I suspect that that material would have been dispatched by Centrelink but I think we could explore that in output 3, I think it is.

**Mr Wonder**—It is in output 2, the innovation and operating environment, which is scheduled later in our program. We are having a little bit of difficulty understanding the precise nature of that invoice and whether it is for strictly the courier service, or some other expense that the courier incurred and has charged the department for. I will bring your question to the officers responsible for the relevant output and see whether we can provide some further detail. If you like, we could do it on notice but if you wanted to further discuss it we could do so tomorrow.

**Senator O'BRIEN**—If you could help me with that tomorrow we could take it a bit further.

**Senator FORSHAW**—On the last occasion, you indicated to us that you were market testing a number of transactional banking services and you told the committee that you had completed a scoping study of its requirements for transaction banking and, further, that you were going to revisit the matter in March or April. Can you tell us where that is at now?

**Dr Fisher**—Yes. The request for tender for market testing our transactional banking services is due for release at the end of June 2001, and we expect a new arrangement to be in place by the end of this calendar year, December 2001. The reason we held off from releasing that request for tender was that there were several other requests going out, and we felt it was strategic for us to delay and allow those other ones to hit the market, rather than have several of those requests for the same services out at the same time.

**Senator FORSHAW**—Can you just expand a bit on the nature of the services themselves—what you will be seeking tenders for?

**Dr Fisher**—This is basically the handling of our banking services, which is currently done by the Reserve Bank.

**Senator FORSHAW**—Yes, you told us that last round.

**Dr Fisher**—We are happy to provide the details of the request for tender once that is prepared, if that would assist the committee.

**Senator FORSHAW**—That would assist, yes. Is that in relation to all transaction banking services for the department or is it just confined to the corporate services area?

**Dr Fisher**—Corporate services provides the banking services for the department as a whole.

**Senator FORSHAW**—Will the Reserve Bank be able to tender?

**Dr Fisher**—I do not believe there is any impediment to it doing so.

**Senator FORSHAW**—I am not sure if they do in this sort of area.

**Dr Fisher**—I would have to take that on notice. I am unsure as to whether they would be in that market or not.

**Senator FORSHAW**—Is it intended that as a result of this process there will be a successful tender, or could it be that, after consideration of whatever tenders come in, you could decide to keep things as they are with the Reserve Bank?

**Dr Fisher**—Yes, I think it is fair to say that unless we see value for money we would wish to retain the services of the current supplier.

**Senator FORSHAW**—So in that sense they may not be required to justify their current arrangements compared to whatever tenders come in. Will that be an assessment that the department will make?

**Dr Fisher**—This should be a commercial judgment, in my view.

**Senator FORSHAW**—I suppose I am trying to ascertain just where the Reserve Bank sit. At the moment they supply the service you are putting out to tender. I am just wondering whether they get a chance to compete, or do you rely upon whatever it costs you at the moment and the type of service you get from them and then you will assess the incoming tenders against that?

**Dr Fisher**—As I said before I will need to take that on notice because that is really a question that involves, among other things, decisions by the Reserve Bank itself.

**Senator FORSHAW**—If you would do that, because we do know that, for instance in relation to other services in a whole range of departments and areas over the years, sometimes there can be in-house bids and sometimes they are not allowed. There are a variety of circumstances.

**Mr Wonder**—This is not an in-house bid, though, Senator.

**Senator FORSHAW**—No, well I would put it in government—

**Mr Wonder**—AFFA has not got the Reserve Bank as one of its statutory authorities.

**Senator FORSHAW**—Okay, you have picked me up on that point, but you know what I mean.

**Mr Wonder**—I think so.

**Senator FORSHAW**—Whoever is supplying the current service at the time. This happened in the defence department in a whole range of ancillary services, and in some cases they were allowed to put in an in-house bid and in other cases they were not. I am just trying to see if the decision ultimately is to go outside of government.

**Mr Wonder**—Right. I take your point.

**Senator FORSHAW**—You understand what I mean. In terms of salary irregularities, can you update the committee on the process of adjustment that followed the audit of staff

salaries? We were told at the last hearing that there were a large number of officers who had been overpaid.

**Dr Fisher**—We have audited a total of 2,179 payees in terms of their pays. Those audits have been finalised. Of those 2,179 we have thoroughly checked and sent letters to 1,884 people. There are 295 outstanding checks to be done and letters to be sent. Of the ones that we have checked, we have discovered 345 overpayments and 528 underpayments. From my perspective, that is unsatisfactory performance, and we have a process of review in place. I have to say, however, that there is a range of issues involved in this. One of the issues is that these problems have arisen first of all because we outsourced the provision of those services to an outsourced supplier at virtually the same time as we did our substantial rationalisation of the certified agreements within the department. In that process, we collapsed the previous four certified agreements into one certified agreement, and at that time we collapsed 75 pay classifications into 25 classifications, and those 75 pay classifications had 200 pay points which collapsed down to 65 pay points. You can imagine that, as a consequence of all those changes and that rationalisation in that certified agreement, which led to substantial efficiencies in the way in which we operate and pay people in the department, there was the potential for mistakes. Those mistakes were made. We are now in the process of cleaning that up and fixing it. I am confident that, when we go through the next round, we will have a much tidier and much more efficient system.

**Senator FORSHAW**—What arrangements have you implemented for the repayment of those who have been overpaid?

**Dr Fisher**—You mean to recover the moneys?

**Senator FORSHAW**—Yes. Those persons presumably are required to repay the amount of the overpayment. I assume that that is what you are doing.

**Dr Fisher**—Yes, we are recovering the moneys from those people who were overpaid, and we are obviously paying the appropriate amount of money to those people who have been underpaid. In the case of people who have been overpaid, the arrangements depend on the extent of the overpayment—they have been personalised to deal with the individual officer's personal circumstances.

**Senator FORSHAW**—Without going back to the *Hansard* of last time, what would be the maximum amount of overpayment?

**Dr Fisher**—I have to take that on notice. The average overpayment was about \$1,188.

**Senator FORSHAW**—I seem to recall that figure.

**Dr Fisher**—The total of the 345 overpayments that we have identified was \$409,973.

**Senator FORSHAW**—Are there many situations in which hardship could be created or has been identified when people have to repay the overpayment?

**Dr Fisher**—It is fair to say that, in reviewing each case, we have been careful to ensure that hardship does not result. Mind you, officers who were overpaid—and if those amounts were substantial—had a responsibility not to have rushed off and spent that money, of course. It is not normal to get very large sums of extra pay in your pay packet without noticing. As I said before, we have put in place arrangements to talk to each of those officers so that everybody is treated fairly.

**Senator O'BRIEN**—Do you still have pay packets?

**Dr Fisher**—That was a figurative statement.

**Senator O'BRIEN**—It is deposited in a bank account.

**Senator FORSHAW**—I confess that I think that is probably a lot like me. If you get paid monthly, you do not necessarily sit down each month and go through your bank statement. I tend to find that at one point in time in the month the receipt that I get at the ATM shows that the amount is up and a few days later it is back down again. It is not until you actually go through your bank statement, which might be every couple of months, that you could pick up the overpayment if you were looking for these things. I appreciate the point you make, but it is quite possible for people to be overpaid a substantial amount and not necessarily pick it up for some time.

**Dr Fisher**—Yes, we accept that. In fact, that is why we have been somewhat careful. Mind you, we are also somewhat traditional in the sense that we do issue each officer a pay slip each fortnight. That is something, of course, which is a reform that I may pursue—

**Senator FORSHAW**—Because they stick it in a drawer like I do.

**Dr Fisher**—I may pursue the reform in the future in having a look at whether it is cost effective to issue those pay slips and move to the system you obviously use, where you check your salary through the ATM.

**Senator FORSHAW**—No, I do not. I know it has gone in, but I could not necessarily tell you whether it is the right amount.

**Senator O'BRIEN**—I am sure you will market test that concept with your employees.

**Dr Fisher**—No, I would not market test that concept. I know the cost of issuing those pay slips. What I would do is consult with my staff to ensure that the efficiencies we might gain by ceasing the issue of pay slips would be something that the staff could, in fact, cope with.

**Senator O'BRIEN**—Probably even adapt to.

**Dr Fisher**—I am sure there are electronic means of issuing this information, which is much more efficient than chopping down extra trees to issue pay slips.

**Senator FORSHAW**—It would probably mean that people would read it. Are there any individual officers who are still in dispute with the department about this issue?

**Dr Fisher**—I would have to take that on notice.

**Senator FORSHAW**—By dispute, I mean not about so much the method of repayment, if it has to be a repayment, but whether or not they have been overpaid or what the amount is. Will you take that question on notice?

**Dr Fisher**—Yes. I have not heard of any major dispute, but I will take it on notice.

**Senator O'BRIEN**—I wanted to ask some questions about the Hewitt matter. At the last hearing we were advised that the department was looking at what was described as a defective administration claim from the Hewitts. We were told that the department's legal advisers were examining the validity of the claim, that they were in contact with the legal representatives for the Hewitts and that, at that time, substantial progress had been made. In answer to a question taken on notice, question No. 06, we were advised that AFFA has instructed legal advisers to provide assistance in progressing the claim. Mr Pahl is overseeing the process. He has no historical involvement in the Hewitt matter and, at that moment, he is seeking more material. He also told us that, when the process gets to the point where someone has to be appointed to

determine the claim, you are mindful of the fact that the person must have had no involvement in the process to date.

It is acknowledged that Mr Taylor had some involvement in this matter in the past but you say that, given the size of the claim, he will have some involvement in the future. As to Mr Taylor's involvement, Mr Taylor initially was involved in this matter in his capacity as the general manager of rural policy marketing in Victoria. I have a copy of a minute from Mr Taylor to his minister. The minute is headed 'Trial shipment of sultana grapes to Europe' and is dated 7 July 1986. It says:

The purpose of the minute is to advise on recent developments in table grape exports to Europe following representations to the Prime Minister by the Hewitt brothers.

The recommendation states in part that:

The minister for primary industry be advised of Victoria's concern at this development and, in view of the possible damage to our Thompson seedless market, the Commonwealth be asked to underwrite all white, seedless grape exports to Europe.

A second minute to the minister from Mr Taylor, dated 15 May 1987, says:

The activities of the Hewitt brothers are considered to be quite counterproductive and could jeopardise the gains already achieved.

Based on those two minutes, I would have thought that the minister would not have had much choice but to direct Mr Taylor not to have any involvement in this matter at all. Minister, please seek advice from Mr Truss on this matter. It might be possible to get an answer on the matter quickly so it could be resolved.

**Senator Alston**—I presume Mr Truss approved the answer to your question, and that makes it clear that—

**Senator O'BRIEN**—But he may not be aware of those facts.

**Senator Alston**—I think it is acknowledged that, as secretary of the Victorian department some 15 years ago, he has some historical involvement and, given the size of this claim, he will have occasional involvement in the resolution of the claim but will not be the decision maker. Everyone in the department would be conscious of the need to ensure that not only the ultimate decision maker but also those who have any scope for exercise of judgment would do this in an open-minded manner. It is a requirement of natural justice that you be heard by someone free of bias. Therefore, if there are judgments to be made—certainly for or against the parties in question—then those judgments ought to be taken by someone who has not previously had a position on the matter. I would have thought that, consistent with Mr Taylor not doing that, he could still have some sort of peripheral involvement, and that is what is contemplated here. You might have a good claim against the department too.

**Senator O'BRIEN**—Mr Taylor will have occasional involvement in the resolution of the claim. However, having regard to his historical involvement, he will not be the decision maker.

**Senator Alston**—I take 'occasional involvement in the resolution' to mean that he will have some contact with the progression of the issue, but that is not the same as saying that he will be required to make judgments for or against the merits of the claim. The department would be conscious of the need to ensure that he was not in that position.

**Senator O'BRIEN**—In answer 06, we referred to a number of letters from the Australian Government Solicitor, on behalf of AFFA, to the Hewitts, and we referred specifically to the four letters since 28 October 1999. Can copies of those letters be provided to the committee?

**Senator Alston**—Are these letters from the solicitors to the department or vice versa?

**Senator O'BRIEN**—They are letters from the AGS, on behalf of the department, to the Hewitts.

**Senator Alston**—If they involve the negotiation of what is clearly a very substantial claim then that is really a matter for the parties, is it not? Why would it be in the public interest that sensitive negotiations be crawled over by the committee?

**Senator O'BRIEN**—Each of the letters appears to have sought details of the claim. We can go around this in another way. Would it be fair to say that the first three of these letters were general in nature in terms of what was required by the department?

**Mr Pahl**—For some time, we have been seeking the detail that is necessary to determine the claim under the defective administration scheme. As I am sure you are aware, the claim is for \$68 million, or close enough thereto. We have been attempting to assemble as much information as we possibly can before we ask the minister to appoint a decision maker under that scheme to determine the claim. To date, we have found it difficult to get some of the information we need to be able to do that. We are mindful of the fact that we need to give the applicants every opportunity to put whatever evidence they have in front of us so that, in turn, we can put it in front of the decision maker once he or she has been appointed by the minister.

**Senator FORSHAW**—But couldn't that information be put in front of the decision maker anyway? As I understand it, the department is seeking the information from the Hewitts.

**Mr Pahl**—We are trying to get as comprehensive a picture as we possibly can from the Hewitts about their claim so that, when we put it before a decision maker, the decision maker is in possession of all information that they would consider relevant to the matter.

**Senator FORSHAW**—I do not want to interrupt Senator O'Brien's questioning, but that would be information that the Hewitts themselves would be able to put in front of the decision maker as well, or can it only go through the department?

**Mr Pahl**—We are inviting them to give us any evidence that they have that will go to support their claim so that we can assemble it and put it before the decision maker.

**Senator O'BRIEN**—There have been four letters since 28 October.

**Senator Alston**—In litigation, it is not uncommon for the parties to try to ascertain as much as possible beforehand—

**Senator FORSHAW**—I understand that.

**Senator Alston**—so the judge then makes a decision on—

**Senator FORSHAW**—Usually the parties put the information directly to the judge or the arbitrator. I know there is a process of discovery, et cetera—

**Senator Alston**—In this case there is a request for further and better particulars.

**Senator FORSHAW**—I am not as aware of that as you are, but this matter has a long history. Without opening up the whole debate, these are not circumstances in which you can assume that you can start now to try to apply the sorts of judicial procedures that might apply



in a court. If you knew the full background to the Hewitts' claim and their complaints, you would understand what I was getting at.

**Senator Alston**—I am not sure that that would make a difference to how the matter would be handled.

**Senator FORSHAW**—I think it would.

**Senator Alston**—It is more a matter of whether the decision maker should be put in the position of having to extract information or whether that information should be got together as much as possible beforehand.

**Senator FORSHAW**—It might relate to the views of the people involved as to their confidence in their dealings with the department through the whole process. Anyway, I will leave it at that.

**Senator O'BRIEN**—My understanding of the situation is that on 28 October the AGS wrote to the Hewitts' solicitor inviting specification of the claim by reference to the criteria for the CDA scheme. On 4 November, there was a response which submitted a second claim in the same terms as the claim and made certain assertions. On 2 June 2000—nine months later—the AGS wrote to the Hewitts' solicitor, again in general terms. On 21 December, they appear to have written again in fairly general terms. The bottom of page 10 of the response states, 'Following receipt of the 17 January letter from the Hewitts' solicitor, the AGS conferred with senior and junior counsel and following receipt of instructions from AFFA wrote yet again to the Hewitts' solicitor on 28 February setting out a number of questions, the answers to which ought to provide considerable assistance in understanding the manner in which the claim is made.' What does that mean?

**Mr Pahl**—Each of those letters has been an attempt to have the claimants provide the necessary information to enable a decision maker to determine the claim. In the final letter that you referred to, we even went the extra step of actually sitting down and, to the best of our ability, working out the sorts of questions that we needed to ask to help the claimants press the claim.

**Senator O'BRIEN**—The advice said on 23 March that you had had no response. Is that still the case?

**Mr Pahl**—No, that is not the case.

**Senator O'BRIEN**—What is the case?

**Mr Pahl**—Last Tuesday in Sydney we had a without prejudice conference between the solicitors who are acting on behalf of the Hewitts and the Australian Government Solicitor, who is acting on our behalf. That meeting lasted for a number of hours. At the conclusion of that meeting, it was agreed that the Hewitts' legal representative would go away and come back with further information on a range of points that were raised in that meeting. I think it is fair to say that both parties were satisfied that it was a productive meeting. That is not to say that on every issue there was agreement, but it is to say that a lot of issues were brought to the fore, and the solicitor for the Hewitts is much better informed about the difficulties that we have at the moment and is able to take that back to his clients. The one thing that was certainly agreed by both parties is that we need to bring this to a proper close as expeditiously as we can, having regard to the defective administration scheme and the guidelines that attach to it. There is goodwill both from our legal representatives and certainly from their legal representatives to do that.

**Senator O'BRIEN**—So you believe that following that meeting there is goodwill between the claimant and the Commonwealth in terms of the process to lead to the resolution of the claim one way or the other?

**Mr Pahl**—There is goodwill certainly between the legal representatives and there is much better understanding between the legal representatives of both parties of what needs to be done to get us to a position where we can put this before an authorised decision maker under the scheme.

**Senator O'BRIEN**—What legal costs has the department incurred in relation to this claim?

**Mr Pahl**—I would have to take that on notice. I do not have those costs with me.

**Senator O'BRIEN**—Could you advise us of that? I think the answer suggests that counsel and senior counsel have been engaged by AGS.

**Mr Pahl**—That is correct.

**Senator O'BRIEN**—I would ask you to take on notice the question I asked earlier about supplying to the committee the letters from the AGS to the Hewitts' solicitor.

**Mr Pahl**—Okay.

**CHAIR**—Senator Forshaw has indicated that he may have some questions on notice relating to agricultural services, which we completed before he was able to return this evening. I thank the officers—Dr Fisher, Mr Pahl and Mr Wonder—and Minister Alston.

**Committee adjourned at 10.45 p.m.**