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SENATE

RURAL AFFAIRS AND TRANSPORT LEGISLATION
COMMITTEE

Estimates

TUESDAY, 24 MAY 2011

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SENATE
RURAL AFFAIRS AND TRANSPORT LEGISLATION COMMITTEE
Tuesday, 24 May 2011

Senators in attendance: Senators Adams, Back, Birmingham, Bishop, Boswell, Colbeck, Coonan, Eggleston, Heffernan, Hutchins, Milne, Nash, O'Brien, Parry, Siewert, Sterle, Williams and Xenophon

AGRICULTURE, FISHERIES AND FORESTRY**In Attendance**

Senator Ludwig, Minister for Agriculture, Fisheries and Forestry

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

Dr Conall O'Connell, Secretary

Ms Rona Mellor, Deputy Secretary, Biosecurity Services Group

Dr Rhondda Dickson, Deputy Secretary

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

Corporate Finance/Corporate Policy/Corporate Services

Ms Fran Freeman, Executive Manager, Corporate Policy Division

Ms Elizabeth Bie, General Manager, Ministerial and Parliamentary Branch

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

Ms Jenny Barbour, General Manager, Corporate Communications Branch

Mr Darren Schaeffer, Chief Finance Officer

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

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

Ms Lisa Hind, Acting General Manager, Levies Revenue Service

Ms Alana Foster, General Manager, Investment Strategies Branch

Ms Anne Hazell, Chief Operating Officer, Corporate Services Division

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

Ms Karen Nagle, General Manager, Audit and Evaluation Branch

Ms Jacquie Walton, Acting General Manager, Human Resources Branch

Mr Steven Foley, Chief Information Officer, Information Services Branch

Climate Change

Mr David Mortimer, Executive Manager, Climate Change Division

Mr Mark Gibbs, General Manager, Climate Change Policy Branch

Mr Andrew McDonald, General Manager, Farm Support and Adaptability

Mr Tom Aldred, Executive Manager, Forestry

Mr John Talbot, General Manager, Forestry

Australian Bureau of Agricultural and Resource Economics and Sciences

Mr Paul Morris, Deputy Executive Director

Dr Terry Sheales, Chief Economist

Dr Kim Ritman, Chief Scientist

Dr Jammie Penm, Chief Commodity Analyst

Dr Helal Ahammad, Chief Analyst

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

Mr Bruce Bowen, General Manager, Agriculture and Food Branch

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

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

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

Ms Annette Blyton, General Manager, Business Strategy and Systems

Sustainable Resource Management

Mr Ian Thompson, Executive Manager, Sustainable Resource Management

Mr Gordon Neil, General Manager, Fisheries Branch

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

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

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

Australian Fisheries Management Authority

Dr James Findlay, Chief Executive Officer

Dr Sally Troy, Acting Executive Manager Fisheries

Mr John Bridge, General Manager Corporate Governance

Mr Mark Farrell, General Manager Fisheries Information Services

Mr Peter Venslovas, General Manager Operations

Mr David Simmons, Acting Chief Finance Officer

Australian Pesticides and Veterinary Medicines Authority

Dr Eva Bennet-Jenkins, Chief Executive Officer

Mr Tony de la Fosse, Program Manager Corporate Services

Dr Raj Bhula, Program Manager Pesticides

Mr Allen Bryce, Program Manager Veterinary Medicines

Mr Dan Webb, Manager Finance

Wine Australia

Mr Andreas Clark, General Counsel

Trade and Market Access

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

Mr Chris Parker, General Manager, Multilateral Trade Branch

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

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

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

Mr Greg Read, Executive Manager, Biosecurity Food Division
Dr Narelle Clegg, General Manager, Residues and Food Safety Branch
Dr Mark Schipp, General Manager, Food Exports Branch
Dr Ann McDonald, General Manager, Export Reform Branch
Mr Dean Merrilees, General Manager, Export Standards Branch
Ms Lynne O'Brien, Executive Manager, BSG Regional and Business Services Division
Ms Jenny Cupit, Acting Executive Manager, Biosecurity Animal Division
Dr Bob Biddle, General Manager, Animal Health Programs
Dr Peter Black, Acting Chief Veterinary Officer, Office of the Chief Veterinary Officer
Dr Mike Nunn, Principal Scientist—Animal
Dr Andrew Cupit, Acting General Manager, Animal Biosecurity
Ms Lee Cale, General Manager, Animal Quarantine and Export Operations
Dr Rob Williams, Acting General Manager, Biological Quarantine Operations and Marine Pests
Mr Russell Phillips, Acting Executive Manager, BSG Strategic Projects Division
Dr Robyn Martin, General Manager, Partnerships Branch
Mr Robert Murphy, General Manager, Biosecurity Risk Framework Branch
Ms Louise Clarke, General Manager, Sustainable Biosecurity Funding Branch
Ms Deb Langford, Acting General Manager, Legislation Branch
Dr Colin Grant, Executive Manager, BSG—Plant Division and Chief Executive of Biosecurity Australia
Dr Vanessa Findlay, General Manager, Plant Biosecurity (Horticulture) Branch
Mr Bill Magee, General Manager, Plant Biosecurity (Grains and Forestry) Branch
Dr Mikael Hirsch, Acting Chief Plant Protection Officer, Office of the Chief Plant Protection Officer
Ms Louise van Meurs, General Manager, Plant Quarantine Operations Branch
Ms Kylie Calhoun, Acting General Manager, Plant Export Operations Branch
Mr Heath McRae, Operations Officer, Australian Plague Locust Commission
Mr Tim Chapman, Executive Manager, Quarantine Operations Division
Mr Jonathan Taylor, Acting General Manager, Co-Regulation and Support Branch
Mr Jonathan Benyei, General Manager, Cargo Branch
Mr Dennis Way, Acting General Manager, Cargo Branch
Mr Peter Moore, Acting General Manager, Operational Resourcing and Infrastructure
Ms Tina Hutchison, General Manager, Passengers and Mail Branch

Rural Industries Research and Development Corporation

Mr Craig Burns, Managing Director

Professor Daniela Stehlik, Chair

Mr Andrew Baker, General Manager, Corporate

Ms Anwen Lovett, Executive Manager

Agricultural Productivity

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

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

Mr Richard Souness, General Manager, Food Branch

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

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

Wheat Exports Australia

Mr Ted Woodley, Chair

Mr Peter Woods, Chief Executive Officer

Australian Wool Innovation

Mr Wal Merriman, Chairman

Mr Stuart McCullough, Chief Executive Officer

Grains Research and Development Corporation

Mr John Harvey, Managing Director

Mr Keith Perrett, Chairman

Meat and Livestock Australia

Mr David Palmer, Managing Director

Committee met at 09.01

CHAIR (Senator Sterle): I declare open this public hearing of the Senate Rural Affairs and Transport Legislation Committee. The committee will continue its consideration of the 2011-2012 budget estimates for the Agriculture, Fisheries and Forestry portfolio. I remind witnesses and committee members that the committee is due to report to the Senate on 21 June 2011 and has fixed Tuesday, 26 July 2011 as the date for the return of answers to questions taken on notice.

Under standing order 26, the committee must take all evidence in public session. This includes answers to questions on notice. Officers and senators are familiar with the rules of the Senate governing estimates hearings. If you need assistance, the secretariat has a copy of the rules.

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

The extract read as follows—

Public interest immunity claims

That the Senate—

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

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

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

(1) If:

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

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

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

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

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

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

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

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

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

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

As agreed, I propose to call on the estimates in the order shown on the printed program.

I welcome Senator the Hon. Joe Ludwig, Minister for Agriculture, Fisheries and Forestry, Dr Conall O'Connell, Secretary of the Department of Agriculture, Fisheries and Forestry, and officers of the department.

We will call officers from Trade and Market Access.

Department of Agriculture, Fisheries and Forestry

[09:03]

Senator COLBECK: Has the Trade and Market Access division been consulted in any way in the development of the proposed carbon tax?

Ms Evans: The division specifically has not had a direct approach but as part of the broader departmental consultations on climate change in general, perhaps I could check with the others if there has been a more direct approach—but not the division specifically.

Senator COLBECK: I have seen some reports about Europe applying trade sanctions in relation to trading partners that do not have those sorts of provisions. What contact and what discussions have you had in that context?

Ms Evans: There were discussions directly on that topic with the division; it would have been late last year. The particular question is around the role of what they call 'border carbon adjustments' on products. There was a discussion around what should the policy position be in relation to that, and—

Senator COLBECK: Do you mean our policy position or that of our trading partners?

Ms Evans: The Australian policy position. There are a variety of approaches around the world on border carbon adjustments. Some of them are more in line with perhaps where we want to go. Others are not. It is a complicated space given the interaction between that and the broader climate change negotiations. There was a discussion around those sorts of issues late last year.

Senator COLBECK: Where do we want to go?

Ms Evans: The responsibility for this particular topic rests with Department of Climate Change and Energy Efficiency. In essence, we are not aware of any specific proposal domestically to implement border carbon adjustments for agricultural products, or even internationally. There is the possibility in the EU, the United States and India of those ideas in general, but none of those countries have specifically proposed any border carbon adjustments on agricultural products.

Senator COLBECK: What are the proposals I have heard of coming out of EU?

Ms Evans: Again, coming from the EU we are not aware of any specific proposals in relation to agriculture. If you are asking more broadly about the border carbon adjustment policy of the EU, I would just have to ask you to talk to the Department of Climate Change and Energy Efficiency.

Senator COLBECK: You have not had any specific proposals put to you in respect of the EU on agriculture specifically. The discussion that has been had is on trade generally rather than agriculture specific.

Ms Evans: That is correct.

Senator COLBECK: Have we done any work to make an assessment of what potential impacts of a trade barrier around carbon mitigation might be?

Ms Evans: One thing is, conceptually a border carbon adjustment would be something we would argue should not be implemented as a trade barrier. Putting that aside, I am not aware—again I will check with the rest of department—that we have done any specific modelling of the impacts of potential border carbon adjustments by other countries on Australia's agricultural trade.

Senator COLBECK: Let us move on more generally to where the dollar is and the forecasts of where it might go. I have seen reports of it going to \$1.70 or even \$2. It is good to see the ever-reliable Mr Glyde at the table, too, because he might be able to have some input into this as well. Has there been any work done in relation to the potential impacts of the dollar—where it might head—on agriculture more generally, given that it is globally traded and highly exposed?

Mr Glyde: As far as I am aware, there has been no work done in the Trade and Market Access division, but ABARES from time to time in its quarterly forecasts has to make an assumption about the prospects for the exchange rate, both over the next quarter but also once a year over the coming five years. From time to time ABARES has looked at the consequences of a high dollar or a lower dollar. Unfortunately, that is about all I can add. We do not have any specific information on that in front of me at the moment.

Senator COLBECK: We just know that if it goes up it is going to hurt.

Mr Glyde: That is right. Inputs you import from overseas—machinery et cetera—are relatively cheaper but the prices we receive obviously for our exports are a lot higher and therefore not as competitive as they might have been under a lower exchange rate.

Senator COLBECK: Although currently relatively offset a little by the fact that the commodity prices are not so bad.

Mr Glyde: Correct.

Senator COLBECK: The impact of the commodity cycle potentially does have a flow-through effect on that process.

Mr Glyde: Correct. In essence, the strong growth in the Chinese economy and Australia's role in supporting that growth has had and will continue to have a significant impact on Australian agriculture.

Senator COLBECK: In relation to specific country trade negotiations, where are we at specifically with the Malaysian FTA?

Ms Evans: The last round of negotiations on the Malaysian FTA was held in October 2010; it was here in Canberra. At that time we made some progress on the draft chapter, because the negotiations are always around text, so they talk about chapters and text. There was progress made on things like rules of origin and on the sanitary and phytosanitary measures and a number of rules of origin that are product-specific. We were trying to get improved outcomes for the agricultural sector through the ASEAN-Australia-New Zealand FTA as a starting point for what we are then looking for under the Malaysian free trade agreement, and that includes some improvements tariff-rate quotas, tariff reduction commitments on wine, some simplification and transparency in the way that Malaysia is

operating its licensing requirements, that kind of thing. I would characterise the progress as good, and the next meeting is expected in early July, but we do not have dates yet.

Senator COLBECK: Do we have a target date for completion of the negotiations on this?

Ms Evans: Yes. During the Prime Minister's meeting with Prime Minister Najib of Malaysia, both of the leaders indicated that they intended to conclude the agreement within the coming year.

Senator COLBECK: Within the coming year?

Ms Evans: Yes. The statement was in March.

Senator COLBECK: During the Prime Minister's recent visit, there was particular focus on the FTAs with Japan, China and Korea. Can you give us a sense of where we are at, particularly with agriculture, in those particular agreements, and start with Japan?

Ms Evans: If I start with Japan, obviously the earthquake and tsunami have had a significant impact on the nature of the discussions that we have been having. The 13th round of negotiations that had been planned with Japan has been postponed and at this stage it has not been rescheduled. Again, during the Prime Minister's visit, it was clear that concluding the free trade agreement is still a priority for both governments, but I think the Prime Minister's words, if I get them exactly right, were:

Taking into account the current circumstances in Japan and their implications, they have confirmed the two countries will conduct further negotiations, leading to a conclusion of a comprehensive and mutually-beneficial bilateral FTA.

There was, again, no date specified, but given what is going on in Japan, it is right for Japan's focus to be properly on the recovery from the natural disaster.

Senator COLBECK: Where does agriculture fit specifically in that?

Ms Evans: Agriculture is certainly one of the key interests for Australia in that negotiation. Progress has been relatively slow in the past because of the sensitivities that Japan has with regard to our key interests, including beef, wheat, sugar and dairy products. There is no further progress to report at this stage.

Senator COLBECK: How did we go in China?

Ms Evans: For China, again, you would be aware from the recent visit that there was a joint announcement that we would seek to reinvigorate the negotiations with China and we understand that DFAT is in discussions about when the timing of the next round, which would be the 16th round of those discussions, would occur, but again, no date is confirmed as yet. In terms of the agricultural component of the Chinese negotiations, for agriculture we are definitely seeking an outcome that is as good as New Zealand in terms of their FTA with China. You would be aware from the last Senate estimates that there have been some issues with seafood tariffs and the comparison with New Zealand.

Senator COLBECK: You must be reading my mind because that was going to be my next question.

Ms Evans: We are seeking similar treatment on seafood tariffs on New Zealand; seafood will be eliminated by 2012, so we would seek to have equal access as New Zealand.

Senator COLBECK: What has been the Chinese response to that?

Ms Evans: The negotiations have not reinitiated at this stage.

Senator COLBECK: When you say ‘reinitiated’, what does that mean?

Ms Evans: The last round of discussions were in June 2010. The next one will be scheduled soon but, again, I do not have a date, so I do not have anything to report since the June meeting.

Senator COLBECK: While we are dealing with China and we are dealing with seafood, has there been any other specific communications with China in relation to seafood—let’s go since the last estimates, given that it is still a live issue.

Ms Evans: The main issue that I think you would be referring to is the rock lobster trade.

Senator COLBECK: It does spill over into some others, but they have not received as much publicity as rock lobster. Abalone, I am aware, has been through similar circumstances but nothing said so much publicly.

Ms Evans: Without going back over the nature of the issue, perhaps what I can update you with is that during the trade minister’s recent visit to China he did raise the possibility of making an adjustment to tariffs. Our understanding, based on DFAT’s advice, is that China is not open on moving on those tariffs outside of the free trade agreement negotiations.

Senator COLBECK: What about the physical access issues—bottlenecks, if you call it—that were occurring in access to China?

Ms Evans: We continued to be in touch with the industry about those issues and, while we certainly are aware of the anecdotal evidence about it, from this department’s point of view, in order for us to take any specific action at a government-to-government level, we really do need some evidence of a delayed consignment or some specific incident that we can take up. Unfortunately, the industry has not been able to provide that type of evidence to us for us to raise those issues in a government-to-government sense.

Senator COLBECK: Very difficult when you live in China to give evidence against the Chinese government, though. I am sure that you understand that. The feedback that I have been getting is that there is a lot of nervousness around these issues. I understand it makes your job difficult because you effectively only have the say-so of our industry; it does make it very difficult. I understand the Chinese have some objectives in relation to certain parts of the trade, which I do not think we could disagree with, particularly in relation to the grey trade, which, it is my understanding, is completely closed down now anyway, and in the longer term it is a good thing. It is ports of access that appear to be one of the issues that we have now, in fact, getting the product into China close to market rather than in ports that are fairly remote from where the prime market for the product is. Have we had any conversations around those issues?

Ms Evans: We have had some conversations with industry about those issues but other than, again, asking them to provide us with things that they would want us to particularly do on their behalf, it is difficult for us because in some ways what you are starting to describe are commercial decisions around the capacity of ports to handle the kinds of commercial volumes that are going through. To the extent that they are raising any issues that we can approach the Chinese government about, we would do that.

Senator COLBECK: The issues that I am talking about are about the provision of capacity within the Chinese system to actually receive that. Again, I understand the perspective of the department; it is difficult to deal with without specific or documented

evidence in talking to the Chinese as our trading partners, but nonetheless it is difficult. We do not have, as I understand it, those sorts of prescriptions at this end with our trade. It is making life very difficult for the guys in the industry.

Ms Evans: Perhaps if I can just point to the fact that from our perspective, looking at the statistics, if you look at the trade for the first quarter of 2011 the total volume that was exported to both China and Hong Kong was 2,549,244 kilograms, which I am advised is about 6.4 per cent higher than the same period in the previous year. That is the first quarter of 2011, so January, February, March.

Senator COLBECK: Which is the peak season, although my understanding is the second quarter it has fallen off significantly. As I indicated, I think the numbers through Hong Kong would have changed significantly now. I do not know if you have got any more current figures on that

Ms Evans: I do not.

Senator COLBECK: My understanding is that the numbers through Hong Kong have changed significantly now. Have you had anything put to you about the Chinese deeming an invoice price?

Ms Evans: We have anecdotally heard of that type of behaviour from the industry, but for us to actually see any evidence of that we would need to see an import bill or something that actually referred to these kinds of charges. Other than that, our official inquiries have confirmed that the only charges being applied are the tariff at 15 per cent and the VAT charge at 13 per cent.

Senator COLBECK: I do not think there is any dispute about that—that the tariffs are being charged at that rate—but the feedback that I have had is that everything going in at the moment is deemed at a price of \$70, when the invoice price here is something like \$50 to \$55 or lower. That exacerbates the competitive issues with, say, New Zealand who already have a step down to their tariff and are obviously operating under different circumstances.

Ms Evans: We have had some discussions around that issue but I cannot recall the specific details of it. If it is okay, I will take it on notice to come back and confirm what it is that we have discussed.

Senator COLBECK: That is fine. Have we had any discussions with our Chinese trading partners around these issues, apart from the ones that you have mentioned from Minister Emerson? Are we gently having a chat to these guys and saying, 'Look, we would like to help you get through the things that you're trying to achieve as much as anything else. We just need a bit on our side too'? I am not complaining or having any objection to what is happening with the grey trade. I think we all would prefer to see direct processes through the proper channels.

Ms Evans: The department has been engaged, along with DFAT and Austrade, with Chinese officials from very early on when these issues started to emerge. Some of the specific examples I can give you are that in December DFAT and Austrade met with the Guangzhou customs officials to talk about some of the issues that you are raising. Similarly, in January, Austrade Shanghai met with the seafood distributors and importers in China. Again, in January we went back with Austrade to meet with the customs clearance companies. I have already mentioned the fact that DAFF has met locally here with rock lobster exporters.

Minister Emerson also met with the rock lobster industry here. I would have to say we have really made every effort from a government side to engage at every level in China and in Australia to make sure we understand the issues and to do whatever we can to help the industry, because we know how important it is.

Senator COLBECK: I appreciate that information, thank you for that. My concern is what is coming down the track and the information that is coming to me about the viability of some of the businesses. We can see businesses falling over by the end of the year once we get into the new season because of what they are having to carry. We have seen some transfer of trade. A lot of the imports that you talked about were out of Western Australia, not through the southern states. There has been a transfer of fish from one site to another as part of this process. There are some significant liabilities starting to build up in some of these businesses and, unless we open it up, even though we know that the Chinese want these fish, it may be that they are not going to be able to get them because we will not be able to harvest them.

Senator HEFFERNAN: You say there is a 15 per cent tariff in the arrangement.

Ms Evans: That is right.

Senator HEFFERNAN: Given the technical insolvency of the US and their difficulty with non-market currency of China and a 25 to 35:1 labour disadvantage in that process, isn't the tariff that is proposed, which you mentioned, redundant because is this trade denominated in US dollars or Chinese currency, which is non-market?

Ms Evans: My understanding is that the tariff is a percentage, so it would depend on the value as—

Senator HEFFERNAN: My point is: what are we denominating in, Chinese currency, non-market, or US dollars?

Ms Evans: It is expressed as a percentage.

Senator HEFFERNAN: That is a waste of time unless we know are we trading in non-market Chinese currency or is the trade conducted in US currency.

Ms Evans: Perhaps, I cannot directly answer that question.

Senator COLBECK: I think it is effectively done on the basis of \$A70 per kilo. This is at the deeming rate at the moment. It is on Australian dollars.

Senator HEFFERNAN: Australian dollars converted to their non-market currency, it does not matter what the tariff is because of the terms of trade and the difficulties that the US has long term with having to use inflation to get rid of \$2.8 trillion of toxic warehouse debt, plus \$14 trillion of government debt. These sorts of arrangements, with a free trade agreement being negotiated with China, we are going to get smashed because our terms of trade are going to continue to dissolve because of the US position and because of the fact that they are going to have to continue to devalue. China maintains a non-market currency. You say a 15 per cent tariff. We actually have a 40 per cent artificial tariff with our free trade arrangements with America, since it was negotiated, because of the change in the value of the currency. The same thing is happening with China.

CHAIR: Is there a question or are we just going to preamble as per normal when you carry on?

Senator HEFFERNAN: I want to know if this denominated in Chinese currency or American trade dollars.

Senator Ludwig: Let us slow down a bit. So far we have had questions about the trade and it appears that the argument from that side of the table was that, with the 15 per cent tariff barrier we should be working some way through Minister Emerson to seek to reduce that or, alternatively, progress a free trade agreement with China.

Senator COLBECK: I was not making any arguments, Minister, so please do not try to construe I was making any; I was simply asking questions.

Senator Ludwig: Then on this side of the table we have a position arguing that we should not do that. Can we just have questions that the people at the table can respond to rather than an argument that seems to be developing across the table.

CHAIR: We have not done it for four years, why should we start now?

Senator HEFFERNAN: On behalf of these fishermen and lobster growers, is it viable to conduct trade based on a fixed percentage tariff when there is an artificial distortion in the trade because of the non-market currency position of China?

Mr Glyde: There is very little that the Australian rock lobster exporters can do in relation to that. There is very little that the Australian government can do in relation to that. The reality is that we are competing against other countries, including New Zealand. New Zealand, through its free trade agreement, has a zero per cent tariff and the Australian exporters are very keen for us to be able to negotiate a similar sort of arrangement with the Chinese.

Senator HEFFERNAN: Do you realise that the tariff—

Senator Ludwig: Is there a question in that. I am happy to take a question.

Senator HEFFERNAN: There is, there was a question. My next question is: do you accept that because of the non-market currency position of China that fixed tariffs as a percentage of whatever it is have been overpowered by the artificial tariff of the currency difference because they are non-market and we are?

Mr Glyde: No.

Senator HEFFERNAN: You do not think that will influence the market more than a formal tariff?

Mr Glyde: What the exporters are facing is a 15 per cent tariff—

Senator HEFFERNAN: That is a formal tariff—

Mr Glyde: and that is what they are particularly keen to see removed in the free trade agreement negotiations.

Senator HEFFERNAN: How can you have a free trade agreement with a country—

CHAIR: Senator Heffernan, why don't you give the officer the decency of listening to the answer to the question you have posed, instead of keeping butting in.

Senator HEFFERNAN: I am sorry.

Senator Ludwig: I am sorry if you do not like the answer, but you are entitled to listen to it.

Senator HEFFERNAN: It does not make any sense.

Dr O'Connell: The issues we are talking about, all other things being equal, are between New Zealand and ourselves and China. We may well have issues around the currency and the handling of the currency but they are not ones that are directly relevant to the capacity to manage this trade and its comparison with the New Zealand trade. That is the point that is being made here.

Senator HEFFERNAN: They will be at a similar disadvantage.

Dr O'Connell: What our industry wants is to get on a level playing field with the New Zealand industry under the current conditions, all other things being equal.

Senator HEFFERNAN: Just for the record, with the free trade agreement with China, we will get smashed if they continue to have a non-market currency. Go for it.

Senator COLBECK: We might move on to kangaroo meat into Russia, just for a bit of light relief. Can you give us an update on where we are at with that?

Mr Glyde: Mr Read from the food division is probably best placed to give us the most recent information in relation to that.

Mr Read: The question was in regard to the progress on kangaroo meat into Russia?

Senator COLBECK: And red meat.

Mr Read: As you would have appreciated, some audits were conducted later last year, by Russia, certainly on our red-meat systems. At that time they did not look at our kangaroo plants, although we did put the plants forward for review. We have not yet seen that audit report. We had a JCTEC meeting at agriculture minister level; I think it was in early March this year. At that meeting we concluded an MOU on red meat, which has taken probably nearly a decade of discussions to conclude; it is a very difficult process with that particular country. Having now secured that document, it provides us with a lot more certainty around a range of issues associated particularly with the red-meat element of the trade. It provides us with a capacity now to, in a sense, prelist the cold stores and the non-slaughter establishments. It also provides us with a very good mechanism where we have plants that are suspended. As you would remember, a couple of years ago we had up to 19 red-meat plants suspended. This provision provides a framework for the exchange of information between AQIS and Rosselkhoznadzor, and it then provides a timeframe around the relisting of those establishments. We now have that particular instrument in place. In regards to kangaroo, kangaroo meat is clearly front and centre on the agenda now with Rosselkhoznadzor and the Department of Agriculture.

Senator COLBECK: Now that we have largely dealt with the red-meat stuff, we can—

Mr Read: It is, and the dialogue is getting more focused around kangaroo and it is looking like there is more potential. From our side, it is a continued pressure that we have to keep progressing with them, meeting with them as regularly as we can, continuing to build the very good relationship that we have currently with them, with the endeavour of actually getting that trade recommenced into that market.

Senator COLBECK: There are no specific timelines around kangaroos; it is basically a continued process of discussion and maintaining a persistent line to try to progress it.

Mr Read: It is; that is right. Having said that, into Russia, we have a pretty positive opportunity into China, following a recent visit that I had last week in Beijing. They had a very successful audit of the Russian game establishments, as part of the Chinese listing audit that occurred, I think it was in about October last year.

Senator COLBECK: The establishments that were exporting to Russia, you are talking about; the Australian establishments that were exporting to Russia?

Mr Read: I am talking about to China.

Senator COLBECK: I know.

Mr Read: Yes, that is correct.

Senator COLBECK: The establishments that were exporting to Russia have been effectively closed down—

Mr Read: Correct—

Senator COLBECK: —because of the relationship issues that we have got with China, there is a prospect for them to into China.

Mr Read: Correct. They performed very well at that audit; they performed under the new system that we have developed to meet the concerns of the Russians. The Chinese were very impressed with that system. That has held us in good stead, and over the next, hopefully, short period of time we will be able to make significant movement on the progress of kangaroo meat into that market.

Senator COLBECK: What sort of timeframe are we talking about there?

Mr Read: A lot sooner than the Russians, I would suggest.

Senator COLBECK: Dr O'Connell, have there been any changes to the overseas staffing numbers and placements? We have had some discussions at recent estimates about our agriculture postings in different countries.

Dr O'Connell: No changes.

Senator COLBECK: No changes to those.

Dr O'Connell: Not since last year or two years ago.

Senator COLBECK: It was a couple of years since the number was reduced by three, I think it was.

Dr O'Connell: Yes.

Senator COLBECK: On the issue of international agricultural cooperation, the incoming government brief says:

While the department supports activities to further international cooperation and believes there is a strong case for targeted expansion in this area, we often have to argue against new activities with trading partners because we cannot pursue most of them without additional resources.

Can you give us an example of where, in recent times, you have had to argue against new activities?

Mr Glyde: I am struggling to come up with an example off the top of my head, but I think what often happens in the negotiations will be the expectation from the other side, usually about capacity-building activities and the like, and given that that has been done in the past where we have come to arrangements under free trade agreements or under bilateral

cooperation on agriculture, there is that expectation that we will be able to do that. If you have a larger budget for those things and you can come to more agreements and be able to agree to that. In some cases we have not been able to do that. In some cases we have had to try to keep the discussions and the ongoing planning for international cooperation on the basis of exchange of information and things we can afford rather than detailed capacity-building projects and the like. If you like, I could reflect on that and provide that under notice but nothing comes to mind recently.

Senator COLBECK: I would appreciate it if you could take that and give me something on notice to get a sense of what the particular constraints might be.

Mr Glyde: Yes.

Senator COLBECK: What involvement has the market access division had in the recent negotiations with New Zealand regarding access for apples?

Ms Evans: TMAD's involvement is generally to do with specifics around the procedural aspects of the WTO dispute settlement process and the like. The more technical aspects of the interaction with New Zealand are handled by my colleagues in the Biosecurity Services Group.

Senator COLBECK: Yes. We know they are coming next.

Ms Evans: From my perspective, we are certainly aware of the progress, but our own involvement is pretty much restricted to the particulars of how it relates to the WTO.

Senator COLBECK: You had a specific involvement around the WTO dispute itself?

Ms Evans: That is right. If you like, effectively up until the point that the WTO decision was handed down. From that point onwards the main part of the engagement from the department has been from the Biosecurity Services Group, who you will speak to next.

Senator COLBECK: Can you give me the specifics of what you would have been doing as part of that process? Was it a facilitation role through the WTO dispute process, or what sorts of specific activities did you undertake?

Dr O'Connell: This is across government in terms of looking at the case in the WTO, so we were part of a whole-of-government team that was led by DFAT, with a whole range of other people engaged to handle both the content and the handling of the case.

Senator COLBECK: I understand that and have had some interaction with some of those officials; I am just trying to build up a—

Dr O'Connell: Who was doing what.

Senator COLBECK: who's who in the zoo as far as individual roles are concerned, that is all.

Ms Evans: I think that is right, as to some of the specific things we did, we attended the dispute hearings with DFAT, provided internal advice on what our obligations are and how to interpret the decisions, obtained advice from others on how to do those kinds of things—but, again, mostly restricted to very much a procedural and/or framework aspect of the dispute.

Senator COLBECK: In terms of the advice on how to interpret the decisions, where does that lead AQIS in respect of their response to that process?

Ms Evans: I am sorry, Senator, I wonder if you could just rephrase the question so I understand what you are getting at?

Senator COLBECK: You just told me that part of your role was to provide advice on how to interpret the decision, and there were a number of elements to the WTO process. If part of what you were doing was providing advice on how to interpret that, how does that relate to where AQIS ended up as far as its inputs into the revised import risk assessment process?

Ms Evans: Nothing has happened that is inconsistent with the advice that we have received on how we should proceed.

Dr Grant: I may be able to help. The dispute process over the several years that it ran was managed by DFAT as the lead agency. Attorney-General's and ourselves through TMAD and Biosecurity Services Group were parties to that exercise. The decision of the WTO was that we bring our risk assessment into conformity with the provisions of the WTO. The criticism that we received is that the quarantine measures that we imposed were not considered to be backed by sufficient science. Therefore the decision was that we bring our risk assessment process into conformity with the various sections of the WTO agreement, and that is precisely what we are doing. We have not been told that we have to do anything specific other than to bring it into conformity.

Senator COLBECK: No, I understand that.

Dr Grant: That requires us to look again, and what we have done is undertake a review of risk assessment. As you know, we put out a review document on 4 May for 60 days of public comment.

Senator COLBECK: It is 60 days?

Dr Grant: Yes.

Senator COLBECK: My recollection is that one of the issues that we had to look at was our assumption in our matrix that fire blight would be found in every orchard. That was one of the assumptions we had to look at.

Dr Grant: No, we have not been told to look at anything. The decision is that we bring our assessment into conformity with the criteria.

Senator COLBECK: Let me rephrase what I am saying. That was one of the pieces of science that was in dispute.

Dr Grant: It was certainly one of the questions that was in dispute. The original assessment was based on a quantitative assessment. We have moved away from that process. The basic reason for doing that is very simply that in attempting to put numbers to risk it is very difficult to do in many cases, particularly when you are looking at the prospect of something entering Australia that has never been here before, a commodity, and any of the implications of risk associated with that commodity. It is now a qualitative approach. It is the approach that we have been using for many years on most risk assessments, except that in the case of apples and, formerly, bananas, we attempted a quantitative approach which is, as I say, very difficult to do. It is a qualitative judgment exercise assessing the science as it is written in international literature and the like, and we have done that and put that out for the public's review.

Senator COLBECK: I will not chase too far down this now because I am sure we will come back to it during AQIS. I might leave my questions there. I think there are others that do have some questions.

CHAIR: Senator Nash, do you have questions on trade and market access?

Senator NASH: I do have a couple, thanks, Chair. The governing body of the International Treaty on Plant Genetic Resources for Food and Agriculture: who are parties to that? Who is on the governing body and who is party to it?

Ms Evans: I will have to check. I might have to take it on notice to confirm the difference between the governing body and the parties to the agreement itself. My apologies; I do not know the difference.

Senator NASH: Yes, that is fine. Can you just give me then the bodies that are on it. Leave the governing body aside for a second. Who is actually on it; who has signed up to this thing?

Ms Evans: The parties to the treaty? Again, I would have to give you a full list on notice because I am afraid I might get it wrong. The majority of countries who are part of the FAO are also members of the International Treaty on Plant Genetic Resources, so there is a large number of countries involved.

Senator NASH: Who are they?

Ms Evans: Again, I will have to take on notice the precise list of countries. It is the kind of thing that is available on a website; I just do not have the list with me, I am afraid.

Mr Glyde: The FAO is a UN body and it has a very large number of—

Dr O'Connell: It is most of the countries.

Mr Glyde: Yes, most of the countries around the world are on it and what we cannot put our finger on is the extent to which all of the countries may be signed up to the Plant Genetic Resources Treaty; the government body of that will be a subset of those. The bottom line would be that quite a lot of the countries around the world would be represented in the treaty and there would be representation for different sectors of the world on the governing body.

Senator NASH: Do you think somebody might have a crack at coming up with the list during the day?

Mr Glyde: Yes.

Senator NASH: Given the minister was only there in March, it would probably be something that is fairly close to hand, I would imagine.

Ms Evans: We can definitely get that.

Senator Ludwig: I am not sure why you want ask us to develop it. Is there an issue around it?

Senator NASH: Because it was probably easier asking who was on this before I asked what the money is spent on, just to give the committee a general background idea for those that do not know and those that have not been to the website themselves—so if you could get the list. I understand that there is a million dollars going to a fund—and this is just from your website, from your media release, Minister:

... which invests in high-impact projects addressing food security, adaptation to climate change and agricultural biodiversity.

Could the department perhaps give us a bit of an idea of what those high-impact projects are?

Ms Evans: Perhaps as you have suggested, to give a flavour of what this treaty is about first—because essentially the high-impact projects go to supporting the work of the treaty—what the treaty is about is facilitating the exchange of plant genetic resources for food and agricultural products so that you can create new varieties. For example, it provides for access to seeds and tissue cultures and that kind of thing so that new varieties of plants can be developed for the purposes of food or agriculture. You would be aware that some of the reasons that that might be important are because of the changes in the nature of the climate, reduced water availability in some areas, new pest and disease threats—all of these things impact on the ability of our current stock of plants to respond or to be productive. The purpose of the treaty is to facilitate an exchange of access to plant and genetic material so that new varieties can be developed to deal with all of those possible futures. It is quite an important treaty from our perspective.

Senator NASH: What sort of access? Obviously if a country has invested time and money developing some of these things and then through this you are talking about—and correct me if I am wrong; I am just trying to get a sense of how this works—access to those new developments. How does that actually work country to country?

Ms Evans: The primary role of the treaty is to give access to the basic genetic resources. They have a process of working through how you create mechanisms to enable what they call the benefit sharing. Where they have taken some access to a seed or some genetic material and then developed a new product, which is I think the kind of idea that you are working with, that product itself has got some intellectual property and value associated with it. There needs to be a system for recognising that where somebody has used this system to take the initial material they need to be able to share the benefits of having been able to commercialise it successfully. It is still quite early days but this treaty is working towards having a really effective benefit-sharing arrangement for those situations.

Senator NASH: Can you stop on that. I am just trying to get my head around this benefit-sharing idea. You are quite right when you are talking about IP. Then I think you said 'the right to sharing the benefit'. Why does there need to be a sharing of the benefit if a particular—

Senator Ludwig: Because of IP ownership.

Senator NASH: I am just asking how that works.

Senator Ludwig: It is all on the web if you want to read it.

Ms Evans: The treaty does not allow for the intellectual—

Senator NASH: That is why you are here, Minister.

Senator Ludwig: No, I am here to answer questions in relation to budget estimates. That is what I am here for, but we can take you through the international treaty—

Senator NASH: Exactly, and we are getting to the million dollars in a minute.

Senator Ludwig: We can take it on notice and take you through what the million dollars is for, if you want, but we can go through who is on the governing body, how many members—

Senator NASH: Why would you have to take that on notice? Surely you would know now what the million dollars is going towards.

Senator Ludwig: There is no difficulty with taking it on notice. I take it we can get back to you today some time.

Senator NASH: So nobody can tell me now what the million dollars is used for?

Senator Ludwig: That is not what we said.

Senator NASH: It is a shame you interrupted Ms Evans, Minister, because she was actually giving us some very good detail around how this works. Perhaps if you could let Ms Evans finish we could then get to the million dollars.

Senator Ludwig: Fine; I was actually trying to be helpful. You can find the international treaty on plant and resources for food and agriculture—

Senator NASH: No, you weren't, Minister. You weren't not trying to be helpful at all.

Senator Ludwig: on the web and a list of projects approved is also there as well.

Senator NASH: Please, Minister, do not make DAFF start going down the line of other departments that spend half their lives referring us to the website. DAFF has actually been quite good at this.

Senator Ludwig: Is there a question? I am responding to your question.

Senator NASH: I am not asking you a question, Minister. I am asking Ms Evans a question.

Senator Ludwig: It seems to me you are making a broad statement.

Senator NASH: I am asking Ms Evans if she would not mind finishing her very useful answer. If you would stop talking for just a moment, perhaps she could.

CHAIR: That is very Senator Heffernanesque of you, which is highly out of order! It is not like you to be dragged down to your coalition partner's level!

Senator NASH: No, I am just trying to ask a question. It is not like the minister to wake up for long enough to actually intervene. Sorry, Ms Evans, if you would not mind finishing off the answer, that would be great.

Ms Evans: Perhaps to get started again, you have got to recall that perhaps 95 per cent of Australian agriculture uses plant and genetic material that comes from other countries. That gives you the context for the kind of treaty that we are dealing with. At the moment the treaty allows access for all of the countries involved in it to some 35 crops and 29 forage plants. They have actually got all of the material around the world that is available for those crops and forage plants accessible through a multilateral system. Where I was headed before was to explain that, for that multilateral system, the treaty does not allow for countries that use the treaty to access it to then claim intellectual property rights over the material that they took from the system, but it does allow there to be a right for those intellectual property rights over the derivatives of what they might create using the genetic material. Those products can have, we anticipate, significant commercial benefits. Where those benefits have accrued, it is

important that some of the benefit comes back to the multilateral system. That is what we are calling the benefit-sharing arrangements. To anchor it back to the \$1 million, it is exactly to this benefit-sharing fund or benefit-sharing system: how do you set it up, how do you build the capacity of countries to participate in it, how do you encourage them to understand when they have got a derivative that is relevant and so on. It is all support for participating in that system that the \$1 million contribution has gone to.

Senator NASH: What would be some of the high-impact projects? Can you give us a sense of what the high impact actually means?

Ms Evans: It might be possible for some of my colleagues from the Agricultural Productivity Division to give you some other examples of how genetic resource projects themselves can have high impact but, from my division's perspective, the high impact is associated with the fact that this treaty is such a significant way of accessing agricultural genetic material. The money has gone to, among other things, supporting our region in terms of building its capacity in order to participate in that system. One thing we did that some of the Funding Australia has provided went to was a workshop in the region to help it to work through what systems it needs need in order to access the treaty and the genetic material that it allows access to.

Senator NASH: Okay; so by 'high impact' you really mean 'significant benefit'.

Ms Evans: I think that is fair.

Senator NASH: That makes more sense. Could you take it on notice to get that list. If you could get it today, it would be useful. Can you give me have a bit more detail around what any of those high-impact projects might be?

Mr Glyde: We can. The responsibility for the detail of this rests with the Agricultural Productivity Division. They are coming a little bit later on so we should be able to run through those for you.

Senator NASH: That would be great.

Mr Glyde: As to the real technical stuff, if you are interested, the GRDC is Australia's representative on the technical committee. In terms of the projects, they would probably be more aware of the individual projects that have come out of this or are going into the treaty than Joe's division.

Senator NASH: As Senator Colbeck so rightly says, the ever-helpful Mr Glyde. Thank you, Mr Glyde.

Senator HEFFERNAN: Is it appropriate at this stage of the game to talk about the closer economic relationship with New Zealand—market access?

Mr Glyde: We can do our best.

Senator HEFFERNAN: When was that agreement signed?

Mr Glyde: The closer economic relationship?

Senator HEFFERNAN: To save you looking it up, it was March 1983. Is that correct?

Ms Evans: It was signed on 28 March 1983 and it entered into force in—

Senator HEFFERNAN: Yes, I have it here. Very good; your notes are okay. Has it ever been reviewed?

Mr Glyde: The specifics of the CER and that question are probably best asked of DFAT. We will do our best to give you some answers to help the committee along.

Senator HEFFERNAN: I realise it is a DFAT matter, but the implications of the agreement have great impact on—

Mr Glyde: As indeed on all sectors of the economy. Ms Evans might be able to help you.

Ms Evans: I think, Senator, your question was: has the agreement ever been reviewed?

Senator HEFFERNAN: Yes.

Ms Evans: The advice that we have is that since its inception the agreement has undergone three general reviews. The first accelerated the achievement of free trade in goods meeting the closer economic relationship rules of origin so that by June 1990 all tariffs and quantitative restrictions on trade were eliminated. The second widened the scope of the 1983 agreement to include trade in services. The third deepened the agreement by seeking to harmonise a range of non-tariff measures that affect the flow of goods and services.

Senator HEFFERNAN: The proposition which first came to my attention with Powerade drinks, which are imported into New Zealand and got automatic entry into Australia—have those types of arrangements been reviewed?

Ms Evans: I would have to take that on notice or ask AQIS or DFAT to confirm. I am not aware of the Powerade—

Senator HEFFERNAN: Are you familiar with the detail of the agreement?

Ms Evans: Yes.

Senator HEFFERNAN: Do you accept that in the agreement we accept the import standards of New Zealand, which then automatically flow to Australia accepting the same imports?

Dr O'Connell: That is not quite correct in that our rights under the WTO SPS agreement still stand, which means that we can treat imports from New Zealand in exactly the same way we treat any other imports from WTO countries, which means that we can manage our quarantine—

Senator HEFFERNAN: What I would like you to point to is where you have changed the closer economic relationship to pick up that point.

Dr O'Connell: That point is in article 18 of the closer economic relationship. It says: Provided that such measures are not used as a means of arbitrary or unjustified discrimination ... or as a disguised restriction on trade in—

the area—

nothing in this—

agreement—

shall preclude the adoption by either Member State of measures necessary:

... ..

(c) to protect human, animal or plant life or health—

including the protection of Indigenous or endangered animal or plant life. So basically, our—

Senator HEFFERNAN: Biosecurity Australia has proposed to replace Australia's phytosanitary measures for New Zealand apples, for instance, with standard commercial practices. Do you accept that?

Dr O'Connell: The activity under the assessment of New Zealand apples is consistent with our SPS rights and obligations, so it is not—

Senator HEFFERNAN: We have decided to standardise to commercial practices instead of phytosanitary measures—

Dr O'Connell: No, that is not correct. We are accepting that we are putting in place requirements for phytosanitary measures, which we can have Dr Grant provide.

Senator HEFFERNAN: This may not be the time to argue that. Have we got to go to morning tea or something?

CHAIR: Yes, at 10.30, but we need to start Biosecurity Services.

Senator HEFFERNAN: I will come back to it.

Senator NASH: When you do that information for me on the treaty, in terms of the contribution to the benefit-sharing fund, could you also list for me the other countries that contribute to the fund and how much they contribute?

Mr Glyde: We will do that in the time and come back during APD.

Senator NASH: That would be great, thanks.

Senator BACK: I want to refer to the release by the trade minister on 17 May in which he was indicating that Austrade would look to establish offices in Mongolia and Central Asia, strengthen its presence in Latin America, China and Africa, and close small offices in Europe and North America to rationalise staffing. In the context of agricultural trade, what impact is that likely to have on our relationships with trading partners or competitors?

Ms Evans: We are not expecting the changes that Austrade is making to have any significant impact on the way that we engage on agricultural issues.

Senator BACK: Can you tell me, or perhaps take on notice, where do we have in-country offices permanently established?

Ms Evans: Yes. If it is okay, I can give you that information now.

Senator BACK: Yes.

Ms Evans: We have offices in Bangkok, Beijing, Brussels, Dubai and Jakarta. We have a locally-engaged staff in Moscow, an officer in New Delhi, a locally-engaged staff in Paris, an officer in Rome, an officer in Seoul, a locally-engaged staff in Taipei, and officers in Tokyo and Washington. So that I am clear, some of those posts have additional locally-engaged staff; the ones where I mentioned that there are locally-engaged staff are ones where those are the only representatives on the ground.

Senator BACK: Are the positions and the offices that you just read out to me currently in place?

Ms Evans: That is correct.

Senator BACK: Thank you. That was all I wanted to know.

Senator HEFFERNAN: Can I seek some guidance from Dr O'Connell?

CHAIR: Yes.

Senator HEFFERNAN: What would the appropriate time to talk about export certification programs?

Dr O'Connell: When we get to the biosecurity area we can manage that.

Senator HEFFERNAN: Would the same apply to issues with the seafood mob over food-weight compliance?

Dr O'Connell: Sorry?

Senator HEFFERNAN: Food-weight compliance: the practice of importing where the exporter in Asia puts a weight on the package which does not actually turn out to be the weight of the fish in the packaging when you get it here. Is that an access issue?

Dr O'Connell: We can probably manage that under food. We will see whether or not that is one for us or one for another department.

Senator HEFFERNAN: That is just to let people know it is coming up.

CHAIR: In that case, thank you, Senator Heffernan, we will now call officials from Biosecurity Services Group, which includes Australian Quarantine and Inspection Service, known as AQIS, Biosecurity Australia, Product Integrity, Animal and Plant Health—affectionately known as PIAPH—and the Australian Plague Locust Commission. I welcome officers from Biosecurity Services Group.

Biosecurity Services Australia

[10:45]

Senator BACK: Dr O'Connell, you advised the other day that Dr Carroll is retiring as Chief Veterinary Officer.

Dr O'Connell: Yes. Andy Carroll retires at the middle of the year. He is not available today; he is over at the OIE conference.

Senator BACK: Can you give us advice, please, in terms of the advertisement for his replacement, Has that process started and what will the transition be?

Ms Mellor: The selection process is running and it is still in course. It was advertised late last year.

Senator HEFFERNAN: Are you applying, Senator Back?

Senator BACK: I will not be applying, Senator Heffernan, no. My days in that particular administrative field are behind me.

You would expect then that the new position would be in place prior to Dr Carroll leaving?

Ms Mellor: That is the ambition.

Senator BACK: Going to outcome 2 in the expense statement, in table 2.1 I think, the budget for the department was \$549 million, \$463 million last year and \$509,540 this year. Can you indicate to us where you expect the savings of \$39.3 million to occur?

Dr O'Connell: We went through the savings issue at the start of the estimates in some detail. We covered it comprehensively.

Senator BACK: Given that biosecurity forms, as you were saying yesterday, an important component—

Dr O'Connell: It is not a specific—

Ms Mellor: Senator, are you looking at page 63?

Dr O'Connell: You are looking at outcome 2, not—

Senator BACK: I am looking at page 63, table 2.1.

Dr O'Connell: Yes.

Ms Mellor: Yes. The major change in the budget is in the appropriation change related to the export certification review program. At the moment we have an appropriation that covers the 40 per cent rebate on the fees, and that drops off at the end of this financial year. That is the major change.

Senator BACK: The Beale review recommended that Biosecurity, as we all know, was being seriously underfunded. It required \$260 million per annum, with significant sums of money for updates to systems. Can you tell me what Biosecurity's budget for the current financial year and the new financial year will be?

Ms Mellor: The budget for the current financial year and the new financial year is as set out on those pages, 62 and 63. There is a forecast in there around cost recovery and that will fluctuate depending on activity.

Senator BACK: There is a figure of \$4.187 million dedicated to updating Biosecurity's IT systems. How adequately will that cover what Beale saw as a shortfall of a real cost of about \$225 million?

Ms Mellor: That amount of money is an investment in the department undertaking a major activity and preparing for government consideration a second-pass business case for the IT, which will set out an investment strategy that enables the IT to be refreshed.

Senator COLBECK: On the IT, can I ask for a time frame on that process?

Ms Mellor: That is a time frame governed by comebacks to cabinet. It will be during the coming financial year.

Dr O'Connell: Yes, the second-pass business case, the \$4.2 million, is provided to us in this financial year to do this job of putting in place the second-pass business case, so it will be during this coming year.

Senator COLBECK: I wanted to get a sense on what the time frames were leading into the work rather than the lead-up process. That is all. Thanks.

Senator BACK: I want to go now to your staffing at airports and ports. Has there been any change, deterioration, in levels of staffing at our ports and airports associated with AQIS inspections or other related activities?

Ms Mellor: If I can take the airports first, the answer is no. We hold the staff at a certain level—I think it is around 900 nationally—and work through in terms of shifts and whatnot. The ports are staffed slightly differently and, when I say 'slightly differently', it is a cost-recovered funded activity. We hold the staffing at a certain level but the staff may move around depending on the activity required of them.

Mr Chapman: The Cargo Branch, which has the people at the ports around the country and doing the cargo work, has a budgeted FTE of 962.

Senator BACK: At the ports?

Mr Chapman: As Ms Mellor just said, they do a range of activities associated with the cargo coming into the country—that is, the inspections at the ports, surveillance that is done at the ports, processing of import declarations, all the activities associated with the import of cargo into the country.

Senator BACK: Staying with the ports, could you indicate for me, Mr Chapman, in a typical working day or a typical working week, what would be the hours in which your officers would be on duty and available for inspections of goods coming into Australia?

Mr Chapman: They will generally work standard working hours so people will be available, in rough terms, from seven o'clock in the morning to six o'clock at night. If there are particular issues, we will deal with those. We work with the brokers, with the importers, so that our officers are available to inspect cargo at a time which suits everyone involved in the process.

Senator BACK: Cargo would not then move out of ports uninspected after those times, 7 am to 6 pm, unless, as you say, by prior arrangement with a forwarder or broker?

Mr Chapman: We do not look at all cargo that comes into the country.

Senator BACK: Why?

Mr Chapman: We inspect cargo that has a particular biosecurity concern. Some consignments to Australia are released after an assessment of documentation; others require an inspection, and we arrange the inspection with the importer.

Senator BACK: A circumstance could occur in which a container of goods imported into Australia could be picked up safely by that driver with no contact with AQIS at all?

Mr Chapman: No, if goods are of biosecurity concern and have been referred to us through the customs system, they cannot move out of quarantine control until they are released by us from quarantine.

Senator BACK: How would a truck driver know that that process has taken place?

Mr Chapman: There is a hold placed on goods, the subject of quarantine, until they are released by quarantine and the brokers cannot arrange the movement, unless it is to a quarantine approved premises, without release from quarantine by us.

Senator BACK: So I can be clear, what is the capacity for a truck driver to arrive, pick up a container without any contact with any human being and remove that container from the port?

Mr Chapman: I suspect that the question that you want me to answer is about our inspection of the outside of containers, not the goods within the containers.

Senator BACK: I am happy for you to answer whatever you are able to answer. What I am seeking is your explanation—

Dr O'Connell: If a container is not of quarantine concern, so it has not flagged a quarantine concern, then it could be picked up without quarantine. The ones that are looked at are the ones which are flagged of quarantine concern. They have risk.

Senator BACK: By whom?

Dr O'Connell: Through our processes, which is—

Mr Chapman: All consignments coming into Australia have an import declaration, which goes into the Customs Integrated Cargo System. Within that system there are a range of profiles which flag consignments based on the commodity generally, which says that they need to be referred to quarantine. Once goods are referred to us, we make a decision as to what needs to be done with them. They cannot move until they have been released by us. For the truck driver, if the goods are not of quarantine concern, he will just take the container out of the port; if they are of quarantine concern, it may be moved to a place where we can inspect it, but that is built into the clearance system of Customs and Quarantine.

Senator BACK: The case that I am specifically questioning you about is of a driver who was directed to go and pick up a container of goods coming into the country, and the advice I have is that that person went to the particular shed of one of the companies—on this occasion I think it was Patrick's—had no communication with any party at all, picked up the container, drove to the exit, was confronted by a sign, which I have in front of me, and I can read it if I need to, along the lines of, 'Proceed to exit gate, no AQIS inspectors available.' In fact, I will read the words out so that we know what they are, 'AQIS checkpoint closed, please proceed to exit'.

Mr Chapman: Yes. A little while ago I said I thought you were leading down the line of external container inspections and, from the way you have just asked the question, I think that is right. In the past we had an arrangement where we inspected the outside of every container that came into Australia. Over the last few years we have moved, in accordance with the recommendations of Beale, to a more sophisticated risk based system where we put greater effort into looking at those containers which are higher risk. We look at 100 per cent of the outside of containers that come from high-risk countries and we look at 100 per cent of containers that are going to or through a rural destination.

With respect to the other containers, the ones which are low risk—and we have got lots of evidence, built up over 10 years, that they are low risk—we look at a much smaller sample so that we can verify that our risk assessment measures are in fact accurate. The situation you are talking about would mean that that truck driver was picking up a container that was not considered to be high risk, that it had not come from a high-risk country and that it was not going to or through a rural destination. In that case he was able to take it away from the port without it having an external container examination.

Senator BACK: Where does the burden rest in the event of there being a failure of quarantine through that process? Does the burden rest with the importer, the freight-forwarding company, you or the truck company itself? Where does the onus of responsibility rest in the event of a breakdown in quarantine through that process?

Dr O'Connell: I guess it depends what you mean by 'a breakdown of quarantine'. We have set up that risk framework and that risk management approach and, from our perspective, that has been demonstrated to be adequate to do the job in terms of the risk profiles we have. We have done considerable work statistically to assess the impact of that and have used the Australian Centre for Excellence in Risk Analysis to support the analysis we have done to say that this produces as strong a result as 100 per cent inspection. That is the framework within which we will manage those containers. If people operate according to that, then they are operating within our requirements.

Senator BACK: If I could, Mr Chapman, go back to airports now. I think I asked you last year: in terms of staffing at airports, can you confirm again that all incoming passengers and all incoming freight are cleared, quarantine wise, at all of our airports all the time?

Mr Chapman: Yes, all passengers that arrive in Australia are assessed by us. We X-ray the baggage of some, we question people, we use detector dogs and we make risk assessments on passengers. Yes, all passengers arriving in international airports in Australia must clear quarantine. Cargo is dealt with, as is sea cargo, on a risk basis. Not all air cargo that arrives in Australia is of quarantine concern; some of it we will not look at all. Other air cargo that arrives will be cleared on documents or inspected, depending on the nature of the goods and the risk it presents.

Senator BACK: There has been no change in the last two to three years in your staffing levels at our airports with inbound freight and/or passengers. You can assure me that there is complete inspection of passengers and, as you indicate with regard to freight and cargo, that is unchanged?

Mr Chapman: That is right. There may have been small variations in staffing numbers but just what you would expect on a yearly basis.

Dr O'Connell: It is useful I think not to concentrate necessarily so much on staffing numbers, because that is really just one input. It is the capacity to deliver the level of inspection you want and the risk management you want that is critical. We would be less focused in the end on having X number of people at a particular point and rather wanting to make sure we can manage the throughput and the risk profiling in the way we want to do it.

Senator HEFFERNAN: There is still a habit of waving people through, though.

Senator Ludwig: Is that a question?

Senator HEFFERNAN: It is just a reflection on what was just said. You go to the airport; you will see for yourself, they wave them through. They still wave them through. I have been there and had a look.

Senator BACK: Indeed. I want to go away from this topic now and start some questions with regard to apple imports from New Zealand, unless others have got any other questions.

CHAIR: I am happy to go to smoko early.

Proceedings suspended from 10.26 to 10.44

Senator BACK: I want to go to the questions associated with the likely or possible importation of New Zealand apples into Australia. The Prime Minister made a statement in the New Zealand parliament relating to this. Do we know when that was this year, 2011?

Dr Grant: It was in February I recall, but I am not quite sure of the date. I spoke about it at the last estimates or in one of the inquiries, and quoted that statement on that date.

Senator BACK: In front of me here is, 'Prime Minister Gillard has confirmed Australia will soon be importing apples from New Zealand despite the risk of fire blight. To quote her:

... Australia accepts the verdict of the global umpire and will implement the World Trade Organisation's rulings on the importation of NZ apples into Australia.

She said that to loud applause. Reference was made then to the Trade Minister, in which I understand Trade Minister Emerson is quoted as saying that Australia, 'had used quarantine as a protection measure' and that he believed that quarantine restriction on New Zealand age

pensioner apples was an example of backdoor protectionism based on misuse of quarantine concerns. Is that a view supported by the department?

Dr O'Connell: I am not sure where you had that quotation or report from, and I cannot vouch for the accuracy of that. I do not want to make a comment on what Minister Emerson may or may not have said.

Senator NASH: It is a very accurate report.

Senator BACK: Does the department support that Australia has used this as backdoor protectionism and therefore a misuse of quarantine? Is that something the department would accept?

Senator Ludwig: It is worth going back to—I am sure you have a copy of it—*One biosecurity: a working partnership—the independent review of Australia's quarantine and biosecurity arrangements report to the Australian government*. To see where the perception may have emanated from: if you look at 3.4.1:

In the Panel's view, there is an unmistakable and widespread perception among Australia's trading partners—and in many quarters in Australia as well—that there has been a high level of political intervention in the Import Risk Analysis process, as well as in relation to market access requests and the application of import permit conditions (risk management measures). The issue was explicitly raised by the majority of international stakeholders with whom the Panel consulted.

This is not my report, it is Beale, and it goes on to say:

The perception that the current process is responsive to political pressures might well have been created in part by statements made by Ministers of the previous Government or by the robust attitude adopted by some members of the Senate Committee on Rural and Regional Affairs and Transport in the media and in the course of hearings. Statements by Ministers reported in the press—and independently reported multiple times to the Panel in its overseas consultations—include the following:

'When Downer took the microphone [at a dinner in New Zealand attended by his New Zealand counterpart] other diners recollected, he said "I just want you all to know that all Australian quarantine decisions are science based"—pause—"it's called political science."

I do not know the veracity of that, and I do not attest to it—I was not there. The issue that you raise is highlighted in some of those quotations you have come with. Our view is that all of these are science based and clear, and should continue to be science based.

Senator BACK: You affirm the view that is long held, that it is a science-based quarantine restriction and that it has not been, and does not continue to be, some form of backdoor protectionism?

Senator Ludwig: What I was curious about was where you got that document you read out from. Was that from a press clipping, or is it a statement that you can table? I do not recall Minister Emerson saying those words. That is not to say he did not say them; I do not know the veracity of what you have read out. If they are statements out of a *Hansard* or a transcript, then perhaps all of us could have those tabled to have a look at. Alternatively, if it is a summary of something that you think he said, then I am not going to comment on something I cannot verify.

Senator BACK: I just ask you to affirm.

Senator Ludwig: I did affirm it is a science based system.

Senator BACK: I now go to the Australian government Biosecurity *Draft report for the non-regulated analysis of existing policy for apples from New Zealand*, May 2011. I understand, and I am now quoting from the secretary of the committee:

The draft report recommends that export-quality fruit produced using New Zealand's standard commercial practices be permitted access to Australia, subject to verification that standard orchard and packing-house practices have been followed. Biosecurity Australia has invited comments from stakeholders on the draft report by 4 July 2011. A copy of the draft report, together with your advice is attached.

Is that an accurate summary?

Dr Grant: Are you quoting from what is called the Biosecurity Australia Advice?

Senator BACK: I am quoting from advice to us from Ms Radcliffe, the secretary. In presenting the material to us, she has summarised and has indicated, again, that:

The draft report recommends that export-quality fruit produced using New Zealand's standard commercial practices be permitted access to Australia, subject to verification ...

Can you confirm that—

Senator Ludwig: Can you make that available to the—if you are going to ask questions in relation to it, I am sorry—

Senator BACK: I am going to now go to the actual report but I just want to establish whether or not the department accepts the summary that that is what the draft report recommends?

Senator Ludwig: They would probably want to have a read of it to determine whether or not they accept that or not. They certainly accept the report, I suspect. Whether they accept the summary of the report as being an accurate reflection I have no idea, but perhaps if they could look at it they could give you a view about that, or they may prefer to stand on the report as printed.

Dr Grant: The report, in the summary on page XV before the script starts in terms of the full introduction, the sixth paragraph of the summary says:

The draft report concludes that when the New Zealand apple industry's standard commercial practices for production of export grade fruit are taken into account, the unrestricted risk for all three pests assessed achieves Australia's appropriate level of protection (ALOP). Therefore, no additional quarantine measures are recommended ...

It is in a context that that statement is made, and then it goes on further.

Senator BACK: Thank you.

Senator HEFFERNAN: In terms of an outbreak of fire blight, is that a notifiable disease in New Zealand?

Dr Grant: Fire blight is not notifiable in New Zealand.

Senator HEFFERNAN: That is all I need. I have been over and had a look three or four years ago. The standard farm management practice in New Zealand at the moment is: it is not a notifiable disease, you go down the orchard, 'Oh my God, there is some fire blight.' You get out the pruning operation, you prune the tree and spray it with antibiotic at the appropriate time and keep your mouth shut. Is that what you think is okay? Here, in the MIA, with which I am very familiar, if we get a fruit fly outbreak, we immediately impose a quarantine zone

around that. There is no such thing in New Zealand for a fire blight quarantine zone when there is an outbreak, because it is not notifiable.

Senator Ludwig: I am trying to establish the first question. The question seemed to be: do you think that is fair? I am not sure what the officer is supposed to comment on. If there is a question in there that the officer can respond to, I would invite the officer to try, but bear in mind that a question which is eliciting information would be better, or perhaps even an inflection at the end of the sentence might give us a clue. Thank you, Chair.

CHAIR: That is a fair request, Minister.

Dr Grant: You raised the issue of fruit fly. Fruit fly criteria are specified in international agreements as to what constitutes an outbreak. When that happens in the countries that are parties to that international agreement then that notification is made internationally. In the case of fire blight in New Zealand, it is now endemic in New Zealand and, as such, it is not a notifiable disease in New Zealand.

Senator HEFFERNAN: In the report you say it is not the issue—and I am sure Senator Back will come to that—but it was some years ago. In recent years it is not too bad when, in fact, because it is not notifiable and is endemic, it cannot get any worse. We have not got it at all, and yet they have surrendered in New Zealand. Thanks, Senator Back. I will come to my blurb in a minute.

CHAIR: You will come to questions when you are called, Senator Heffernan.

Senator BACK: Dr Grant, in the document that you have just quoted from, could you help my understanding? The various probabilities that you look at, for example, or the risk of events taking place—importation, distribution, therefore, probability of entry, establishment, spread—can you tell me what weighting, if any, you place on each of those risk factors? For example, you have declared importation in this document to be moderate as a risk. You have declared distribution to be extremely low and then you have, in your table 4.2 on page 67, what I assume to be a multiplication factor of importation and distribution equalling probability of entry and you call that extremely low. Could you tell me what weighting you would place on importation and distribution?

Dr Findlay: We use a qualitative methodology to analyse the various steps that go towards contributing to our assessment of likelihood. That methodology is explained in the front of each of our analyses, including this report. We can go into more detail about that, but it is quite a complex methodology and one that takes into account the various importation, distribution, probability of establishment and spread.

Senator BACK: Just for that particular one—we will not worry about establishment and spread for a moment; I do notice in your report you give both of those a high category of risk. In terms of that factor of probability of entry, which is, is it not, a relationship between importation and distribution, could you just take me through, in terms of your quantitative analysis, what is the weighting respectively on importation and distribution that allows you to come up with an extremely low summary of those two?

Dr Findlay: They are equal weightings. We make an assessment of the importation and then an assessment of the distribution, and those two weightings are multiplied to give you an overall assessment of the probability of entry.

Senator BACK: Could you then take me one stage further to your next one, which is the PEES, which is probability of entry multiplied by establishment multiplied by spread and tell me whether each of those three have equal weighting?

Dr Findlay: We take the probability of entry, which is extremely low; using the methodology table that is in the front of our report, we multiply that by the probability of establishment to give you an extremely low; then you take extremely low multiplied by the probability of spread, which was high, and that gives you an overall rating of extremely low.

Senator BACK: A simple mathematical multiplication equation, where you have two highs and an extremely low, equals extremely low?

Dr Findlay: Correct.

Senator BACK: Can I suggest to you, with the deepest respect, that you actually wanted to get to a certain position and it worked backwards? I do not know of any mathematical calculation—if each has equal weighting of a third and a third and a third, you end up with a sum which reflects the last of them. A high multiplied by a high multiplied by an extremely low surely must end up with at least a moderate or a low, not an extreme low. Unless the extremely low is weighted so heavily as to overrule the other two, you cannot end up mathematically with that result from one of those three, surely.

Dr Grant: Each of these steps is an individual step.

Senator BACK: Yes, I understand that.

Dr Grant: If one step is the factor that is the criterion that is least likely to occur, then, by definition, multiplying it by anything cannot raise it above that level. In terms of mathematics, one times one is one, one times 100 is 100, but, if you have 100, one and zero and you multiply the three together, you will end up with zero.

Senator BACK: That is the point of my question to you, and that is that you must surely have put an extremely heavy weighting on the probability of entry to overrule the impact of the two highs, establishment and spread. Do you agree?

Dr Grant: No. Each step is an individual step of equal weighting.

Senator BACK: We will come back to it. You then go on, of course, to having established your extremely low for the multiplication of those three; you then multiply it by consequences, which, by your assessment, is also high, and you end up with very low, according to your table 4.1.6 on page 71. It is interesting, in relation to the answer you have just given me, Dr Grant, that the multiplication of two highs by an extremely low ends up with extremely low and, yet, the multiplication of one high by an extremely low ends up very low. By your own deduction, if you have got two highs multiplied by an extremely low—and you call that extremely low—you then have a high by that extremely low, and you then agree that it goes up to very low; in other words, it elevates, it is less risky. You cannot have it both ways, I am sorry.

Senator HEFFERNAN: Is there a question in that?

Senator BACK: There is a question. The question is: how can you arrive at those conclusions?

Senator Ludwig: I am happy for Dr Grant to take you through it again, but the maths is there.

Senator BACK: No, this is not again; this is an extension of the last. I am pointing out the illogical conclusion. When you multiply two factors that are high by one that is extremely low and end up with extremely low, you then take that one and multiply it by one high and you end up elevating it on your hierarchy.

Dr Findlay: There are two components to what you have just described: the first is our assessment and articulation of the likelihood. To reiterate, that includes our assessment of distribution and importation. Then we move into a full assessment of the probability of establishment and spread.

Senator BACK: That is correct. I followed all that.

Dr Findlay: Those components go towards our assessment of likelihood. The second component of risk is consequence. Our assessment of consequence is then taken and used in our appropriate level of protection table and multiplied with likelihood. There are two steps: one is the articulation of likelihood; the second is a clarification of the consequences and a multiplication of those across our appropriate level of protection.

Senator BACK: All of this is hinging at the moment on your assessment of distribution, which I now want to go to. In your document, page 9, you have made the statement with regard to time and volume of trade, and I quote:

One factor affecting likelihood of entry is the volume and duration of trade. If all other conditions remain the same, the overall likelihood of entry will increase as time passes and the overall volume of trade increases.

Do you agree with the statement that you have made in that document?

Dr Findlay: Yes.

Senator BACK: I go back to this question of importation and distribution. You have called importation moderate, so you believe it is a moderate risk that fire blight will come into Australia. You have made that statement and I do not disagree with it. I now go to your distribution. For whatever reason unknown to me, you have come with that as being an extremely low risk. Let me just quote your own statements, if I may, and I am now quoting in page 48:

Minimal on arrival inspection procedures, that include checks that the consignment is as described on the phytosanitary certification would not detect calyx infected fruit.

That is the statement you make, 'would not detect calyx infected fruit'.

Dr Findlay: Correct.

Senator BACK: One would have to assume, if you were placing some risk profile on that, that the very nature of the statement that it would not detect it must put it somewhere in the moderate to high rather than the low to very low, surely.

Dr Findlay: That is if you are going back to your importation step, not your distribution step.

Senator BACK: This is now within distribution. I am quoting from within your distribution sector. You have already made the assessment of importation; you have said it is moderate. I am now quoting from your section on distribution. You have said that minimal on-arrival inspection would not detect calyx infected fruit.

Dr Findlay: Correct.

Senator BACK: I would be suggesting to you, that is hardly an extremely low.

Dr Findlay: There are other factors.

Dr O'Connell: You are picking on one particular factor.

Senator BACK: I have got many more to pick on, Dr O'Connell, I can assure you. I am not extrapolating outside your documentation at all. Then on page 48 you make the statement that:

Imported fruit will be distributed throughout Australia as wholesalers and retailers are located at multiple locations and this would facilitate the distribution of apples potentially infected with *erwinia amylovora*.

Is that its correct pronunciation?

Dr Findlay: Yes.

Senator BACK: I am going to call it 'EA' from here on. You accept that statement you have made, that it would be distributed widely and would facilitate the distribution of apples potentially infected with the bacteria?

Dr Findlay: Yes.

Senator BACK: You are not happy or prepared to put any sort of a risk profile on that particular statement?

Dr Findlay: That is not the only factor that goes towards our distribution assessment.

Senator BACK: I am aware of that. I now go, if I may, to page 49. This is a most interesting statement and it is apparently a quote from Hale and Taylor:

Once fruit is displayed for retail and sold it will be exposed to ambient temperatures and, once exposed to ambient temperatures, bacterial numbers will actually decline.

I do not know that I have ever known of a chemical reaction that declined in response to increased temperatures, so I did go to the quote of Hale and Taylor, 1999, in your bibliography of references, it is *Acta Horticulturae* 489: pages 139-143. But I was extremely disappointed because, from the reference I was able to source, that particular volume, 489, pages 139-143, is a report on a massive outbreak of fire blight in East Switzerland by the authors Hasler et al.

I was not actually able to locate, from your own bibliography, in this document the Hale and Taylor references. I would be particularly keen to be proven wrong but, on my literature search, that is what I came up with. I am not suggesting for one moment that every reference you have sourced or quoted is wrong, but it seems to me that this one is, subject to it being verified. I have not been able to quantify or to understand from Hale and Taylor how moving fruit from chilled to ambient temperature actually reduces bacterial action.

Dr Grant: There are two things there. Hale and Taylor is the reference itself; it cross-references or quotes a previous study. The reference is Hale and Taylor, so that is the reference we are quoting.

Senator BACK: The reference Hale and Taylor 1999 in your references states, 'Effect of cool storage on *erwinia amylovora* in apple calyxes, *Acta Horticulturae*' et cetera indeed is not. That particular reference is a reference to a massive outbreak of fire blight in East Switzerland by Hasler, Schärer, Vogelsanger, Schoch and Vignutelli. I would be very pleased

if someone can correct me. I make that point and move on if I can. Therefore I cannot comment on where I think you are with that statement.

Dr Grant: We will provide you with a copy of that reference.

Senator BACK: Thank you. I go further in your distribution section now. You make the statement 'infected fruit could be located near commercial orchards', agreed, not a low risk, but probable; that 'apple cores could be disbursed in the vicinity of commercial orchards', again, highly probable; that 'apples in the environment could cause the bacterium to come into contact with home gardens'. Quoting from your report, we all know of the incidents in the botanical gardens in Melbourne in 1997, so we know that that has happened. On page 49 you quote 10 species of plant hosts that the bacterium survives on. You refer in your report to overlapping of flowering plants with apple or pear flowering which will enhance the chance of pollinators distributing the inoculums. I am prepared to accept that that might be a low risk but, nevertheless, I am not yet at your point of calling this extremely low, and that is the point I want to get to, if I can keep going. I am sorry, Dr O'Connell?

Dr O'Connell: You raised the issue of the outbreak in the Melbourne Botanic Gardens, I do not think the source of that was ever clarified.

Senator BACK: No.

Dr O'Connell: The suggestion there was that it was due to an apple core.

Senator BACK: No.

Dr O'Connell: I do not think it was ever said—

Senator BACK: It was a cotoneaster I think, was it not? It has taken me a week to learn that name too; fortunately my wife knows more about these things than I do. You are quite right: nobody ever established the source. Yet we do confirm I think that it was the bacterium.

Senator NASH: Which is a problem in itself, not establishing the source, I would think.

Senator BACK: That is right.

CHAIR: Carry on, Senator Back, I am looking forward to your questions.

Senator BACK: Thank you very much. Again from your documentation you make the point that many plant hosts in Australia are located near apple and pear orchards, so again one would think that, if the importation is moderate, these are all factors that are pointing, to me, certainly well away from extremely low. You even make the point that consumers can discard waste along roadsides, recreational areas, that infected calyxes are a source of inoculums in new areas. You speak about environmental, both humidity and temperature effects, all of which we know exist well in Australian apple and pear orchards. You refer to browsing insects and that they are the most likely mechanism of transfer from discarded apples to a receptive site. We speak of bees. You refer, admittedly under experimental conditions—this is the first one, I must admit, that I found—

CHAIR: There is a question coming, Senator Back?

Senator BACK: There is a question coming. My question in each of these instances, if the officers want to interrupt me, Chairman, is: how can we arrive at a summary or a conclusion of distribution being extremely low in the face of the statements made in the interim report? I will speed up if you want me to. It was under experimental conditions that the Mediterranean fruit fly was shown to act as a vector. We then refer to wounds on the fruit caused by hail or

mechanical damage, and healthy pear stigmas are known to cause rapid multiplication of the bacteria. Coming back again to the presence of so many plants that we know are hosts of this particular bacterium existing in common with orchards, the bacterium capable of growing under optimum conditions of humidity and temperature, which we get in Australia. Then on your page 58 you make the observation:

As discussed in assessing the probability of importation, *Erwinia amylovora* is likely to be present in a viable state in the calyx in low numbers, and in only a small proportion of imported fruit.

I just want to read that again if I may, from your document, page 58:

As discussed in assessing the probability of importation, *Erwinia amylovora* is likely to be present in a viable state in the calyx in low numbers, and in ... a small proportion of imported fruit.

Of course, the susceptibility of native plants is unknown. Chairman, I could have gone further, because there are more quotes.

Can I put to you that, based on that evidence that you have presented in this report, it is absolutely illogical to come to a conclusion of extremely low risk of distribution. And can I put to you that even a very low or low risk—and I think I am being very generous—strategy there would then cascade your multiplications of risk to a level where under ALOP this particular fruit could not be brought into Australia safely. That is my question to you.

Dr Grant: There are a lot of statements made in that commentary you have made. Each of the individual statements about the transmittability et cetera are technically correct, they are statements of science. The critical issue here is to recognise that the connectivity of all of them, the multiplication of all of them and the occurrence of all of them is all based on the weakest link in the chain. If the weakest link is so weak that the likelihood of there being large numbers of viable bacteria—and we know that the decay rate of the viability of this bacterium on mature symptomless apples is very, very high—then we end up with a situation that the statements that are made are technically correct statements based on: if circumstances were such that bacterium was there in sufficient numbers, yes, these things can affect the transmittability. But what we are saying is that the bacterium does not enter Australia in numbers that are of a viable state for that sequence of events to happen.

Dr O'Connell: If you go to page 58, the 'Conclusion on probability of distribution', you will find there the sequence of events that need to occur and the discussion of those, including timings. The analysis takes all those things which you say—and I do not think there is any dispute about them at all—but, rather, says that in the sequence of events that need to occur, the probabilities of distribution get reduced as these go through. So you come down to the point at the end of the last paragraph there, talking about the stage of infection, which is the most susceptible state, and that by that stage in the sequence of events you have an 'extremely low' probability. That all does hold together. The analysis is quite clear in accepting all those points. What it is saying is that the sequence of events that occurs lowers the probability all the way down.

Senator BACK: My reading, Dr O'Connell, of that particular section led me the conclusion, not the opposite but that a level of risk higher than extremely low would be the more logical conclusion. I did not read in your distribution section anything that pointed me towards extremely low. Your conclusion states it. But with all of those parameters that I quoted I tried in isolation using a quantitative analysis to put against each of those what I believed would be a likely or possible or probable risk profile. I kept looking for where your

statements in the distribution section would point you to an 'extremely low' conclusion, and all I can find really is that it is in the conclusion, but I cannot find it in the text.

Dr O'Connell: I do not want to read out three long paragraphs but I think the sequence of reasoning through in that conclusion takes you from the probability of one event occurring to the next to the next to the next with the decreasing probability as a result of the next set of conditions. The bacteria, for example, has to come in. It needs to survive. It needs to survive in the time frame; it needs to survive to the point of the blossoming. There is this sequence of events right across the board which each time reduces the probability of this thing surviving and spreading. That is the logic.

Senator HEFFERNAN: You are struggling.

Dr O'Connell: I am definitely not struggling, I am afraid. The reasoning is very clear. It is going through the probabilities, each of which you are saying is there. There is no doubt about each of those things is right. You add one to the next and you decrease the probability of the final event. The final event is the infection of blossoms. What we have is a sequence of events which reduces probabilities of the events occurring down to the end, which is not to say that any of the statements that either you said or are in the report are incorrect. They are quite correct; it is just a matter of probabilities of events.

Senator BACK: I will return to the original question asked of Dr Findlay and you were kind enough to explain to me the weighting factor. On page 12 of the report there is the risk estimation matrix, and it goes from negligible, very low, low, moderate, high et cetera. If I return then to importation at moderate and distribution at extremely low, in your matrix the multiplication on of moderate and extremely low must land you at a low risk if they are, as you indicated to me, equally weighted. They must land you at somewhere between moderate and extremely low. I dispute your extremely low, but even accepting it, if distribution is low—

Dr O'Connell: I think that comes up as negligible rather than—

Senator BACK: Negligible has not entered in though. Negligible risk has not been applied to any of these.

Dr O'Connell: Can you just maybe run through your point again because I think we were looking at the wrong—

Senator BACK: Certainly. What I am reading out here is negligible, very low, low, moderate, high and extreme. The risk apportioned to distribution has been extremely low, which actually does not appear as such on the risk matrix. Therefore, I am taking it to mean negligible if it is extremely low. Would that be a reasonable assumption? The term you have used is 'extremely low' in your documentation. In the matrix the word is 'negligible'. Is 'extremely low' and 'negligible' the same term?

Dr O'Connell: Are you looking at table 2.5 on page 12?

Senator BACK: I am, yes.

Dr O'Connell: You have the likelihood of pest entry establishment and spread on the one axis.

Senator BACK: Yes.

Dr O'Connell: You are saying that is extremely low?

Senator BACK: No, I am just asking for the definitions in the nomenclature or the doctrine.

Dr O'Connell: Dr Findlay is suggesting you are looking at the wrong table.

Dr Findlay: When I described before the methodology that we use, there are two tables. The first is a table that allows us to combine our estimations of likelihood and the second is our appropriate level of protection table. You are using the appropriate level of protection table to multiply two steps in our importation step or the likelihood step, so you are using the wrong table.

Senator BACK: That is your table on page 71 then, is it not—the unrestricted risk estimate for the bacterium? The point I want to make again is that on that particular table on page 71 you end up with an unrestricted risk of being very low. When you then address that to your risk estimate matrix, amazingly enough, the ALOP at very low allows your conclusion about apples being safe for entry into this country. My point to you is that, however you measure it, whether you use the multiplication factor alone or whether you are prepared to go some way towards my plea that distribution itself is not extremely low but in fact is either low or very low, flow that through your quantitative analyses and you will come up with a scenario in which it is not very low but low or moderate and therefore the unrestricted risk is unacceptable. That is the point that I am making to you. It is a question seeking a response.

Senator Ludwig: I know, but you ended it with 'that is the point'.

Senator HEFFERNAN: Do you agree or not? You are struggling a bit.

Dr Findlay: Table 2.2 on page 9 is the table you need to be looking at to calculate the probability of entry establishment and spread.

Senator BACK: Yes, I understood that.

Dr Findlay: We then take that into our appropriate level of protection table, which is a risk estimation that is asymmetrical, to recognise high consequences. It allows us to be quite conservative in the way we translate our entry establishment and spread into an overall risk.

Senator BACK: I understood that. I did follow that thought process right through in examining this. It is correct that it is not a question but a statement. I just do not believe that you can come up with the unrestricted risk that you have concluded as being very low based on your own information and your own quantitative analysis. I have a final question in this area. Minister, is there in the budget any allocation for compensation to Australian apple and pear producers who may be adversely affected if or when apple blight came into the country?

Senator Ludwig: Let us go back to where we are at. Biosecurity Australia, as you correctly identify, has released a draft report for the scientific review of the import policy for New Zealand apples. You have spent some time disagreeing with the report, but it is open for public consultation for fixed—

Senator BACK: I have agreed with the report, with respect, Minister; it is just the conclusions I have disagreed with.

Senator Ludwig: From sitting here I am not sure I get to that conclusion. Nonetheless, it is open for 60 days until 4 July for submissions to be made because it is a draft report. If you want to make a paper to that report with your view and your findings, however you arrived at them, that is what it is there for. It is a consultative process that is now being undertaken by

Biosecurity Australia. If you look at the scheme of things my department estimates that there have been about 30,000 staff hours—and up to \$2 million in legal fees and staff costs—dedicated to fighting the New Zealand challenge to Australia's import risk analysis in the WTO. We do take our WTO obligations quite seriously.

As the Prime Minister has said, the government accepts the decision. We have heard today what that decision meant—that we had to go back and have a look at it. We have now had a look at it. We have a draft report which is science based. It is open for public consultation. I would encourage anyone who wants to challenge the science of that to make a submission. That is the process we have. That will then inform the science based decision-making around the report post 4 July. The director of animal and plant quarantine will then consider the final report and make a determination on the quarantine conditions that should be applied to imports of New Zealand apples. That is the process we are in now. I cannot say what the outcome of that will be, nor will I speculate about it. That is the process we are now in.

Senator BACK: But the door is closed, isn't it? The Prime Minister has confirmed that we will be importing the apples.

Senator Ludwig: That is not what I have said. That is not an accurate report of what was said. I have asked you to table the statement, the *Hansard* or the transcription of what you allege the Prime Minister has said. You declined to do that. I do not, therefore, accept the veracity of what you say at all. I have said what my view is and what I recollect to be the correct statement that was made. I thank the chair for the permission to outline the process because I think it is very important that people around this table do understand the process. That is why I took you back to *One Biosecurity: A Working Partnership* to highlight what has gone on in the past. We are now at a place where we do have an open, transparent and accountable system. There is a draft report; you can examine that. If you disagree with it or if you take issue with any part of it—and it is a science-based issue; it is not conjecture; it is not thought bubble—then write a submission and put it into the process. It would be invaluable to have that as part of the consideration for the final report.

Senator BACK: After the decision is made. I am sure I did not refuse at all to table for you what the Prime Minister said.

Senator Ludwig: I invited you do it.

Senator BACK: I am sure and I will accept your invitation in the event that the New Zealand Parliament has a *Hansard* transcript of what the Prime Minister said. I will be very happy to do that.

Senator HEFFERNAN: I would like to clarify a matter before I go to questions. There is a press release out overnight:

New Zealand denies ban on Aussie apple inspections. New Zealand denies a claim it has barred Australian delegates from inspecting its apple orchards.

Could I just get you to confirm that that is incorrect? The negotiating team from the Australian Parliament to the New Zealand Parliament—this was addressed to our secretariat—said:

The New Zealand Parliament is preparing a program based on the committee's original submission to the presiding officers in the subsequent draft program.

It goes on:

While approaches have been made to representative apple growers for meetings and site visits, I have been advised that the apple growers' representatives are not prepared to meet with the committee or arrange site visits to apple growing areas.

CHAIR: Senator Heffernan, I am going to interrupt there. This is budget estimates and I have given you the call, but the trip of the committee to New Zealand has nothing to do with budget estimates.

Senator HEFFERNAN: I just wanted to clarify the matter. The New Zealand Parliament will endeavour to meet—

CHAIR: If you wish to ask questions of the officers in relation to the budget, please feel free, you have the call.

Senator HEFFERNAN: Now that that is on the record, that is all I needed, thank you.

CHAIR: For the 'Junee Bugle'.

Senator HEFFERNAN: I go to the state of the apple industry in New Zealand—you say that fire blight is endemic. Is that correct?

Dr Grant: It is accepted in New Zealand now as being established on both islands.

Senator HEFFERNAN: Could you provide to the committee a list of countries who are producers and exporters of apples globally who do not have fire blight?

Dr Grant: We can do that.

Senator HEFFERNAN: It would include places like South Africa, I guess.

Dr Grant: We will get you that list.

Senator HEFFERNAN: You would accept that not having fire blight is quite a unique position in the apple industry?

Dr Grant: No, not particularly so.

Senator HEFFERNAN: We will come back to that when we get the list. The farm management practices on which you are about to rely—could you describe them? I have been through and chaired the inquiry into the outbreak of citrus canker in Queensland, where every mandarin tree in the area was destroyed. Given that the disease is endemic and not notifiable, and that it is treated by pruning and antibiotics in New Zealand, are we to accept that, while we are prepared to try to prevent further outbreaks—in the case of citrus canker, wipe all the trees out and start again—we are going to import apples from a country which has surrendered to the disease and is no longer trying eradicate it? Are we supposed to accept that risk when, as described by Senator Back, we do not have it here? Is there a reason why we cannot test their apples for antibiotics?

Senator Ludwig: Perhaps, Senator Heffernan, with all respect, we can start with the first question and deal with that and then proceed to your next question—if I can discern a question in there. What I can say is what I said at the outset: the period for public consultation is open; it closes on 4 July. Biosecurity Australia will consider all comments received and prepare a final report. We currently have a draft report, and the current quarantine conditions for New Zealand apples will remain in place until that determination has been made. I am not going to engage in conjecture about what the final decision might be.

Senator HEFFERNAN: Could the officers give me an understanding of why Australia is prevented from testing for antibiotics in apples under the proposed regime?

Senator Ludwig: In relation to antibiotics, Food Standards Australia—FSANZ—as I suspect you well know, has recently reviewed the risks associated with the use of streptomycin in New Zealand orchards on food and determined that that the risk to human health is negligible. It is not within this portfolio; it is within FSANZ. So the Department of Health could assist you with your questions in that area.

Senator HEFFERNAN: My understanding, Minister, is that under the Closer Economic Relations agreement we have with New Zealand, even if we wanted to test their apples for antibiotics we cannot.

Senator Ludwig: As I said, you will have an opportunity on Wednesday to ask FSANZ. It is fortunate that they are—

Senator HEFFERNAN: But this is the—

Senator Ludwig: No, let me finish. These questions should be referred to Food Standards Australia and New Zealand, FSANZ. They are the appropriate body that undertakes the work—

Senator HEFFERNAN: I understand that, this—

CHAIR: Senator Heffernan, the minister is answering.

Senator Ludwig: reviewing the use of these sorts of chemicals in horticultural products. FSANZ will appear on Wednesday. Since today is Tuesday, tomorrow is your opportunity to ask FSANZ these questions. That is the appropriate place to ask them.

Senator HEFFERNAN: Phytosanitation is the removal or destruction of infected plants likely to spread infection. Biosecurity Australia has proposed to replace Australian phytosanitary measures for New Zealand apples with standard commercial practices—to be directed, operated and policed by the New Zealand agricultural industry. Is that correct?

Senator Ludwig: Sorry, is there a document you are reading from? Chair, I would like to highlight the fact that we are now getting read out a number of documents that we do not have available to—

Senator HEFFERNAN: These are not documents; this is me asking questions from me. I am not reading from a document, I am reading from my questions.

Senator Ludwig: All right, I accept that then. Fire away again then, sorry.

Senator HEFFERNAN: Is that true? In going to standard commercial practices, could you give us the interpretation of what we are doing?

Dr Grant: Section 3 of the report that is out for public comment discusses New Zealand's commercial production practices in some considerable detail.

Senator HEFFERNAN: By changing their quarantine practices, what precedents are Biosecurity Australia setting for the importation of other agricultural products into Australia?

Dr Grant: We have not changed our practices.

Senator HEFFERNAN: You have gone, in the case of apples, from phytosanitary measures to farm management practices.

Senator Ludwig: It is a draft report.

Senator HEFFERNAN: You are proposing to.

Dr O'Connell: We would quite reasonably regularly change measures on imports as information comes through. It is not uncommon in fact for measures to be changed when we have information. That is practice globally.

Dr Grant: The use of commercial practice application in terms of quarantine is used all over the world for our exports, and many other countries' exports. They are accepted by importing countries as certified practices. It is quite common.

Senator HEFFERNAN: What other countries will be able to replace phytosanitary measures with a code of practice program based on standard commercial practices for agricultural production and export freely into this country?

Dr O'Connell: If you are just looking at it the other way, we—

Senator HEFFERNAN: No, I am looking at it coming in.

Dr O'Connell: The point that Dr Grant was—

Senator HEFFERNAN: We will look at it the other way in due course. Look at it the way I am looking at it for a start, even if your brief has not got it my way.

Dr O'Connell: Dr Grant's point was that it is international practice to look at commercial practices; for example, Tasmanian apples to China, our cherries and citrus to Korea and table grapes to China all rely on commercial practices. We have access to those markets because we rely on those commercial practices—similar to the fruit fly experience.

Senator HEFFERNAN: Of course, we do not have diseases that New Zealand has.

Dr O'Connell: We have fruit fly, pests—

Senator HEFFERNAN: But Tasmania does not.

Dr O'Connell: No, but we rely on fruit fly declarations in order to—

Senator HEFFERNAN: Tasmania—and I am sure Senator O'Brien would support this—is a very unique position in the apple production in Australia.

Dr O'Connell: In all those cases we are controlling potential diseases and pests.

Senator HEFFERNAN: What other countries accept the importation of New Zealand produce without phytosanitary measures and rely purely on the basis of standard orchard practices developed, operated and policed by the exporting nation? You might choose to take that on notice.

Dr Grant: We can take it on notice, but there are a number; for example, China will accept New Zealand apples imported into China.

Senator HEFFERNAN: You might take on notice what countries accept imports from any nation on such a basis.

Dr Grant: That is a very broad question.

Senator HEFFERNAN: This appears to me to be a lowering-the-bar attitude by Australia now, because, as you know, uniquely, in some industries we are the cleanest, greenest and freest, and we have just seen what has happened in New Zealand with them lowering the bar on the importation of pork.

Senator Ludwig: I am happy for you to make statements, but can you just allow the witness to respond to a question.

Senator HEFFERNAN: This is the culture of the business, Minister. You will take that on notice?

Dr Grant: Can I confine our question, if I can. You have asked a question: can we respond to every country in the world that accepts product—I understood—from any other country based on commercial practices—

Senator HEFFERNAN: You might, to the best of your ability, provide a list.

Dr Grant: Was it New Zealand apples?

Senator HEFFERNAN: What countries accept imports on such a basis? Just farm management practices.

Senator Ludwig: Are we confining it to New Zealand apples?

Senator HEFFERNAN: You can do whatever you like with it.

Senator Ludwig: I am making sure that the question, when it comes back, is responsive to the question.

Senator HEFFERNAN: When the questions come back, if they are not right, I am sure we will clarify them.

Dr O'Connell: If you are happy, we might keep that within reason; otherwise we are going to have to do a matrix of 150-odd countries, and it will be—

Senator HEFFERNAN: Within reason. We will see what 'within reason' means. You have got a battalion of people there. Why has Biosecurity Australia failed to recommend that apple fruit from a block or orchard be excluded from export to Australia if a pre-harvest outbreak of fire blight is detected?

Dr Grant: What we have said is that the management practices applied in New Zealand manage the control of fire blight to a very low level. For example, in the last several years—about 10 years, as I recall—there has not been an outbreak of fire blight in New Zealand. What we are saying is that there are occasions where there are—

Senator HEFFERNAN: With great respect, how would you know that if it is not notifiable? I have a different view because I have been over there and talked to them and looked in the last four years, and there is still fire blight well and truly alive. There has not been an endemic outbreak but certainly sporadic.

Senator Ludwig: You should allow the witness to complete their sentence.

Senator HEFFERNAN: He knows that.

Senator Ludwig: You should allow them to complete their sentence.

Dr Grant: There are occasional small occurrences—

Senator HEFFERNAN: That is better.

Dr Grant: of fire blight which are dealt with through the management practices, including pruning and spraying.

Senator HEFFERNAN: Pruning and spraying. I am well aware of that.

Dr Grant: Then we go through the harvesting and packing processes, all of which are spelt out in section 3, and in that context we come to our view that the risk is very low.

Senator HEFFERNAN: If there is a sporadic outbreak, non-notifiable, you just spray the tree, prune the tree and shut up. But, in the cases where they are identifiable, why don't you exclude them from the capacity to export apples—in this case, to Australia—when, in the orchard the apples are coming from, there has been a sporadic outbreak of fire blight? What is the answer?

Dr Grant: The answer is that the management practices give us confidence that the level of infection is extremely low.

Senator HEFFERNAN: What is the basis of your understanding of those farm management practices that we are not allowed to see?

Dr Grant: You are; it is in section 3.

Senator HEFFERNAN: No. If we go to New Zealand—

CHAIR: Senator Heffernan, I have already raised with you that it has nothing to do with Senate estimates—the committee's trip to New Zealand—so I would encourage you to forget that question—

Senator HEFFERNAN: We would like to see the farm management practices.

CHAIR: and you will ask questions directly related to the budget.

Senator HEFFERNAN: This is an attempted cover-up by the government. What are the farm management practices?

Senator Ludwig: There is no cover-up by this government. I reject that entirely.

Senator HEFFERNAN: We have been officially informed that we cannot go and inspect the farm management practices in New Zealand.

CHAIR: Senator Heffernan, you are not even going—

Senator HEFFERNAN: That is the reason I am not going.

CHAIR: so it has got nothing to do with the officers or Senate estimates.

Senator HEFFERNAN: That is the reason I am not going. I was leading the delegation until I pulled out.

CHAIR: Do you have any other questions to the officers re the budget?

Senator HEFFERNAN: I certainly do. What are the farm management practices which we are putting so much faith in? Describe them.

Dr Grant: I can read the whole of section 3, if you would like.

Senator HEFFERNAN: Just the outline, the basis—just tell me what you think it all means.

Dr O'Connell: Rather than do it in short form, when we have them laid out in section 3, it is probably best simply to table that.

Senator HEFFERNAN: We do not have that much time.

Senator Ludwig: The report is there.

Senator HEFFERNAN: Are they going to exclude from the packing shed the trees that have got fire blight?

CHAIR: Senator Heffernan, you did ask a question. The minister was trying to assist you in answering that.

Senator HEFFERNAN: It is bureaucratic mumbo-jumbo.

Senator Ludwig: The draft report is there for all to read. If Senator Heffernan wants to make a submission on the draft report, I encourage him to do so. I encourage him to look at the science and make a science based submission, rather than ask Dr Grant to precis the report itself, because in all of these there might be a miscommunication in precisising a report. The draft report is a science based report available for everyone to read and make a submission on.

Senator HEFFERNAN: All of the above and, of course, the science never allows for human failure, the guy that goes out and prunes the fire blight tree from which—

Senator Ludwig: Is there a question?

Senator HEFFERNAN: Yes, there is a question.

Senator Ludwig: Thank you, Senator Heffernan. I could not detect that at the outset.

Senator HEFFERNAN: If there is an outbreak of fire blight, sporadic, so-called in an orchard—a while ago there was none—and a tree is detected, pruned and sprayed, the apples from that tree can still be taken to the packing shed and exported under farm management practices. Correct?

Dr O'Connell: It is clear from the discussion we had earlier on that we are talking about the sequence of events which could involve some—

Senator HEFFERNAN: I am just asking you, with great respect, Secretary, to answer a simple question. If there is a tree with fire blight, which is detected—

Dr O'Connell: The answer is yes, as we have previously—

Senator HEFFERNAN: That is all I wanted: yes. Under the protocol suggested, we are going to be able import into Australia apples from trees that, in the season of the importation, have fire blight.

Dr Grant: Potentially, that is right.

Senator HEFFERNAN: That is all I need to know.

Dr O'Connell: We have gone through that and explained that that is then in the context of a range of other occurrences that would have to take place for an infection to become established and that the probability of that full sequence of events occurring is extremely low.

Senator HEFFERNAN: As you know—you may not know—in the original import risk analysis negotiations, we were proposing, in areas of outbreak, zones of non-outbreak. We have now conceded that the thing is endemic and, therefore, there is no such thing as a notifiable disease. That is the answer I needed. What specific guarantees are provided by New Zealand's standard commercial practices that would replace the need for the exclusion of apples from those trees? What specific thing made you change your mind?

Dr Grant: The level of adoption of the standard practices and our observation of those practices in application, and the fact that, going through the harvest and packing sequence and, indeed, knowing the science associated with the bacterium and its decay rate in terms its survivability—all of those things combined allow us to come to our conclusion.

Senator HEFFERNAN: Why has Biosecurity Australia failed to recommend that apple fruit be either excluded or fumigated when a heavy infestation of apple leaf-curling midge or leaf rollers occurs in an orchard?

Dr Findlay: This comes back to the fruit production system in New Zealand and also the inspection practices that we have recommended as measures. There is an inspection when the fruit enters the pack house and there is also the standard AQIS inspection when the fruit arrives here in Australia.

Senator HEFFERNAN: Is there or isn't there a specific guarantee provided by New Zealand standard commercial practices that would replace the need for the measures of exclusion and fumigation? You do not think we need to fumigate any more?

Dr Findlay: No, our assessment is that the inspection regime with the apples entering and then the inspection when AQIS checks the product when it arrives here will satisfy or manage the risk appropriately.

Senator HEFFERNAN: To what extent does Biosecurity Australia take into account the fact that New Zealand's integrated fruit production system—that is, its standard commercial practices—failed to prevent New Zealand exporting codling moth in shipments bound for Taiwan in 2007?

Dr Findlay: Can you repeat that question, please?

Senator HEFFERNAN: A pretty simple question. It is called human failure. To what extent did Biosecurity Australia take into account the fact that New Zealand's integrated fruit production system—that is, its standard commercial practices—failed to prevent New Zealand exporting codling moth in shipments to Taiwan in 2007 or did you not know about it?

CHAIR: With the greatest respect, Senator Heffernan, at least have some decency and manners to the officers and give them an opportunity to answer them instead of jumping with smart comments like that that are not appreciated.

Dr Findlay: Codling moth is not a pest of quarantine concern for Australia with the exception of Western Australia. The other factor that would go into making our assessment of that is the measures that Taiwan implemented when the product arrived on its shores, just as AQIS implements a 600-unit inspection here.

Senator HEFFERNAN: That is a very good flick pass, but Taiwan was relying on, under their agreement, farm management practices that clearly, by human error, failed because they imported codling moth into Taiwan.

Dr O'Connell: We are talking about farm management practices, those conditions, plus our inspection. What we are saying is we are confident that with the farm management practices, plus the inspections—

Senator HEFFERNAN: With great respect, we are not going to do the inspecting though. New Zealand is going to do its self-inspection.

Dr Findlay: No, that is not correct. There are two inspection regimes. One is inspection when the product enters the pack house. That is part of New Zealand's practices that they will certify against. The second is the inspection that AQIS does to verify that the product meets our quarantine requirements.

Senator HEFFERNAN: In their packing shed.

Dr Findlay: No.

Dr O'Connell: No, on entry.

Senator HEFFERNAN: Until it gets here we have no say. We have been through this.

CHAIR: Senator Heffernan, can you just let Dr O'Connell answer your question and then we will go straight back to you as soon as he has finished.

Dr O'Connell: That is one of the standard controls we use across our quarantine business, the 600-unit inspection. That is common right across our business.

Senator HEFFERNAN: Given the failure in Taiwan with New Zealand, how can that very same system be trusted to prevent fire blight, canker and leaf curling midge from being exported into Australia?

Dr O'Connell: I do not think we can run parallel from an importation into Taiwan to here and I do not want to make any comment on what the conditions are that Taiwan puts on New Zealand fruit coming into Taiwan. What we are talking about is the conditions that we are proposing may be put on once we go through this consultation process.

Senator HEFFERNAN: Why has Biosecurity Australia failed to impose a system that engages Australian quarantine inspectors?

Dr Grant: It has not. Quarantine inspectors are involved.

Senator HEFFERNAN: At the pack house, I should say.

Dr Grant: We have the provision that we can audit the system and it is not precluded in any way.

Senator HEFFERNAN: But it is not a requirement under what is proposed. You have the option but you are not exercising the option at this time.

Dr Grant: There is no import at this time.

Senator HEFFERNAN: But if there were. Under what is proposed for an import protocol, we are not going to have—as the secretary said a minute ago—Australian quarantine inspectors over there in their pack houses, are we?

Dr Grant: We have reserved the right to do so if we believe we need to.

Senator HEFFERNAN: Under what is proposed, which is we inspect it when it gets here, they inspect it over there, are they going to have New Zealand quarantine officers in the pack houses?

Dr Grant: New Zealand monitors the production system.

Senator HEFFERNAN: You are right; they are not going to have them there.

Dr Grant: There is a system of reporting in New Zealand by the industry which is monitored by the government or the service that the government uses.

Senator HEFFERNAN: That begs the question: why are we not insisting that New Zealand quarantine officers at least pay Australia enough respect to be in the pack houses inspecting the fruit.

Senator Ludwig: I remind you it is a draft report.

Senator HEFFERNAN: I am well aware of that. We have a long way to go.

Senator Ludwig: If you feel strongly about that particular issue, we would welcome your submission on it and hopefully it would be science based. I am sure you would be able to then put that into the system and it will be taken into account.

Senator HEFFERNAN: Thank you very much, Minister, for that advice. That is charming advice and I am sure that, if it was not for people like Chris Back and this committee, these things would have been in Australia many times for many years.

Senator Ludwig: I take that as a comment.

Senator HEFFERNAN: How will Biosecurity Australia ensure that those inspections will be sufficiently robust and rigorous to prevent the export of diseases and pests of concern or export trash carrying pests and diseases if it is a reporting rather than an inspection basis in the packing sheds?

Dr Grant: As is pointed out in the report, the system works towards reducing trash in the packing system to zero we have seen so far. We then do a 600-unit inspection here, and that statistically gives us a confidence limit that gives us the confidence that trash will be maintained at a very low level.

Senator HEFFERNAN: We all know there are good farmers and bad farmers. Depending on whether you are behind at the bank or in front at the bank, you tend to cut corners et cetera. How does Biosecurity Australia propose to ensure that New Zealand's standard commercial practices are indeed standard and that human interpretation and application of those standard practices will not differ from orchard block to orchard block, grower to grower, region to region? If you can answer that you are a miracle person.

Dr Grant: The system has been in place for quite a few years now. It was initiated originally in 1998, as I recall, and progressively was adopted more broadly in industry and since, I believe, about 2002-03 has been widely adopted in industry. New Zealand will attest to that. We accept that system and we have the provision to audit it, as we say. New Zealand exports vast quantities of its apples to a large number of countries and they accept the system in those countries.

Senator NASH: How many of those countries do not have fire blight?

Dr Grant: Yes. China would be one. China, Japan.

Senator NASH: How many countries do they export to?

Dr Grant: The major markets that they have are UK, USA, Netherlands, Belgium, Taiwan, China, and Japan.

Senator NASH: The ones that do not have fire blight?

Dr Grant: Certainly amongst those are China and Japan. We would have to look at the others and take that on notice.

Senator NASH: There is an awful lot that they are exporting to that have fire blight so it is a totally different situation than Australia.

Dr Grant: I would not say an awful lot, but we will give you that list to the best we can.

Senator NASH: A significant number.

Dr Grant: We do not know all of their export markets.

Senator NASH: Their requirements though are entirely different to ours as a country that does not have fire blight.

Senator HEFFERNAN: I am curious about this standard farm management practice, as every farmer in Australia would be curious, because I would like someone to describe an

Australian standard farm management practice to me. Every farmer grows his enterprise differently, depending on his resources, whether he has got bigger gear, smaller gear or can afford the spray, all those things. What levels of auditing will Biosecurity Australia employ to ensure compliance to the so-called standard orchard practices? Who will undertake those audits, AQIS or the New Zealand industry?

Dr O'Connell: This is all in the document. We are going to end up rehearsing the whole document, but the problem will be that we will not cover the thing comprehensively. I point you to page 124 of the draft report, which is section 5.2, where it goes through the operational systems for maintenance and verification of the phytosanitary status. It goes to the audit and verification structure, registration of export orchard, registration of packing houses and treatment facilities, management of packing and labelling et cetera. There is a comprehensive set of things there.

Senator HEFFERNAN: My question is: who is going to do the auditing, New Zealand or Australia?

Dr O'Connell: Subject to audit by Australia.

Senator HEFFERNAN: We are going to send people over there regularly to audit what is going on with their farm management practices?

Dr O'Connell: Yes, typically subject to risk.

Senator HEFFERNAN: Why has Biosecurity Australia proposed a border inspection regime that only requires the inspection of 600 pieces of fruit per consignment when one consignment could involve the importation of many millions of pieces of fruit and indeed fruit from many lots, lines, multiple orchards or multiple packing facilities?

Dr Grant: The application of that testing regime of inspection of 600 per consignment is an internationally accepted standard that has a risk profile attached to it that is accepted all over the world.

Senator HEFFERNAN: Is that an OIE standard?

Dr Grant: No, it is not OIE; it is an IPPC standard.

Senator HEFFERNAN: You are saying, even if there are however many million apples, you are going to stick with the 600?

Dr Grant: Yes, because the—

Senator HEFFERNAN: That is all I need to know.

Dr O'Connell: This gives you statistical verification at a very high level.

Dr Grant: A standard 600 inspection gives you a 95 per cent confidence that you will find the problem, if it exists, in 0.5 per cent of the consignment.

Dr O'Connell: That takes you to the appropriate level of protection.

Senator HEFFERNAN: Why has Biosecurity Australia failed to recommend that a high risk area for European canker, such as Auckland and Otago, which has been in the news a bit lately, be excluded from exporting to Australia?

Dr Grant: Because we have applied the system that we have enunciated in the report.

Senator HEFFERNAN: The farm management practices system?

Dr Grant: Yes.

Senator HEFFERNAN: During Biosecurity Australia's representative visits to New Zealand, how many orchards, packing facilities and exporters did they visit and inspect?

Dr Findlay: Biosecurity Services Group officers visited New Zealand orchards from 7 to 9 March this year. They visited four orchards and three pack houses in the Hawkes Bay region on the North Island. Hawkes Bay produces around 66 per cent of the apple fruit exported. They visited two orchards and two pack houses in the Nelson region on the South Island. That area produces about 28 per cent of exported fruit. They visited orchards and spoke with companies that produce approximately 40 per cent of all apple exports and visited pack houses and the companies associated with those pack houses that covered about 50 per cent of all apple exports.

Senator HEFFERNAN: Could we have the report coming out of those inspections tabled to this committee?

Dr Findlay: The report from that is included in section 3, and how we have applied it to managing risk.

Senator HEFFERNAN: Could you excise it and provide it to this committee? I know that is a dreadful thing to have to ask a whole lot of—

Senator Ludwig: We can send you the entire report.

Senator HEFFERNAN: Is it too much trouble to just excise the precise part? Could you now provide us with who did the visit—who were the people that actually went on the visit, their names and rank and serial numbers—and how long they were at each facility, the names of the facilities and farms they inspected and at what time of the year each of those inspections was undertaken.

Dr O'Connell: Certainly we can provide the information, but I will take on notice the names of the people just in case—

Senator HEFFERNAN: This was done, and I think the Prime Minister made an announcement in February. These inspections, as I understand it, were taken in March. Where would that be in terms of the apple orchard phenomenon in New Zealand? Is that at harvest?

Dr Grant: Yes, it is essentially the middle of the harvest season and packing season.

Senator HEFFERNAN: You will provide the farms, the packing houses, addresses, names and the people who did the inspections and how long they spent at each facility. Thank you very much.

Dr Grant: We will certainly take it on notice.

Senator NASH: It is 600 pieces of apple fruit per consignment. How many pieces of fruit in total per consignment would there be?

Dr Findlay: We have been talking about one million pieces of fruit. That would equate to about 27 export lots. If we calculate that out using the 600 unit fruit inspection, across a million pieces of fruit we would be inspecting 16,200 apples.

Senator NASH: I suppose you can see from that why people are concerned that that might not be a good enough regime to keep any of this disease out. I ask that in context to get an understanding of why people are so concerned about this, in 2007 we did the Senate inquiry

on the Administration of the Department of Agriculture, Fisheries and Forestry, Biosecurity Australia and Australian Quarantine and Inspection Service in relation to the final import risk analysis report for apples from New Zealand. Back in 2007 in the report the committee sought clarification on the extent to which fire blight might be imported into Australia under the proposed protocol and the risk that the disease could establish and spread. Bear in mind this is back in 2007. The report says:

Biosecurity Australia confirmed that fire blight can travel on a mature apple and that chlorine dips are not effective in killing fire blight in the calyx of the fruit. Biosecurity also explained that its modelling suggests that a low proportion of apples could be carrying fire blight bacteria and that there is some risk of contamination but that there was a low risk of the disease becoming established. However, Biosecurity agreed that, once established, the risk of spread of the disease is a very high probability.

I think it was a Dr Roberts who said that their modelling suggested that a low proportion of apples could be carrying fire blight bacteria. Then a little further on, he said that, once established, the spread is a very high probability, which is where that was extrapolated out from for the report. So 16,200 pieces of apples out of one million will be inspected. Given in the past Biosecurity has very clearly shown what the risks are likely to be here—and I do have to refer to Senator Heffernan's continuing focus on human error—how can you be sure that the risk is going to be low?

Dr O'Connell: Everything you have said is consistent with the draft report that we have and the 600-unit standard is a statistically based standard globally accepted to give that 95 per cent probability of 0.5.

Dr Grant: If the occurrence is there it occurs in 0.5 per cent.

Dr O'Connell: That is used globally and has statistical verification. While it might not be intuitive, it is calculated to be effective.

Senator NASH: I understand from your position you do need to work with figures with like that, but unfortunately it does not take into account human error. It may well be a global figure, but there are—

Dr O'Connell: I think it does take into account human error.

Senator NASH: Just let me finish. My point is that for a very few countries who do not have fire blight this is a very serious issue. I just take you back to the point before and your commentary around New Zealand and what they do to export to other countries. Those countries that they export to that already have fire blight bear no relation on how we are approaching this issue now.

Dr O'Connell: They also export to countries that do not have fire blight significantly. The point I would make is that the 600-unit inspection is unrelated to whether or not people are making errors externally. It is one that will give you that 95 per cent probability of 0.5 per cent occurrence.

Senator NASH: It is the five per cent that really gets people's antenna up, I think.

Senator Ludwig: I am happy for you to make a submission on what you say the science should be and hopefully it is a science based assessment that you come to. We can only respond by indicating what the globally accepted standards are. If you have a different standard that you want to apply, then perhaps the science that would underpin would be also helpful to understand.

Senator NASH: Having been doing this for some years now, back to 2007, Minister, thank you for your intervention. I will take up your offer of providing a submission, but we still remain very wary.

CHAIR: Thank you, Senator Nash. Senator Xenophon and I think that will wind up apples.

Senator XENOPHON: On the issue of apples can I go to page 69 of the portfolio. I go to the budget papers. I am very grateful to Senator Back for highlighting this to me. Program 2.2 deliverables says:

Key program deliverables for the Animal and Plant Health Program in 2010–11 includes:

Strengthening Australia's biosecurity system to enhance national capacity to manage pest and disease risk

Will the measures being proposed for the imputation for fire blight regions in New Zealand satisfy this deliverable?

Dr O'Connell: The answer is yes on our current basis. We of course have this open for public comment and we will be expecting to see some commentary.

Senator XENOPHON: You do not see a disconnect between the two?

Dr O'Connell: No, as we say, we believe that the draft report demonstrates how the measures can meet our appropriate level of protection and so meet that Biosecurity Australia—

Senator XENOPHON: There is something I do not understand. The deliverable is that we need to enhance national capacity to manage pest and disease risk, yet we will be bringing in apples from a country with fire blight.

Dr O'Connell: We will be providing the conditions under which we believe apples can potentially be imported and maintain our fire blight-free status which is the Biosecurity—

Senator XENOPHON: You can understand why many people would read this deliverable and see that it is completely at odds with the decision of the government to allow in New Zealand apples.

Senator Ludwig: There is no decision to do that. It is a draft report, and I am happy for you to make submissions in relation to that draft report. It closes on 4 July. I set this out unfortunately when you were not here. I did not want to take the time of the committee to go through it again. I went through and I am simply making sure the record properly reflects the position we are currently in. Of course, there is no inconsistency between the portfolio budget statement. What we do have is a significant biosecurity reform agenda. We will be bringing legislation back in this year. If you look at the Beale report—accepted in principle by this government—and some of the findings in there that I also read out earlier about the failure of our systems in the past, particularly about the PEQs. I can take some time to go through this but I will not occupy the estimates committee time. All of that leads us to the position that this is a big reform agenda. We will be pursuing biosecurity reform across the continuum. It will be about strengthening our biosecurity arrangements. What that also means is it will be science based. That is why the draft report is science based. It is out there for consultation, and I invite people to make science-based submissions to it about the science contained within it. If you go to 3.4.1 on page 40 of the Beale report—and I will not read it for you—I would

encourage you to read that section and put it in context with the statements I am now making, that it is important that it is science based; 3.4.1, page 40.

Senator XENOPHON: My submission will be the same as Senator Heffernan's and others here. What strategies are in place in the event fire blight is found at an individual orchard?

Dr O'Connell: In New Zealand?

Senator XENOPHON: No, here. As part of this outcome, this deliverable, what strategies are there if fire blight is found in an individual orchard? What management will there be in place?

Dr Grant: As we do now with possible incursions of diseases, we apply the emergency management procedures that exist under the plant or animal deeds.

Senator XENOPHON: Like the Asian bees?

Dr O'Connell: Similar to the recent chestnut blight, for example. Chestnut blight has been discovered in Victoria, and there is a process there to eliminate that.

Senator XENOPHON: You are aware of the Asian Honey Bee as is Senator Milne in particular and others. What will happen to adjacent farms? What strategies are in place? If fire blight is discovered in an individual orchard, what will happen to adjacent farms in Australia?

Dr Grant: We are speculating but we would apply the emergency management measures that exist under the deeds that are in existence, the plant deed, the animal deed. Potentially the consultative committee for emergency plant pests would be convened. It would look at the issue. It would propose to the national management group a suite of actions. The national management group would consider those, make its determination and, on that basis, subject to what that outcome was, an incursion management regime would be put in place.

Senator XENOPHON: On notice, can you provide documents that set out what these protocols would be in the event that fire blight is discovered in an apple orchard in Australia? Presumably you already have some contingencies in the event that occurs.

Dr Grant: We can certainly take it on notice and provide you with the procedures, yes.

Senator XENOPHON: Obviously it is being considered in the event that New Zealand apples come into this country.

Dr O'Connell: The deeds are in place and established for a range of diseases under a range of circumstances, not specifically targeted towards New Zealand apples or anything like that.

Senator XENOPHON: In terms of your emergency management procedures, have you considered an outbreak of fire blight here in Australia?

Dr O'Connell: If that came through we would use that process to deal with that.

Senator XENOPHON: You have the protocols in place.

Dr Grant: We have protocols in place for dealing with emergency plant pests.

Senator XENOPHON: Including fire blight?

Dr Grant: Any pest that comes in that is determined to be an incursion of a new pest is dealt with in the same way.

Senator HEFFERNAN: Generally, like fire blight, citrus canker, myrtle rust, honey bee, the system fails.

CHAIR: Senator Heffernan, you have one or two last questions before we move on.

Senator HEFFERNAN: Would the beginnings of that protocol be in the case following directly on from Senator Xenophon's question be one of eradication?

Dr O'Connell: That would be the intent. As we say, we will provide that on notice, but the intent obviously when you have these things is to eradicate.

Senator COLBECK: Isn't that a decision for process?

Dr O'Connell: Yes, but you start with the assessment of whether or not you eradicate and the intent normally is. What you would normally have is the state where it occurs will put in place a response. If it assesses that it can eradicate, it will put that response in place and look to get a national agreement that we are pursuing eradication, make the assessment that you can and agree on the cost sharing potentially with industry if it comes under one of the deeds.

Senator HEFFERNAN: To the best of your knowledge, has there been in a commercial orchard situation an outbreak of fire blight that has been eradicated?

Dr O'Connell: In Australia the only outbreak—

Senator HEFFERNAN: No, not in Australia, anywhere.

Dr O'Connell: I think Dr Findlay might be able to help you.

Dr Findlay: There have been a couple of instances, of course the Melbourne Botanic Gardens and there is also—

Senator HEFFERNAN: I am talking about globally an outbreak in a commercial apple orchard. Has it ever been eradicated?

Dr Findlay: Not from a commercial apple orchard.

Senator HEFFERNAN: That is exactly the answer. That is it precisely. If I were an independent person sitting at the back of this room observing this, would you agree that Australia uniquely is a wonderful sovereign country, the best place in the world to raise a family, breathe fresh air and drink clean water? We have a marvellous advantage in the market because of our clean, green and free status in a range of issues: everything from beef to apples to whatever. You would agree that we are uniquely positioned in the world. Do you agree we are in a strong position?

Dr O'Connell: I would agree that the point of much of our biosecurity system is to ensure that the comparative advantage we have in our disease status is maintained.

Senator HEFFERNAN: You are agreeing we have a comparative advantage?

Dr O'Connell: Yes.

Senator HEFFERNAN: You are agreeing we have a—

Dr O'Connell: In this case, that is why we are looking to put in place the protections against fire blight.

Senator HEFFERNAN: In terms of the global pressures, and New Zealand has just succumbed to the global pressures of trade arrangements with their pork industry, would you agree that the person sitting at the back of the room there could say that, to ease the trade

movement of everything from food to God knows what—apples or beef—the easy solution for the rest of the world, who are at a lower standard than Australia—

Dr O'Connell: Are you talking about pork or apples now?

Senator HEFFERNAN: I am talking about everything. I am talking about the fact that we have this wonderful status and it is difficult and a pain in the backside to the rest of the world that we insist on keeping our status. The independent person at the back of the room could say that what Australia is doing to ease trade is that, instead of having phytosanitary measures, we are going to farm management practices, and we are lowering the bar to them rather than getting them to raise the bar. It would be impossible for them to raise the bar because we have just said no-one has ever eradicated fire blight from a commercial orchard that has it. My simple proposition is that we are lowering the bar for trade purposes. What is your view?

Dr O'Connell: I would have to say no, because I think that what we have demonstrated that we are looking at our appropriate level of protection and we have documented how we are going to maintain that in the draft report.

Senator HEFFERNAN: You have been guided by the government, and I accept that.

CHAIR: If there are no more questions of the officers in terms of apples, we will now move on to Senator Milne.

Senator MILNE: There are a number of areas I would like to cover, but the first is in relation to an emerging fungal disease in the United States and I just wondered whether it is on the radar in Australia or if we have a watching brief on it. It is the white-nose bat disease. It has been killing bats—a massive collapse in the bat population in the United States, with deaths over 100,000 in hibernating bats in one state alone. I wondered if we actually have a watching brief on that here.

Dr Biddle: Yes, we do have a watching brief on the white-nose disease developments, particularly in North America. The Australian Wildlife Health Network has an alert out on that subject and there have been some investigations and exclusions conducted in Australia in recent years.

Senator MILNE: We have a watching brief with the animal health network. Has there been any evidence of the disease in New Zealand or any of our other close neighbours?

Dr Biddle: Not to my knowledge in the Southern Hemisphere, no.

Senator MILNE: What can you tell us about progress in the United States in terms of what is causing the disease or any response to it?

Dr Biddle: In broad terms, the mechanism whereby the particular fungus which is involved operates is that it appears to deplete fat reserves of animals during their hibernation, which means they are not viable at the end of hibernation, they are not able to thrive and they succumb to ill thrift and starvation and waste away. That is the latest consensus around the mode of action of that particular fungus involved.

Senator MILNE: They do not know what is causing it or anything else about it yet?

Dr Biddle: There is speculation about how it spreads from different roost sites and there has been significant spread, particularly in the north-east of the United States.

Senator MILNE: In terms of people in Australia being aware of it and the animal health network that you just mentioned, as you have said there have been a couple of exclusions, so people are obviously onto it.

Dr Biddle: Correct.

Senator MILNE: Is there any further action that needs to be taken? Is that an adequate response in your view?

Dr Biddle: We are certainly looking at scientific developments and how to better understand the disease and how it spreads, and that is an ongoing activity. As I have said, we will investigate appearances of die-offs in hibernating bats to see if we have been unlucky enough to acquire the infectious agent.

Senator MILNE: Thank you for that. This one might also be for you. This is in relation to the small hive beetle and its incursion into European honey bee hives. Can you tell me about the spread of that and whether it has been contained or anything about it?

Dr Biddle: The other areas of the department may be able to supplement my answer. Previously I indicated that the spread is quite extensive within Australia; I think you have asked a similar question in the past. I did point out in that answer that there had been a detection in the Kimberleys, which represents the furthest extent of spread from south-east Australia. The movement of beehives is probably implicated in that degree of spread but, nonetheless, it remains a significant economic pest that requires active management on the part of beekeepers.

Senator MILNE: I understand, of course, that the incursion was in about 2002 and it is believed to have occurred around Richmond base. Can you or somebody explain to me what the quarantine arrangements are at Richmond base and how it is that bees were allowed to be transported from New South Wales to Queensland before this pest was appropriately identified, having been reported?

Dr Biddle: I was involved with the response group back in 2002, which is the date I think you mentioned. At that time it was not possible to establish the mode of entry of the pest into Australia; there were some suspicions. At the time of its first detection it was quite apparent that it had spread from that Richmond area, that general area, to the west and north of Sydney, into Queensland. That was when the initial response was made to the pest. After a lot of scoping and investigation, with evidence from experts, it was recognised that it was not possible to eradicate the pest because of the feral bee populations and the capacity of the small hive beetle to maintain populations within unmanaged feral bee populations. Therefore eradication was not proceeded with. The extent to which individual states at that time imposed movement restrictions to limit the spread of the disease was certainly a feature and in some states continues to be a feature, but notwithstanding, because of the commercial needs of the industry, it is now more down to a hive-management protocol for the industry to follow to limit their risks.

Senator MILNE: The issue for me is how it got here in the first place and why it was permitted to get away from us yet again, and I want to go to this issue of the Richmond air base, because I understand that at the time they had just come back from South Africa. Was a check done of the Richmond air base and the quarantine arrangements there, and has anything been improved subsequently? You said you had your suspicions. On this committee we get a

bit tired of hearing time and time again how we are never sure of how things got here and it was all too late and it got away from us and so on. After that, was any real investigation done of the adequacy of quarantine at Richmond air base?

Dr Biddle: As I said before, the exact mode of entry, portal of entry, was not identified to my knowledge then, at the time of the incursion, or subsequently. There are specific procedures applied, as a routine, at Air Force bases for cargo coming in and I am sure my colleagues from the cargo area can detail those.

Senator MILNE: Was any investigation done at the time and was there any change to the arrangements there subsequent to this incursion or did we just say that we did not know where it came from?

Mr Chapman: I would have to take on notice, because it is well before my time, as to whether an investigation was done. What I can tell you about, though, is the quarantine processes that we have at air bases and how we work with the Australian military to mitigate the whole range of quarantine issues. Aircraft that fly into Richmond are subject to quarantine intervention but, on top of that, we do work very closely with the ADF so that they have an understanding of the issues that concern us. That has been a productive relationship, which is reflected in MOUs. I would say that the military takes the concept of a shared responsibility very seriously. In relation to bees specifically, we have a range of processes in place, and I mentioned them briefly at the last estimates, to maximise the opportunities that we have of identifying when bees of any sort come in as hitchhikers on cargo in an aircraft. That relates to the reporting by vessel masters, to the surveillance we have around ports, and to the industry education processes that we have. Because bees are of concern to us in Australia, whether they are Asian honey bees, European bees or any of the other bees which we do not have here, we advise the industry periodically, particularly at a peak season, that we want them to be aware of bees and make sure they report them to us.

Senator MILNE: In this case is it first reported to the quarantine officer in the state or is it immediately reported to the Commonwealth? In this case I understand that the beekeeper near Richmond reported it to New South Wales authorities, they looked at the beetle and said not to worry about it, it was an endemic beetle, gave them permission to move their bees to Queensland and it was not until after that, when the slime started developing et cetera, that the Commonwealth was called in. Is that normal procedure?

Mr Chapman: The usual process when bees, or anything that is associated with bees, is found at the border, we would be notified first because it is part of the quarantine clearance and we would advise the state or territory governments. When it is something that is found in the country onshore, it really depends on the circumstances. We might be advised, which happens with some insects, or the state or territory government might be advised. It is then that we need to work together.

Senator MILNE: This is where I am going to next, with the state and territory government people who may be advised if a citizen has a concern about a particular insect or something. Do the states all have entomologists or processes for making sure they have entomologists, or does the dog and cat person have a look and see if they think it is an endemic beetle or not?

Mr Taylor: Both the states and the Commonwealth have highly-skilled entomologists on staff and highly developed networks of communication. Regarding bees, particularly within the precinct of ports et cetera, there are surveillance systems in place and we work very closely with the states. The answer to your question is, yes, the states would have suitable, qualified people.

Senator MILNE: If they have highly qualified entomologists, who then say it is an endemic beetle and give permission for the bees to be transported and then we get what has occurred, a significant problem with the small hive beetle, who takes responsibility for that?

Mr Taylor: Perhaps that would be best answered by my colleague.

Senator MILNE: Who is responsible?

Dr Biddle: That is a question of general liability and it is up to the parties, having regard to the particular circumstances they are confronted with and the facts of the matter as to how a legal recourse or any other form of recourse might be pursued. I would point out that, at the time of the initial discovery of this invasive pest, it was on the emergency response list and there was a coordinated response conducted in accordance with our emergency arrangements, and that was initiated upon the Commonwealth being advised of the confirmed detection of the pest. That process was worked through and I described the outcome of that because the particular biology of the small hive beetle meant it was not possible to eradicate.

Senator MILNE: I understand that but my issue is that, time and time again, the report that we get here is, 'Oh, yes, well, mistakes were made and it was transported and, by the time the Commonwealth was notified, it had got to the point that it wasn't eradicable' et cetera. This is happening time and time again, or we get, 'We simply don't know how it came here and therefore nobody is responsible.' It is always, 'There is no liability here,' and it seems to happen time and time again. If the states are handed this, they make a mistake, they do not identify it, they give transport clearance for things and then the Commonwealth finally gets involved and it is all too late, what pushback does the Commonwealth have to protect the community?

Dr O'Connell: You seem to be moving from the specific to the general. I am not sure whether you are talking about the specific case, in which case, I did not think we had identified—

Senator MILNE: Let's make it the specific case, but it is a general point.

Dr O'Connell: I do not think we identified the exact circumstances. I thought that was what Dr Biddle was pointing out. We do not have specific circumstances identified in that case.

Senator MILNE: I am asking a general question then. What pushback does the Commonwealth have with the states, when these incursions are brought to the attention of the Commonwealth, when they have involved states not identifying the problem and giving transport clearance, or movement clearance, around the country to these problems.

Dr Biddle: The general framework is around planned emergency response frameworks and transition to management. Where multiple states are affected, or potentially affected, these arrangements are designed for collaboration to occur and for either the pest to be eradicated, if possible, as quickly as possible, or transition to some form of ongoing

management. That is the recognised approach. That is the reality of the operating environment with a pest or a disease.

Senator MILNE: Exactly the same scenario has occurred, to a great extent, with myrtle rust. So I will move on to that now. In exactly the same circumstances, in New South Wales once again, the myrtle rust got away from us. Now I am told that it is having a very significant adverse impact, particularly on national parks and protected areas, not to mention other areas; but in particular, the Lamington National Park, for example, in Queensland has quite a substantial outbreak. Can you please tell me what biosecurity measures the government is taking in special measures, particularly in relation to Fraser Island, since I understand there has been a spread of it now identified at Hervey Bay?

Dr Grant: The situation with myrtle rust is that it is now under management. It is being combated by the individual jurisdictions where it exists—that is, Queensland and New South Wales at this point in time. In the case of Fraser Island, which is a national park, that would be under the management of the federal environment department. It may well have relationships with the Queensland environment department, but I am not aware of them.

Senator MILNE: What are the biosecurity arrangements? There are obviously four-wheel drives that are going to be going across from Hervey Bay to Fraser Island and lots of people movement; that is the biggest risk in terms of introducing it to Fraser Island. What involvement does the Commonwealth have in making sure we are upping the ante on trying to stop the spread of this to some of these areas?

Dr O'Connell: There are two areas here that are relevant: one is the Queensland government, who are managing the outbreak in Queensland; and the second is that, to the degree that the Commonwealth is involved specifically there, the environment department would be worth looking at, because it goes to the World Heritage issues around that. The role that we have had to date has been, first of all, trying to help manage the eradication process, and then when it was decided that it was not eradicable, helping manage a national coordination group so that the states, industries and others could come together to look at how to start to live with this thing and manage its impacts. A rust of this nature is not going to be possible to avoid spreading in the long run. It is a question of managing the impact of it, particularly for those areas, as you say, like World Heritage areas or others, and what access arrangements people are going to allow to try to reduce its early impacts while we look at issues like susceptibility, get a better handle specifically on the identification of the disease and go through all those processes.

Senator MILNE: Since this disease is in New South Wales and Queensland but at this point not elsewhere, what is the management plan that you have got going to prevent it moving to the rest of the states and to try to restrict its movement within those states?

Dr O'Connell: There are trade constraints being placed between states on states' movement of *Myrtaceae* and other material in order to try to manage this. In the end, there is also the potential for this to move not on plants but by wind—this is also wind borne—and it would be able to be carried on more or less any materials. The primary objective I think of those interstate trade constraints is really around the plant material that is proven to be most susceptible, the *Myrtaceae*.

Ms Mellor: They do include some machinery and equipment.

Dr O'Connell: Related things, yes.

Senator MILNE: We will be keeping a watching brief and I must say I will be very disappointed if I—

Senator COLBECK: Can I just ask a couple of questions?

Senator MILNE: Yes, sure.

Senator COLBECK: Didn't the government make an announcement last Friday about some funding allocations towards myrtle rust?

Senator Ludwig: Yes, \$1.5 million to support the national pilot programs. We do take it seriously. As you correctly identified, it was first detected in the Central Coast in New South Wales. There was several months of effort to determine whether or not it was eradicable; it was then determined that it was not eradicable. As you know, the challenge we have is that we have deeds of arrangement that are structured around eradication. When you then move out of eradication, if it is no longer technically feasible, the deeds, as I understand it, are no longer applicable. You then have to come forward with programs that actually will manage this on a state-by-state basis. What the Commonwealth attempts to do in this instance is put the money on the table and encourage New South Wales, Queensland and other states that are currently affected to also enjoin in the process of dealing with this. It is a challenge; it is what I have been left with from a previous government as to how these things operate.

Senator COLBECK: Minister Burke?

Senator Ludwig: No, even before Minister Burke. These deeds were from the former Minister Truss, during that period. What that means is that the coordination group, chaired by the Commonwealth and including all the states and territories, is developing strategies to transition to ongoing management of the disease that includes a number of nationally coordinated projects. These projects will include things like research to assess which species may be less susceptible to the disease and how to combat the disease—so all of those technical details that are very helpful. The main area that I also wanted to take three minutes of your time with, Senator Milne, is that part of the biosecurity reform agenda—and one of them highlights just this issue that I think you have danced around—is that the intergovernmental agreement on biosecurity is under consideration by COAG. But it is how we ensure that, first of all, the deeds operate effectively, so industry that is affected helps. Secondly, it is how we can ensure what it is no longer technically feasible to eradicate, so you put in control plans and management plans to confine, to ensure that it does not spread where possible. There is an absence of agreement, so you have to then reach agreement with states and territories. Some states—I will not go there. What we want to be able to do as part of the biosecurity reform agenda is sit down with the states and come up with a sensible way of dealing with this, otherwise what we have been left with is not a continual. You have AQIS at the border, you have AQIS pre-border, but post-border, where it is not eradicable, you have a collection of outcomes. That is clear that we do need to do something about that. That is why we are bringing forward legislation this year; that is why we are talking in the COAG process about intergovernmental agreement about these issues; that is why I referred to the department to look at how we can manage the post-border incursions in a way that also equitably distributes the outcomes, the costs, the cost sharing. All of these are very difficult

questions that need to be answered so that we can have a system that is effective in post-border incursion of a technically no longer eradicable disease or pest, to manage it.

This is not going to go away. We seem to have this odd circumstance where governments argue about this, so the opposition complain that a government has let it in; when they go into opposition they complain that the new government has let one in, and we have this see-sawing effect. It is not productive at all. We do need to settle a system that, first of all, that attempts to eradicate, so that it stands up. Secondly, if it is no longer technically feasible to eradicate and the science is clear about that, then we need to have a system that immediately starts to control, because if you can control it you can limit its spread. You can do whatever the science tells you you are able to do to stop all of this, and you have appropriate cost-sharing arrangements in place, both with industry as a private good and with the states and territories where it is a public good. We are a little bit further away from all of that, but that is one of the areas of many in the biosecurity reform agenda that I am working on.

Senator MILNE: I am very pleased to hear that, Minister, because that is one of the frustrations of this committee that we express on a regular basis. I am glad that is part of the reform agenda—to get something sorted better with the states. Did you want to ask something on myrtle rust before I go back to bees?

Senator COLBECK: Yes, I will lead you into that. You have got \$1.5 million for myrtle rust. You have just given us the philosophy behind it; how is that going to be applied?

Dr Grant: The coordination group, as the minister has indicated, comprises the jurisdictions, state and federal. In the federal scene there are both ourselves and the environment department, and some key industry are parties. That coordination group is meeting regularly. It has developed a thematic suite of programs, I suppose you would say, to look at various aspects of work that need to be done.

Senator COLBECK: Commissioned some science?

Dr Grant: Yes, it has, and I can quickly touch on it. We are going to support immediate disease management, in other words through surveillance and sentinel sites monitoring. The biggest area of work we are going to apply our funds to is the identity of the pathogen to understand what it is we are dealing with.

Senator COLBECK: We have still issues about what it is?

Dr Grant: It is clearly very closely related to guava rust; they are in the same complex. We need to understand what we are dealing with in order to be able to address some aspects of management, so we are doing a considerable amount of work there in terms of the taxonomy. We have not commenced yet, but we have planned it out all out, and elements of it are in train. We are going to look at the potential impact and distribution of the rust through looking at what species are susceptible and where they exist, so that will be some mapping, analysis and surveillance of the spread.

Senator COLBECK: Looking at effects so far and trying to anticipate where it might go.

Dr Grant: And affected species and map where those species exist. We will be looking at trying to identify resistant species or resistant individuals within a species in order to then go to another of the themes, which is resistance breeding, so some of this is longer term. Finally, we have a theme on chemical control, where that is applicable, and getting approvals to use chemicals that were approved for emergency use in longer term use. There is a suite of

projects and we are supporting funding across that, in concert with the jurisdictions that are involved at the moment, that is New South Wales and Queensland. As the minister has indicated, once one has moved out of the eradication construct, which is very formally constructed, into this management regime, the coordination of it and the funding responsibilities are much less well articulated.

Senator COLBECK: I understand that. Apart from this particular project, what role do we continue to play in the management of the incursion as it stands now?

Dr Grant: I am the chair of that coordination group, it meets regularly; it has been meeting on average once a month. It has another meeting coming up in a couple of weeks time, if I recall. We now have the funding that has been announced last Friday. We already have the projects identified, we have made contact with a number of providers of services, such as Sydney University, CSIRO and the like, and will now start to apply the funds as articulated in our management plan, which is quite well developed.

Senator COLBECK: This ongoing question about the identification of the rust, whether it is myrtle or guava, how does that play out in the activities that were taken at the outset? How might that have modified the reaction?

Dr Grant: Not at all. In this case we are calling it myrtle rust. It is clearly understood to be one of the rusts in the guava rust complex. When we address an eradication attempt, the species that we are dealing with in this context, in other words a nomenclature issue, has no bearing whatsoever on the effort applied. The critical issue here is that we have looked at this rust morphologically. Morphologically it looks very similar to guava rust, that is, in its shape and form. Some chemical analysis has been done on it, some DNA testing, and the DNA testing has been looking at key markers, that is that when you do this you look for stable markers. The stability of those markers means that they carry through generation to generation in a particular species. When you look at those markers they show identical structure and so forth to guava rust.

Having said that, that is not the full genome sequence and we need to understand whether this thing is guava rust or otherwise, because it has potentially—and this is some of the other work we have got to do—different impacts on a different suite of forest and native plant species. They look very similar, they may be similar, we do not know that yet for certain, we do not know that they are, we do not know that they are not, and the work is designed to clarify that. If I could give you perhaps an analogy: if you looked at the key markers between humans and chimpanzees, you would find that they were very similar, probably identical. We are about 98.5 per cent similar; it is the 1.5 that makes us different.

Senator COLBECK: You talked about the process of identifying species and then mapping those species, how complete is the list of susceptible species at this point in time?

Dr Grant: We have a long list; I might need to just search for it. I will not count it up, but it looks like it is in the order of about 30 species of *Myrtaceae* and others that we have already identified as being susceptible.

Senator COLBECK: That identification process is ongoing?

Dr Grant: Yes, it is, that will be part of the surveillance work.

Senator COLBECK: Is that listed anywhere?

Dr Grant: We have it; I can certainly provide it to you. It is on the website, I am advised.

Senator COLBECK: If it is on the website, that is fine, I am happy with that. To lead back to where Senator Milne wants to go and honey bees, there was \$2 million allocated last week as part of the announcement for Asian bees. How is that practically being applied?

Dr Grant: This incursion and the determination that it is not able to be eradicated is following behind the myrtle rust incursion a little way. We have had a coordination group, a similar construct to the myrtle rust coordination group, meeting regularly since the middle of March. I chair that meeting. It comprises all the jurisdictions, the federal department of environment and key industry sector groups, primarily AHBIC, the Australian Honey Bee Industry Council. We have been meeting and we have identified preliminary work that needs to be done through a plan that has been devised by Queensland.

Senator COLBECK: We have gone back to that plan.

Dr Grant: No, we have taken that as the base. It was made available to all parties about four weeks ago with the requirement that they come back with comment. That has all been received and infused into the plan. That was done as late as the week before last, I think, and concluded on the Friday.

Senator COLBECK: The plan that was initially presented around eradication has been modified based on the decisions that have been made by the group since then?

Dr Grant: Correct. Now we are focusing on the elements of that plan. We are not as far down the track as we are with myrtle rust, but a preliminary meeting takes place tomorrow and a subsequent meeting is taking place in Cairns amongst parties in the early part of June. We will firm that up and allocate the funds according to agreements as to what elements of the work we need to be involved in relative to other parties. AHBIC, the Australian Honey Bee Industry Council, have committed resources. They committed half a million dollars, which they indicated the other day, plus in kind. We, through the minister, have committed \$2 million, plus we will offer in kind through our northern quarantine service operating out of Cairns to assist with some of the surveillance work and some of the baiting work that we propose to do. As I say, we have the bones of a plan, it is quite well developed, but the allocation of the responsibilities and the funding is yet to be applied, and we will be starting that tomorrow.

CHAIR: It is now one o'clock so we will take an hour break, and in continuation, Senator Colbeck.

Proceedings suspended from 12.59 to 14:01

Senator COLBECK: Before the break we were working our way through some of the practical applications of the \$2 million allocated to Asian bee. I am not sure exactly where we got to.

Dr Grant: I was able to spell out in quite significant detail what we propose as allocations to the different projects with myrtle rust. As I indicated, bees is running a little bit behind that in terms of the sequencing of the incursion, the management and the decision arising out of the national management group. We have a draft plan prepared from Queensland which all parties to the coordination group have had an opportunity to comment upon. That comment closed up Friday before last. We have that plan.

Senator COLBECK: Was that plan put together in the knowledge that funding would be available? Or was it put together prior to any thought that there might be some funding and would that make a difference to it?

Dr Grant: It was put together in the context of a transition exercise. That was the whole objective of getting the coordination group together. But it was not in the context of a given contribution of funding. It presupposed that a transition exercise was necessary. It started to articulate what it felt was necessary to be undertaken in that transition exercise. It proposed costing for various elements of that. There are two options: a cut-down version and a more expansive version, which is still subject to negotiation and discussion—

Senator COLBECK: So the scale of what actually—

Dr Grant: can or perceived could or should be done.

Senator COLBECK: That can be modified based on the fact that there is now some funding available that may not have been previously?

Dr Grant: The position is very simple: a plan has been put together, comment has been made, and we are now at the point where we need to discuss what elements of that we all concur need to be done. How will it be done? How will it be funded? What are the review points to determine at what point the particular project has achieved its outcomes or has come to a conclusion? That set of requirements is yet to be agreed.

Senator COLBECK: That was my next question: are there time frames around particular activities—the time frame for the expenditure of the funding and a review cycle within that process?

Dr Grant: The review cycle within that process has not yet been established; we are working on that. The funding has been made available for a conceptual two-year allocation.

Senator COLBECK: Some of the proposals I saw had review cycles to consider whether particular activities were being effective, whether they needed to be modified or something of that nature. That will continue to be part of the discussion and the development of the plan?

Dr Grant: Yes. They are proposed in the plan. The plan now has to be agreed to and final refinements made to it, and decisions made as to what will constitute trigger points and review points.

Senator COLBECK: Surely, prior to the announcement of the resource that is now being made available, there would have potentially been capacity constraints around what was physically possible without the practical allocation of some funding to it. Or would you have had to go through a process of seeking contributions to whatever the final plan was?

Ms Mellor: If the government had not made its announcement on Friday, and the plan had come together and the Commonwealth—as one of the contributors to the planning—had agreed that we would make contribution, we would have had to look for the funding. In the knowledge that the plan was being developed, the funding has been found and announced.

Dr Grant: It is a standard scientific process, if I can put it that way: you conceive a—

Senator COLBECK: I am not trying to set a fly-trap. I am just trying to get a sense of whether there were any scale or scale capacity issues.

Ms Mellor: Queensland is very happy.

Senator COLBECK: I know that the industry had been concerned about their capacity to contribute. There was an obvious issue with some of the states around their willingness to contribute. There were all these potential capacity constraints that sat around this process. The funding allocation is more than welcome. That is a positive. I am trying to get a sense of how the whole thing would have come together without this announcement. Ms Mellor, you are effectively saying that, had the plan been finalised based on the science, there would have been a requirement for somebody to come up with some money through whatever process occurred to get there, and this has pre-empted that process.

Ms Mellor: There are two issues. Before the break Dr Grant indicated that there is no cost-sharing framework once eradication—

Senator COLBECK: I recognise the minister's contribution in that respect.

Ms Mellor: The Commonwealth has been at the table looking for a way to assist in this. Queensland, as the combat state, has developed a set of proposals around activity that can fall within a set of principles, which nationally, in the biosecurity sphere, we have agreed are worth trialling. We are trialling them in the Asian honey bees. Without the announcement by the government, we would have had to ask ourselves in the Commonwealth: how could we contribute? Where would we get it from? Would we need to approach government? But we had enough of a conception of the plan to actually have the government consider that and make an announcement.

Senator BACK: In relation to the Asian bee incursion, do we have any evidence of whether those bees that have come into Australia were carrying either of the two species of varroa mite?

Dr Grant: The answer is no.

Senator BACK: We do not know or they were not?

Dr Grant: The bees that have so far been trapped through the attempted eradication program have not shown any evidence of varroa mite—of either *jacobsonii* or *destructor*.

Senator BACK: Are we actively looking for it?

Dr Grant: As the work continues with Queensland, part of the projects we have identified will be to continue that exercise.

Senator BACK: What is the process by which you can identify or diagnose a bee carrying the varroa mite?

Dr Grant: The mite is very small, but you can see it. So it is a visual inspection.

Senator BACK: The bee is dead?

Dr Grant: No, you can see it in the hive as well, in the combs that are hanging down, in trees and so forth—if you get hold of the comb and the bee.

Senator BACK: As I understand it, the Asian honey bee is a carrier but is not affected, disease wise, by the varroa mite?

Dr Grant: Correct.

Senator BACK: But the European and native honey bees—certainly the European honey bee—we know to be diseased from it. Are those who are looking into this matter also testing

European bee and native honey bee hives to see whether there has been any transmission of the mite?

Dr Grant: The mite is not here—

Senator BACK: No, you have not seen the mite.

Dr Grant: To the best of our knowledge, it is not here, so the answer is no to that question at this point in time. The carrier, potentially, will be the Asian honey bee. It could be the European honey bee, dependent on where it comes from, of course.

Senator COLBECK: Does the change in the designation of Asian bee from 'attempting to eradicate' to being 'non-eradicable' actually change any of our work at the border?

Ms Mellor: No. We still monitor at the border, and the states also surveil at the border.

Dr O'Connell: It is all controlling. As long as we—

Senator COLBECK: I understand that. My understanding is that there have been a couple of other incursions that have been found in the last—

Ms Mellor: There has been management at the border recently of some old hives and dead bees. That is normal business at the border. They are not incursions as such; they are managing the border.

Senator COLBECK: Sorry, wrong terminology, but they have been found at the border in a couple of circumstances in the last 12 months or so.

Ms Mellor: Yes. There were, some months ago, some old hives and dead bees found at Brisbane, and we immediately acted on those findings, including with the state authorities, so that we could up the surveillance at that time.

Senator COLBECK: Wasn't there something found in Melbourne?

Ms Mellor: What we did was monitor the ship, in motion, to a number of ports, and so we put additional surveillance and action in the ports that that ship was going to, but there was no evidence found beyond Brisbane.

Senator BACK: So at this time Australia's status as being free of varroa mite is unchanged?

Ms Mellor: That is right.

Senator BACK: Wonderful. Thank you.

Senator BOSWELL: I was listening and I did not quite get what you said. Are you saying that there are Asian honey bee hives on the border?

Ms Mellor: There were some old cones found on containers on a ship, and dead bees found with those.

Senator BOSWELL: Where were they found?

Ms Mellor: They were found on a ship in Brisbane. Mr Chapman can give you some more detail.

Senator BOSWELL: I thought they had not gone further south than Innisfail.

Ms Mellor: I think we are talking about two different things. What we were talking about with Senator Colbeck was the border management of Asian honey bees. Previously we were speaking about the onshore management of a current incursion in Queensland.

Senator BOSWELL: My question is: have you found Asian honey bees further south than Innisfail?

Ms Mellor: No. The answer is no.

Senator BOSWELL: Okay. Is the government still standing by its decision that the Asian honey bee is not possible to eradicate?

Ms Mellor: Yes.

Dr Grant: Yes, that's the decision that has been made by the Asian honey bee management group.

Senator BOSWELL: I understand that there has been a plan put forward, but not all the states are on board.

Dr Grant: All jurisdictions are members of the coordination group. The coordination group met, as I said earlier, a number of times. The plan that exists was put together by Queensland and commentary on it has been provided by all those who wish to. As of a week ago, we have a plan that is a proposed plan for allocation of accountabilities and responsibilities to put it into effect and allocate funds to it. And that is the exercise that we are moving forward to commence from tomorrow.

Senator BOSWELL: And all states are on board.

Dr Grant: They are all members of the—

Senator BOSWELL: Did they all sign up for it?

Dr Grant: The answer is that they are members of the coordination group. And we have a plan. Where we are at is that plan has been iterated to a point of penultimate conclusion. Now we have to actually adopt it and allocate resources to it. That exercise has not taken place yet.

Senator BOSWELL: It is six months since the full eradication program stopped. Every delay makes it harder to eradicate or contain. When are you likely to allocate the funds and get the program underway?

Dr Grant: The eradication program ceased as of 30 March. So it has been about a month and a half, in fact. Queensland is continuing on with its actions to manage the bee. This plan is going to come in and provide additional support and funding to achieve continued management into the future.

Senator BOSWELL: Yes. When is it going to start?

Dr Grant: As I say, Queensland is continuing its efforts. What this plan is intending to do is to identify elements of additional work that can be done and allocate funds accordingly. So the effort applied by Queensland at the moment in terms of management has not faltered.

Senator BOSWELL: And when will the additional work be done that you just mentioned?

Dr Grant: That is part of the exercise: discussing review points into the future for various projects in the plan.

Senator BOSWELL: Yes, but I am trying to get to a date. Is it going to be in two weeks, two months or two years? When will the new program start? Or when do you envisage the new program will start? I know the Queensland government is still active in the eradication

program. But there is another program coming forward that is backed by the \$3.5 million that you have put in.

Senator Ludwig: If you encourage New South Wales and the other states to participate, that would be helpful, too.

Senator BOSWELL: I am sorry?

Senator Ludwig: If you encourage the other states to also participate that would be helpful. I was thinking particularly of New South Wales and Victoria.

Senator BOSWELL: That is what I—

Senator Ludwig: It would be helpful if you had any in there.

Senator BOSWELL: So New South Wales and Victoria have not participated—

Senator Ludwig: At the moment, as you know—

Senator BOSWELL: I do not know; that is why I have been asking the questions.

Senator Ludwig: The system is that deeds are put in place for eradication. Once it is no longer technically feasible to eradicate, then we need to put in management plans. The Queensland government has been doing just that: putting in a management plan to contain the spread of the Asian honey bee. There is the Asian Honey Bee National Management Group. We have as a Commonwealth made available \$2 million to them so they can work on the containment and management strategy. However the government—can I be plain about this—is willing to work with all parties, including states, territories and the industry, to determine the best way to suppress the bee. And that is why I announced the \$2 million to support the national pilot program aimed at creating an ongoing solution to the management of the Asian honey bee. What I am stressing is that it needs Queensland and the other states and territories to come on board, and industry as well. It is vitally important that not only the pollinators but also the apiarists get on board, too. And having some of the other downstream industries on board as well would help, because this is both a public and a private good issue. The Commonwealth will meet its public good obligations, but I would stress that it is incumbent upon industry to meet its private good obligations as well.

Senator BOSWELL: I understand that the honey bee industry is putting in some money. How much money are they putting?

Dr Grant: They have indicated, I think \$500,000, plus some in-kind support of apiarists to do on-ground surveillance.

Senator BOSWELL: I have a press release in front of me. It was issued from Mike Kelly's office. It states that the government will provide \$3.5 million to support national pilot programs aimed at creating ongoing solutions to management of Asian honey bees and plant disease. Is it \$3.5 million or—as you indicated—\$2 million?

Ms Mellor: It is \$2 million for honey bees and \$1.5 million for myrtle rust.

Senator BOSWELL: I previously asked Dr Grant whether there are other states to come on board. You said all the other states are on board. The minister says that they are not on board; they have not paid.

Dr Grant: They are party to the discussions about funding. At this point in time Queensland is contributing funds.

Senator BOSWELL: How much is Queensland putting in?

Dr Grant: They have been managing the program at their own cost: at this stage—post-30 March—fully at their own cost. I am not aware of exactly what expenditure that is. Up until that point it was a cost-shared program across all the jurisdictions with the Australian Honey Bee Industry Council and approximately \$3.2 million was spent over a two-year period.

Senator BOSWELL: Are the other states prepared to put in money for this new program?

Dr Grant: That is the exercise of the discussion that is yet to take place.

Senator BOSWELL: Have any states indicated that they will?

Dr Grant: They have not yet. But discussion is taking place.

Senator BOSWELL: Minister, why did you say New South Wales and Victoria? Is there a special reason you nominated them?

Senator LUDWIG: No, they came to mind as two states you may be able to help me with.

Senator BOSWELL: What is the delay? This is really urgent. If it starts to get into the hot weather—we are now in the middle of winter and will be for the next couple of months—the bees will start to swarm and move.

Senator LUDWIG: You would have to ask the other states. There is no delay from the Commonwealth.

Dr Grant: Since the incursion commenced, Queensland has started work. Discussion took place just on two years ago to have a cost-sharing arrangement under the national management group structure. That continued until 30 March. Since 30 March Queensland has continued. Other than seasonal impacts of the rainy season there has been continuous activity, without a break, since 2007. There is no hiatus in the program now. At the moment, we are discussing the allocation to extend that program both in scale and in duration.

Senator BOSWELL: Let me ask it this way: if funds from the various states were available—and they were immediately forthcoming—what additional programs would you provide? More people on the ground?

Dr Grant: There would no additional programs. Perhaps there would be the ability to move them more quickly. Some of the science could potentially be partitioned out amongst different researchers so as to get a quicker result. It is that sort of thing. But in terms of what more could be done, at the moment the program is an agreed program.

Senator BOSWELL: And that program will continue because of the funding the Federal government has put into it?

Dr Grant: It certainly will assist in that. Queensland had proposed it as a program and—

Senator BOSWELL: And what happens if the other states say, 'No, we don't want to be in this'? What happens to the program then?

Dr Grant: We have not got to that stage, so I think that is speculation.

Senator BOSWELL: It is a reasonable question.

Dr Grant: I cannot speculate; I can only deal with the process that we are going through. That process is to now discuss, with the funding of Queensland, ourselves and the Australian Honey Bee Industry Council, work allocation. Others may well wish to be involved.

Senator WILLIAMS: I just want to take the department back to the equine influenza issue—when it broke out. Who is the expert on that?

Ms Mellor: It depends on what the question is.

Senator WILLIAMS: Some groups were compensated, were they not?

Senator Ludwig: Minister Truss may have been the expert on it at that time.

Ms Mellor: It depends on whether it is a veterinary question or a process question.

Senator WILLIAMS: It is about the process. The outbreak was from the Eastern Creek Quarantine Centre, is that correct? Is that where the EI first escaped from in Australia?

Dr O'Connell: The outbreak was first discovered—and I cannot remember the exact details—in Sydney.

Senator WILLIAMS: Yes, Randwick, or—

Dr O'Connell: We will get the precise details to you, but your point is that the Eastern Creek was—

Senator WILLIAMS: So the EI escaped from horses being brought into Australia which were in quarantine, is that correct?

Dr O'Connell: It certainly was associated with Eastern Creek, yes.

Senator WILLIAMS: Were some workers compensated by the government? Perhaps the minister might be able to help me here.

Dr O'Connell: I do not have the exact details here, but there was a package of assistance provided. I think the total was about \$200 million.

Ms Cupit: At the time assistance was provided to a number of individuals and industry groups to the tune of approximately \$260 million.

Senator WILLIAMS: Right. They were basically people who were at work but could not do any work or who had been stood down?

Ms Cupit: My memory is that there were a number of programs in place at the time. Some were for employment purposes, so they effectively received supplementation of income, equivalent to Newstart. There were other programs for small businesses which had been impacted, as well as for non-government organisations—they received some funding as well.

Dr O'Connell: These were assistance packages, not compensation.

Ms Cupit: Not compensation. That is correct.

Senator WILLIAMS: Did any small businesses, for example any in the horse freight industry, receive any compensation? Do you know, Minister? Dr O'Connell?

Senator Ludwig: I was just trying to remember who structured the package. I think it would have been the previous government that structured the package, but we can take it on notice. I do not have those details about who got what compensation. It would have been something worked out at the time, and I suspect it was the previous government that worked that compensation arrangement out. I think it straddled the two, but do not take my word for that—it may not be accurate. I would rather take it on notice. If anyone has got those details here—this was some time ago, obviously. We are going back to 2007.

Dr O'Connell: There are a set of potential claims around for compensation. It is important to distinguish between compensation claims that are around for the outbreak and the assistance packages that were in train at the time. Those are two different things. The compensation claims are running through the legal processes and others but the assistance packages were time limited around 2008.

Senator WILLIAMS: I was reading a story in the paper, 'Trucking group sues to recoup costs of equine flu outbreak', from 1 April this year. Minister are you aware of that action? I do not want to go into details of that action?

Senator Ludwig: We can get the details on that for you. We can take the particular detail of that claim on notice.

Senator WILLIAMS: It is a group called LTG – Livestock Transport Group.

Dr O'Connell: LTG are one of the main transporters of racehorses when they come into the country.

Senator WILLIAMS: The article claims that they have lost up to \$3 million. Three years ago the owner finds himself in the unenviable position of being a test case as the Commonwealth gears up to fight claims for damage. He is frustrated the bigger players with deeper pockets, such as the racing industry, have not taken the initiative. Fellow Independent MP Tony Windsor asked the government to settle the claims but the Minister for Agriculture, Fisheries and Forestry, Senator Joe Ludwig, has told Windsor the commonwealth is going to trial with livestock LTG Group basically to set a test case. Are you familiar with this document, Minister?

Senator Ludwig: You are reading it to me. You can table it and I can have a look at it.

Senator WILLIAMS: I will be glad to table it.

Senator Ludwig: Senator, things are going through the normal procedures. They always say it is me, which is always helpful, but they go through departmental processes. It is not me who is making decisions around this; they are decisions that are made by Comcover.

Dr O'Connell: In a case like that Comcover is the insurer for the Commonwealth.

Senator WILLIAMS: So in other words Comcover covers mistakes of AQIS or other government departments. Is that correct?

Dr O'Connell: Yes. Comcover is essentially, for all intents and purposes, our insurer across the board and so makes the calls about how to manage the case. If the claim was made then the issue is worked through with Comcover whether or not there will be any direct settlement, whether or not it will be taken to trial or otherwise. Very commonly, if something looks as though it is going to potentially have a class arrangement, there will be some testing. As the minister said, this is just going through the normal business processes.

Senator Ludwig: Irrespective of which government is in office.

Senator WILLIAMS: My concern is this. Having experienced this in my life, it is difficult for a company to proceed with court action against anyone, let alone a government, when that company has gone broke. How do they pay their legal fees—solicitors, barristers, et cetera? We know the huge cost of that. That is the concern I have for this livestock transport group. ANZ pulled the plug on them according to the media report not long after EI escaped.

If this man is seeking justice how can he seek justice if he does not have any money? Is there any way he can do that?

Dr O'Connell: There is sort of an assumption there that there is liability and they think that is probably going to be contested.

Senator WILLIAMS: That would be up to the judge.

Dr O'Connell: That is going to be contested.

Senator WILLIAMS: That would be up to the judge. The point I make is how can someone in that position, claiming a loss of \$5 million, actually get into a court if they do not have any money? It could cost them hundreds of thousands, even up to \$1 million to run a court case. Their company has gone belly up because of EI escaping in Australia. How do you seek justice?

Senator Ludwig: Let me come back to the initial issue. It happened under former Minister McGauran's watch.

Senator WILLIAMS: I don't care who it happened under.

Senator Ludwig: He then developed an assistance package designed for industry assistance. He may have not felt—and this is always the difficulty, because we are only guessing as to the circumstances of that particular trucking industry at that particular time—whether or not the assistance package stretched to him or whether it did not. We now have a claim by that particular trucking company a few years later by the look of that record which then says that they received loss. Therefore you have to go through the process. You cannot just simply look at the case, pick a number out and say, 'Look I will pay you X dollars because you have raised your hand a few years later and said you have suffered economic loss'. That would not be a sensible way for government run, would it?

Senator WILLIAMS: I put the question: when a government body obviously makes an error, that is how EI got into Australia.

Dr O'Connell: Senator, you are making an assumption which is not accepted by the Commonwealth.

Senator WILLIAMS: Yes, exactly, and hence the argument in a courtroom.

Dr O'Connell: Exactly.

Senator WILLIAMS: My point is: how do these people seek justice without any money?

Dr O'Connell: I think we cannot speculate on how the specific case will run or the facts of the matter related to the case, because that will be run through the process. What we can just say is that this gets handled, from our perspective, through Comcover as essentially the insurer for the Commonwealth in this case, and they make the decisions there about how to approach the case. Of course, there are issues around management of public money, which have to be brought to bear on this. So this is a balance between these sets of issues, but I cannot say anything about this particular case or the facts of the matter in this particular case. What I can say is that there should not be an assumption of liability or fault.

Senator WILLIAMS: I am not assuming that; I am just looking at the broad terms. The disease came to Australia.

Senator Ludwig: What you are proposing is an alternative—a scheme for commercial litigation, underwritten by the Commonwealth, where claims are made against the Commonwealth. That would be the scheme. If you want to make that as part of your election promises, by all means, fund it and tell me how much it will cost.

Senator WILLIAMS: I am asking the question—

Senator Ludwig: We explained the situation. It is litigation that has been commenced. I think it would be unwise for me to comment on individual cases where litigation has commenced but, once it is commenced, the Commonwealth then has an onus to defend itself against such litigation. All governments accept that, that the Commonwealth is in that. I as a minister remain completely at arm's length from that. Certainly, I will not be entertaining any—

Senator WILLIAMS: You should read this article. They might have quoted you.

Senator Ludwig: It would not be the first time, Senator Williams.

Senator WILLIAMS: Hang on, there might be a letter here from Minister Ludwig to the member for New England, saying exactly that, to let the court run its case and set a precedent.

Senator Ludwig: That is exactly appropriate. It is not a matter for me to intervene in a court proceedings, and you certainly would not be urging me to do that—

Senator WILLIAMS: No, of course I would not.

Senator Ludwig: I would find that quite extraordinary. So the alternative is, if you want to create legal aid funding for commercial litigation against the Commonwealth, write your policy. And, by the way, when you write your policy, also put a figure to how much it might cost. I would be interested to see that.

Senator WILLIAMS: Minister, I am sure we would not be able to do that, and even if we could put a figure there would be nothing left for the—

Senator Ludwig: That is probably right, given the performance of you, Senator Williams, but more importantly of your opposition spokesperson, your Treasury spokesperson. I have got no doubt he could not do that.

CHAIR: Are there any further questions in regard to budget estimates, Senator Williams?

Senator HEFFERNAN: Could I deal with the export certification program?

CHAIR: We will just get the witnesses.

Senator HEFFERNAN: The meat industry is obviously disappointed that there has been no government contribution to reforming a model that has actually increases the regulatory burden and increases the tariff cost of export certification. The industry was of the belief that a review of the legitimate cost to government as part of the reform would address the potential for increased government costs. The industry always believed that this was an integral part of the agreement with government when the disallowance motion was rescinded in the Senate in December 2009. The government does not seem to be honouring that agreement. Was there a project in the export certification reform agenda on the legitimate costs of government? The answer should be 'yes', by the way.

Mr Read: A project was conducted that looked at and fully assessed all of the costs associated within the department in the provision of export services, particularly to the meat industry.

Senator HEFFERNAN: If there was, why wasn't it ever carried through under the ministerial taskforce? Why was it left to industry to undertake their own independent review?

Mr Read: The report that I am talking about was actually done under the ministerial taskforce. It was a thorough analysis of the cost construct in the provision of the export services to the red meat sector. As you would recall from some of the previous hearing we have had on this subject, some of the concern was that particular services were being provided by the department that in effect had little relationship to the meat program or to other export programs and were in fact, in a quasi way, being charged back to those programs.

What that Ernst and Young review of our expenditure and cost attribution model has determined is that those costs are appropriately allocated to those programs based on the department of finance full-cost guidelines. On the cross-subsidisation that I was just talking about, there was certainly no evidence of that in that report. To go one step further, what industry is then saying is that there needs to be a follow up around their interpretation of what legitimate costs of government are.

Senator HEFFERNAN: I take it that that came out of their independent review.

Senator Ludwig: Ernst and Young conducted an independent review and found that the fees were consistent with the cost recovery policy implemented by the former government.

Senator HEFFERNAN: At the time, Minister Burke—who was very helpful to Australia in not letting BSE beef in, despite Mr Crean—in his letter to industry dated 16 October 2009 stated:

Successful implementation of these reforms will provide a reduction in annual regulatory costs to the export industries in the order of \$30 million per year from 1 July 2011. It will also provide the opportunity for removal of substantial costs from the export supply chain for industry and AQIS.

The industry is telling us that while there are cost savings for the government with the retrenchment of meat inspectors there are no such cost savings for the industry, since these costs are simply transferred to meat processors, who have had to hire their own staff to cover these costs. Is that true?

Mr Read: No.

Senator HEFFERNAN: No?

Mr Read: No.

Senator HEFFERNAN: So what is the answer?

Mr Read: The answer is that the reduction of cost to the meat program, for example is at present and based on current activity levels around \$23 million. That is how much the cost to that program has reduced. What a meat inspector costs in the field as a full cost unit is in the order of \$142,000. That is a full-time meat inspector in the field at a plant. What this program has effectively done is transitioned the workforce, through the development of the Australian export meat inspection system, from requiring somewhere around 390 meat inspectors to requiring 192 meat inspectors. That will require the provision of regulatory oversight on those

plants. But equally those plants can then utilise staff that currently exist and who have the appropriate competencies to fulfil some of those post-mortem inspection requirements

So the answer to your question is it is significantly more efficient for a plant to employ a meat inspector than it is for us to put one of our meat inspectors in those plants. A plant will be able, I would have thought, to employ two meat inspectors for the cost of one of ours. That is the first issue.

The second issue, to be taken in parallel with this discussion, is that under the current provision of meat inspection services from a Commonwealth officer providing that particular service there are a range of custom and practice procedures and also industrial procedures that run consistent with the provision of those services that those companies will not necessarily need to subscribe to. That will mean that those companies will still be able to provide a very good inspection service meeting the same standards that our Commonwealth office would do; but they will be able to combine tasks with that function and they will be able to use down time for those officers to do other activities that will add to the value of the product and so forth. There are a lot of built-in benefits in this scheme for those companies.

Senator HEFFERNAN: So we have saved \$30 million for the government in doing that and, as Minister Burke said at the time:

It will also provide the opportunity for removal of substantial costs from the export supply chain for industry and AQIS.

Mr Read: That is true.

Senator HEFFERNAN: Is that because you are saying two privately employed—

Mr Read: That is a broader comment around export certification reform programs.

Senator HEFFERNAN: What it does not do is take account of the reduced kill. As you know, Goulburn is shut down and a lot of the major abattoirs are working with minimum shifts but with the same inspector costs. There has been a considerable increase in costs for the operator.

Senator Ludwig: Hang on a minute. The costs that they bear outside of this might be a matter for the market. But there are two things, I think. One is, whatever people are reading from, Chair, if they are quoting Minister Burke, as in other committees they should table the document that they are reading from and make it available for witnesses so the witness can read the entire document in context.

Senator HEFFERNAN: You do not table yours.

Senator Ludwig: That is what I have always asked for in these committees and usually they have been responded to that in a positive way. But, going back to the nub of this issue, it is vital that industry works closely with the export certification reforms. The deadline for the new arrangement is 1 July 2011. Some exporters have raised concerns. Clearly you are expressing some of their concerns on their behalf.

Senator HEFFERNAN: I am.

Senator Ludwig: There are two outcomes on 1 July. The first is that on 1 July the old arrangements remain at full cost recovery. Full cost recovery was put in place by the Howard government in 2005. We all agree with full cost recovery. The second outcome is that on 1

July new and more efficient arrangements are made at full cost recovery. I am closely monitoring the circumstances.

Senator COLBECK: This government removed that 40 per cent.

Senator HEFFERNAN: I think he is right.

Senator Ludwig: No, that is not right.

Senator COLBECK: It is right.

Senator Ludwig: No, I said there was a decision by the previous government to bring in full cost recovery.

Senator COLBECK: We also had a 40 per cent rebate to the AQIS fees and charges as part of that process.

Senator HEFFERNAN: And you got rid of the rebate.

Senator Ludwig: You had a temporary one and it was terminated.

Senator COLBECK: It was extended. It was your decision—

Senator Ludwig: There was nothing in the Costello budget in 2007 to continue that. Do not misrepresent what the circumstances were. It was a temporary reprieve that you were then—

Senator COLBECK: That is a load of rubbish, Minister.

Senator Ludwig: determined to—

CHAIR: Order! As you know, Senator Colbeck, it is no good having potshots on this committee. Do not get wound up.

Senator COLBECK: You could well have made the decision to extend it, like the Howard government made the decision to extend it.

Senator Ludwig: You do not like what we did. We put \$124 million into the program to ensure that they could get efficiencies.

Senator COLBECK: You put the money into the program—

Senator Ludwig: You did nothing other than give—

CHAIR: Senator Colbeck, if you are that touchy about it I suggest you take five minutes and have a deep breath.

Senator Ludwig: You simply provided a 40 per cent cap.

CHAIR: Senator Heffernan has the call.

Senator HEFFERNAN: I am conceding it to my learned friend if he wants it.

CHAIR: Are there any further questions? Senator Colbeck does have questions, so if you want to give it up I am sure he would be happy to take the lead and ask some more questions.

Senator HEFFERNAN: I can only look at the pictures; I cannot read the words.

CHAIR: We will let you table your pictures so we can interpret them for you.

Senator HEFFERNAN: Part of the seven-point plan originally put to both sides of government back in October 2009 was agreement to a floor model that centred on what was then described as the Meat Safety Enhancement Program. This agreement with the government was formally acknowledged in a letter jointly signed by the then head of AQIS

and the chair of the ministerial task force, dated 27 August 2009. Did the Meat Safety Enhancement Program have all of the additional food safety meat assessors as part of the system that is there today? Are we still where we were?

Mr Read: Back in 2009 the objective was to push as hard with regulatory reform across all of the sectors involved in that to ensure only that we had the minimalist regulatory model operating in this country necessary for export certification.

Senator HEFFERNAN: So why was it necessary to include them then; was it just to ensure that?

Mr Read: That was the theme—how we pursued this. Everything was on the table and everything was reviewed to the maximum extent possible. With reference to what you are talking about there and the numbers I referred to earlier, that would have left residing in the program 130 meat inspectors as opposed to the 192 that I referred to.

Senator HEFFERNAN: So they are added to the cost of the model, aren't they?

Mr Read: It was a requirement for market access that needed to be addressed through additional inspection.

Senator HEFFERNAN: So in the case of the pork industry—and the MSEP model has been operating successfully as a model for the last 12 to 15 years with no market access risk and an impressive hygiene record—why couldn't we do what we did for pork to the beef exports in our major markets? It worked for pork; why won't it work for beef?

Mr Read: I am not sure that you have the latest information but, with the pork sector, we are applying the AMS model, which is essentially a vet, without the need for an on-the-chain inspector, which is effectively equal to the current MSEP model. The additional element that we built in to pork, as we have built in to everything else, is the need for strong verification.

Senator HEFFERNAN: We understand that, up to the time that the joint letter of 27 August 2009 was signed, advice from the government was that there were no market access issues with the MSEP model. Progressively from that point more regulatory burden and costs were placed on the export meat processing industry. Is that a fair summary of the truth?

Mr Read: No.

Senator HEFFERNAN: So what is the truth?

Mr Read: The fair summary of the truth was that that model was taken into the market place and pushed as hard as possible but, based on particular legislative and case law requirements in the United States, there was a need to modify that model to ensure that we had global market access. Effectively we pushed that model to the absolute extent possible to minimise regulatory oversight.

Senator HEFFERNAN: Initially the industry was told that the FSMA position at the end of the slaughter lines would be removed on 1 July 2011. Is that correct?

Mr Read: I am not sure that is right.

Senator HEFFERNAN: You might take that on notice, if you like.

Mr Read: No, I do not think that is right. The model itself, the end-of-chain inspector, would be removed only when we had agreement from the United States to do that, and it was never foreshadowed that that would be completed by 30 June 2011—certainly not by me. To

start with we have not even actually implemented the model fully across all plant in Australia at this time. Before the United States will get to a position that will consider an argument for the removal of that position, we will need to have the full model implemented; we will need to have a set of data capture around performance of those end-of-chain inspectors and the plant performance and we will need to go back with justification to the United States around the removal of those positions at the time.

Senator HEFFERNAN: Is it fair to say that the time frame has blown out, three to five years?

Mr Read: No; in dealing with this particular issue, the time frame will be as I have always reflected with industry.

Senator HEFFERNAN: Has there been a dramatic change in the outcome of negotiating technical market access requirements for each market?

Mr Read: No, it has been an amazingly successful outcome for Australia to be in the position that we are in within 18 months, having international market access for probably the most reformed inspectorate, particularly of any significant exporting country. And that is where we are at the moment.

Senator HEFFERNAN: With the additional costs of the FSMA position and the new verification framework, it would appear that the final model that AQIS has negotiated for market access will deliver none of the promised cost savings to industry, as opposed to the government, in Minister Burke's letter of 16 December 2009. As a result, if full cost recovery is implemented as proposed, industry says to me that every member of the meat industry big and small will be faced with substantially increased costs in total. Won't that not be the result—they'll just have to wear it and pass it back?

Mr Read: I do not think that is true. The cost of the meat program I mentioned was probably based on three month-old data at that time, which was indicating that the program expenditure was running at around \$79 million. Now with Queensland starting to have better access to cattle, I would expect that expenditure number for the meat program to go up closer to the mid 80s—\$80 million to \$85 million. The current expenditure forecast under the AEMIS model, if it is rolled out, is \$55.8 million. Therefore, there is in the order of between \$25 million and \$30 million in savings across that sector.

Senator HEFFERNAN: So you are saying there will not be increased costs to the industry?

Mr Read: No. Just based on that, it is a \$30 million reduction. If you do a cattle kill equivalent assessment, then there is a reduction from just over \$8 to just over \$6.

Senator HEFFERNAN: Based on higher throughput, you mean?

Mr Read: No, just based on the current throughput. With the comparison of the two models, AEMIS is a cheaper regulatory model to run on the industry than the current meat inspection model.

Senator HEFFERNAN: So if it can be proven that indeed there are increased costs and given the change in the terms of trade—

Senator Ludwig: No, put that aside. This is the regulatory burden that is required for export certification, so do not include the costs outside of that. They are industry costs—

Senator HEFFERNAN: We are talking about on the floor—

Senator Ludwig: They would be costs outside of that that would be there irrespective. The industry has got two choices. From 1 July, they can agree to have AEMIS. It is a less expensive system than what we currently run. Or, if they do not agree with that, we can continue to run the current system, because it is important to ensure that we do have export certification of our beef industry. If they choose the latter, then that will continue, but it is a dearer model. That is why we entertain the system. That is why we went through a lot of the difficulty of the red tape and reduction and everything else that you went through, Mr Read, in managing this system and talking to overseas importing countries to ensure that our system does work. And to date it will work.

Senator HEFFERNAN: With the impact of the terms of trade, Southern Meats here Goulburn have shut. The additional costs, the reduced throughput—what if that causes a crisis in the processing industry? We have got a 47 per cent artificial tariff against us with the United States since we began the negotiations for the free trade agreement, due to the currency, which is due to their insolvency. Would there be a case to be made out to assist the industry to maintain its viability?

Mr Read: Senator, you have made that argument now about reduced throughput. Under the current model that we have, the existing model that AQIS runs, we actually contract into that model the number of meat inspectors required on a plant. In fact, the way a lot of these plants operate is that they may well have three of our AQIS meat inspectors on the books for the 12 months of the year and maybe shut for three months of the year and they are still paying those inspectors. Under this model, they are managing the staff. So effectively they can manage their staff under those downturns in activity and, equally, upturns in activity a lot more efficiently than utilising our people on plant and that has to mean a more efficient structure for those participants in the industry.

Senator HEFFERNAN: We will come back on that. Obviously, we will get some industry response to assist the government and the minister.

Senator Ludwig: I would not mind, Chair, if that letter from Minister Burke was tabled; I am not familiar with it.

CHAIR: I think that is a fair enough request.

Senator HEFFERNAN: Yes, we could get that organised.

CHAIR: In fact, we should table it right now as we speak, Senator Heffernan, because you might forget and walk out of the room, so we should table it now.

Senator Ludwig: To be plain about this, this was a requirement that the previous government put on me when I appeared at estimates and asked questions. The chair, who was at many of the estimates I was at, if I read from a document, asked me to table the document. It did initially take me by surprise because I had notes written on that document. I subsequently learned to bring clean copies that I was going to speak to for the benefit of witnesses.

Senator HEFFERNAN: If that is a way of buying yourself some time, minister—

CHAIR: Before you do, Senator, I have asked Senator Heffernan to table the letter, he has said he does not have the letter; he is reading from an excerpt.

Senator Ludwig: And that is the difficulty. I do not know the veracity of the document that he is reading from.

CHAIR: Which we will assist you with. I think, in all fairness, the minister cannot answer if it is in front of him.

Senator Ludwig: The challenge there is that is why I asked for the document, because otherwise I then have to launch a search by the department to see if we can locate a document fitting that description, which may take hours and which they may not discover.

Senator HEFFERNAN: If it will assist the minister—

Senator COLBECK: I was not advised we were going to raise this. I am just shocked that we raised this issue today.

CHAIR: I am shocked you went outside and told lies about food meat being imported from New Zealand.

Senator HEFFERNAN: If it will assist the minister, I will put these questions that I have asked on notice so they can be fully answered in the correct context instead of the Alan Bond review, I will table the letter with them. So continuing recommendation 79 of the Beale report suggests that the government move back to a 100 per cent government funding of export services and remove their 40 per cent contribution. The government accepted that recommendation, is that correct?

Senator Ludwig: No. Can you tell me which area are you reading from in Beale? Because people often quote Beale and they do not quote it correctly, so if you tell me where you are quoting it from—

Senator HEFFERNAN: Recommendation 79.

Senator Ludwig: Keep going, because we accepted them all on principle.

Senator HEFFERNAN: So what does recommendation 79 say to you?

Senator Ludwig: You can read it out if you want.

Senator HEFFERNAN: How did you go?

Senator Ludwig: No, you are asking the questions. I asked you if you wanted to refer to it, you are entitled to refer to it.

Senator HEFFERNAN: Have you looked at recommendation 79? It is there. Do you agree that it suggests that the government move back to 100 per cent funding of export services and remove their 40 per cent contribution? That was my question. I did not know you wanted to me to re-ask it for you, but I have now just re-asked it.

Senator Ludwig: By all means.

Senator HEFFERNAN: I am saying the government accepted the recommendations; you suggested they did not.

Senator Ludwig: I said we accepted the recommendations in principle. It is a slightly—

Senator HEFFERNAN: So that would include recommendation 79.

Senator Ludwig: That is right—which says export certification functions should return to 100 per cent cost recovery as scheduled at the beginning of July 2009, noting that this would require an early decision and announcement by the government to allow businesses to prepare

for the additional costs as well as for the necessary consultation on revised fee structures. So it is clear that we are returning to 100 per cent full cost recovery.

Senator HEFFERNAN: The next recommendation in the Beale review, recommendation 80, is:

The Government should enhance Budget funding for activities which support biosecurity-related technical market access for Australian exporters.

And on page 214 it says:

... the Commonwealth should enhance efforts to defend Australia's export systems and gain additional market access, including through ... multilateral, regional and bilateral negotiations.

And it says that these functions should be funded from the Commonwealth budget rather than via cost recovery mechanisms. It is in there—and they are. If this recommendation from the Beale review is also to be picked up, shouldn't any additional costs that have been part of the market access negotiations by the government be funded by government?

Senator Ludwig: It is. I am not sure where we are going with this, but if the industry is asking you to ask these questions then I am happy to—

Senator HEFFERNAN: The industry has explained the problem and I am asking the bloody questions. You are a lawyer, aren't you? You are doing well.

Senator Ludwig: Yes.

Senator HEFFERNAN: The law is about avoiding the truth—

Senator Ludwig: No, it is not. It is about discovering the truth.

Senator HEFFERNAN: The government agreed to MSEP as a base model for reform. Shouldn't the sentiments expressed in that recommendation 80 mean that, if your negotiations lead to technical market access that is more onerous and costly than the base model, the government should accept the additional costs until they can be negotiated away. Or don't you care?

Senator Ludwig: It is about moving to full cost recovery, and we have agreed that we should move to full cost recovery. Industry has two choices about this. The efficiencies that they have got to date are substantial out of this system, which is AEMIS. It does benefit the industry. They have got the choice of moving to the AEMIS and accepting the efficiencies to date—and we will continue to work very hard to achieve more efficiencies with them because it is about a win-win for both Biosecurity Australia and the industry. If they do not accept this new system from 1 July, then we can continue with the current system. But it does mean that it will include a full cost recovery.

Senator HEFFERNAN: Would it be fair to say that the Commonwealth has committed \$127 million?

Mr Read: \$127,400,000.

Senator HEFFERNAN: Very good. A bonus for this bloke! Would it be fair to say that \$85.3 million of that went to continuing the 40 per cent contribution that had been in place for the previous decade in order to buy time to identify what areas of reform could be implemented and what resources were necessary to implement them? Another \$26 million of that money went to redundancies for government employed meat inspectors. This left only \$16.1 million for actual reform in six industries. A million of that was for government to

travel to all major countries negotiating market access for the new model. That model, one could argue, has now ended up being as costly, if not more costly, than the one that was already in place. While a redundancy program has focused on AQIS on-plant meat inspectors, has there been any review of the staff and overhead costs involved with head office as well?

Mr Read: I will just clarify some of those numbers that you read out. The \$85.3 million you mentioned, from recollection, is a correct number. Twenty-six million dollars is the redundancy number; \$16.1 million is the supply chain number. The 85 was the number commensurate with the 40 per cent, which concludes on 30 June this financial year, thereby industry will naturally transition to the full cost arrangements from 1 July.

Senator Ludwig: Should they agree.

Senator HEFFERNAN: Joe, the terms of trade have turned to bloody custard. This is very difficult stuff for the industry now.

Senator Ludwig: I understand the challenges of all industries across not only my portfolio but others. We are working very hard to ensure that, to the extent that there are costs which are cost recovery, we achieve efficiencies. What I have also offered to industry as part of the incentive to continue to strive for those efficiencies is, if they think there are efficiencies within Biosecurity Australia, I am only too happy for them to work with us to identify those. But industry has really fundamentally two choices here. They can either agree that AEMIS provides them with efficiencies and move to that from 1 July or not. If they choose not to move there then we will still continue to have full cost recovery of the existing system. There is no third place.

Senator HEFFERNAN: Going back to my question, which you preambled, nicely, has there been any review of the staff and overhead costs involved with head office as well? There has been a reduction in field staff, but it appears no commensurate reduction in office staff in Canberra and state offices.

Mr Read: That is not correct.

Senator HEFFERNAN: Could you, on notice, provide the figures?

Mr Read: We are currently undertaking a detailed review of all the regional provision of services across all those export programs. That will also include detailed review of the supporting internal departmental costs in the programs themselves.

Senator HEFFERNAN: So it is fair to say you have done the field staff and the head office stuff is coming?

Mr Read: We are currently working on that through a number of different themes of initiatives to ensure that we get the most efficient department structure in terms of the delivery of these programs in place ready for 1 July. The savings that I enunciated earlier do not include any results that we achieve from this review.

Senator BACK: Can you just clarify for me full cost recovery? Full cost recovery relates to those expenses that directly relate to the export inspection and related services. Are there any other costs that are added in—overhead costs unrelated to the role that people perform supporting the export inspections that is actually now being apportioned to exporters?

Mr Read: The Department of Finance and Deregulation guidelines make provision for what is titled 'absorption costing the method', which basically provides an accounting

framework whereby the direct costs obviously are attributed to the benefactors of that service delivery arrangement, and there will be an attribution of the indirect costs equally by computers on desks or by people or by space or whatever the particular cost driver is across a range of areas, and that may well be a whole department. The relevant stream of those costs are then brought to bear in relation to the program of servicing a client group. So it is not just the direct costs; it will be the direct costs and the indirect costs. But those indirect costs in this case will only relate to those indirect costs in supporting those direct people in the field. So it will be your corporate overheads in terms of IT, finance, HR and so forth.

Senator BACK: Just help my understanding, your costs, for example, and on costs would all be apportioned to the program for cost recovery?

Mr Read: Correct.

Senator BACK: What proportion is the secretaries or Ms Mellor?

Ms Mellor: There is a proportion of our costs that is attributed to public value. There is a formula that is used to work out what the overhead and on-costs are.

Senator BACK: Would those proportions—not dollars, necessarily—be made available to industry so that they have a comprehension of that process?

Mr Read: They have seen the detailed Ernst and Young report that in detail goes through all those issues.

Senator Ludwig: We will make that report public.

Senator BACK: Thank you. That would be appreciated. That would certainly help my understanding.

Senator Ludwig: The other thing I would add, though, is that we will not stop pushing for efficiencies. We will continue to push for efficiencies. I do understand the industry is looking for efficiencies and we should too.

Senator BACK: No question. Everyone should be. Effectiveness more than efficiency.

Senator HEFFERNAN: Our understanding is the Australian Export Meat Inspection Service, AEMIS, model has been put on hold pending resolution of the funding issues. Is that correct?

Mr Read: The rollout of AEMIS to all those plants who have put their hand up to receive that new model is currently awaiting finalisation of the supporting fee arrangement that will ensure the full cost of the provision of that model can be secured from the client group using it.

Ms Mellor: Senator Heffernan, it is fair to say that the AEMIS model comes with a fee structure that is appropriate for the AEMIS model. Until there is an agreement on that fee structure the AEMIS model will not rollout—it comes as a complete package.

Senator COLBECK: Because you get different fee structures—

Senator HEFFERNAN: I just have one little bit and then you can play merry hell.

Senator COLBECK: And then I have some questions on a broader scale. It is not all just about the beef industry.

Senator HEFFERNAN: In that case, has any thought been given to the human side of this issue and all the meat inspectors who have accepted new positions or redundancies, may

have sold their homes and are moving to new locations—the new appointees to the AQIS approved officer positions, the new FSMA's? Has any thought been given to them being in limbo and facing this uncertainty? I mean, how do we make all that viable?

Mr Read: Senator, we are communicating regularly with our people in the field and with the unions involved. They understand in detail exactly the status of where we are at; they understand the complications in that model going forward, and we will continue to work very closely with them. Although no-one likes uncertainty, my interactions with them have shown they are very understanding and accepting of the challenge that we are currently going through.

Ms Mellor: There is a quite decent number of staff who were formerly employed as meat inspectors and who have chosen to move elsewhere into the biosecurity business, very happily. They find themselves in cargo, in mail inspection and in airport—they have retrained and they are very happy.

Senator HEFFERNAN: And a lot of them, unfortunately, are in no-man's-land. I have some questions in due course on food weight compliance but I think you want to go next, Richard.

Senator COLBECK: Yes, there is the stuff on the AQIS reforms—

CHAIR: Just before we go to Senator Colbeck, we are starting to run short of time, bearing in mind that Senator Milne did request to ask a question too. So, Senator Colbeck, we are due to finish at four o'clock.

Senator COLBECK: Okay. I will try not to traverse ground that we have already covered. You have said that there is a \$23 million cost in reduction to the meat industry as part of this process—in government charges to the meat industry. In that pure sense, the industry agrees with those particular numbers that there is a reduction in charges from Commonwealth to industry. I think there are some other concerns around what this process does in an entire sense, because, as you have acknowledged, we are transferring some of the costs directly out of AQIS into their costs. You are saying that there are some efficiencies around the management of those people, and I think we can go down that track and say that there should be some efficiencies in the way industry actually manages those. The figure that has been put to me is that there is an increase off their base of what they are paying now, including the 40 per cent of 62 per cent, which puts them paying in excess of what they are. You have said to the committee that it is costing about \$8-plus per unit for processing, down to \$6-plus per unit. Are we talking, in those terms, about the direct cost of government charges to industry?

Mr Read: Yes, we are talking about the full cost component.

Senator COLBECK: Okay. So this is effectively how the 55 is made up.

Mr Read: That is right.

Senator COLBECK: Okay. So have you done any work with the industry or any modelling on a whole-of-cost process analysis of this, or is your work confined to what the AQIS costs to industry are going to be?

Mr Read: We are effectively focusing on the component that relates to the AQIS costing, the fees and charges that support the new service delivery arrangement, and that principle

applies across all the export programs as they stand. We have done an EY review of supply chain benefits. They have done a draft of that report and we are in the midst of finalising it. That will bring a bit more clarity to it. What is not picked up in that report, and we have not yet quantified, is that there are substantial benefits within some of these sectors, particularly the grain sector, around some of the supply chain reform elements of the ECRP that will provide industry with enormous benefits outside our charging them the inspection services or the verification services.

Senator COLBECK: There were a number of things that we asked to occur as part of the process of negotiation between the opposition and the government 18 months ago for the recession of the disallowance motion on the new fees and charges. You have already had a discussion with Senator Heffernan on the analysis of cost to government. Was the Ernst and Young report across all industries or was it focused on the meat industry?

Mr Read: That was done on a couple of sectors. It was done on meat and it was done on horticulture as well.

Senator COLBECK: Would the findings from that be reasonably applied across all of the six groups?

Mr Read: The reports are essentially the same except some of the numbers change due to the nature of the program itself. The principle of the report would be applicable across all of the export programs. That effectively is that we do apply the appropriate Department of Finance and Deregulation costing guidelines; that the attribution approach applied within the department is thoroughly creditable; and that the approach, in the external scrutiny of our processes, is justified.

Senator COLBECK: One of the things we asked for was the removal of debt in the industry equalisation accounts. Was that resolved as part of this process? From my recollection at the time, that was based around the accruals that were occurring because of the removal of the 40 per cent rebate?

Mr Read: There is a lot of complexity in the change process of moving people and reforming programs, as you would appreciate. In the last 12 months, we were working on the basis that the budgets set for the next financial year will only relate to that particular financial year and there is no carried over legacy from prior years.

Senator COLBECK: We also talked about an audit of costs and processes for AQIS at each end of the cycle. Has there been any work done on that or is that being carried out in some other form?

Mr Read: We currently have the work that I mentioned already done by Ernst and Young. We have not yet got to the stage of having a post implementation review.

Senator COLBECK: Are there cost recovery impact statements for each sector?

Mr Read: Those sectors that will be putting forward new fees and charges at this stage will be the meat sector, the grain sector and hopefully the horticulture sector. Within each of those are the provision of new fees and charges. All those particular documents will need to be completed.

Senator COLBECK: Looking at your website, will the meat export program fees and charges schedule dated 1 December 2009 change to a new schedule as of 1 July based on this new reform process?

Mr Read: That is correct.

Senator COLBECK: I suppose that is providing the ministerial task force agrees to sign-off on the changes.

Mr Read: The intention would be that but it may well be a week or so later depending on the timing of finalising drafting of some of those instruments.

Senator COLBECK: That helps me align some of the numbers I have been given because my understanding under the proposal that we have for the new fees and charges is that a vet will be about \$185,000 for an annual fee, up from \$159,188.

Mr Read: Yes.

Senator COLBECK: Inspectors will rise to \$245,000 from \$99,444.

Mr Read: What were the meat inspector numbers?

Senator COLBECK: A meat inspector annual fee, under the current schedule, is \$99,444 and will go to \$145,000.

Mr Read: That is not quite correct.

Senator COLBECK: My perception was that they were effectively transferring across. The follow-up question to that is: are you going to retain some within the system to do those that do not want to go down the track of the new system?

Mr Read: What we currently have in place is the 2009 fees and orders as you are referring to. If there is no other instrument in place, that fee instrument is applied to the provision of meat services by the program without the rebate next to it. That becomes effectively the model that is operating. Our preference is to have the AEMIS fee model in place as early as we can, if not 1 July. That will have a significant impact on those numbers that you have just described. For example, the meat inspection number as I recall in the current version that we are discussing with industry has meat inspectors at around \$23,000 mark.

Senator COLBECK: The number here for our meat inspector annually is \$99,444.

Mr Read: That is in the 2009 model. We have the 2009 model, which is the instrument you are looking at, and we have a draft set of fees and orders before industry at the moment. We are consulting with the intention that they will then move forward to a table set of fees and orders.

Ms Mellor: The sequence now will be this: as at 30 June if the AEMIS package as a whole, including the fee list, is not accepted then the industry will move onto what they are on now plus 40 per cent.

Senator COLBECK: Plus \$39,777.60.

Ms Mellor: Yes.

Dr O'Connell: They would lose the subsidy.

Ms Mellor: So the fees would increase to that extent. The proposal in front of industry now is to have a fee model that reflects the same sort of structure as the reform itself, and that is what the department is in discussion about with the industry now.

Senator COLBECK: What specific work is being done to manage the issues in the meat industry for the smaller operators? During this negotiation process and in the inquiry that we did about some specialist small operators, this was one of the issues that we wanted dealt with as part of this process.

Mr Read: I am not sure what fees schedule you are looking at, but what we have done under the proposed AEMIS fee model to the industry —

Senator COLBECK: I do not have access to that at this stage. I do not think it is published, is it? So the industry have, obviously, not given it to me either. So something is working!

Mr Read: What has been done under the proposed AEMIS fee model is in keeping with the discussions that we have had through those various Senate hearings and also the evidence I provided to the other hearings over the course of the last 12 months. What I mentioned to you, as you cited, was that the current meat inspector full cost is around that \$99,444. A meat inspector, as an end-of-chain inspector under the new model, has been shaped to be a number of \$23,498. The reason it is that low is that up in the registration component we have sought to allocate a range of costs through a per head attribution model. What that does is provide the equity, it provides the benefit of AEMIS where it is reducing back, as I mentioned, from that \$80 million number to that \$56 million number. It takes that \$22 million or \$25 million depending on the activity levels and it equitably distributes that across all of those slaughter participants in the program so that the smaller players receive some benefit from it, and the middle size and larger size also receive some benefit from it. Our modelling against this new proposed model does provide that sort of distribution from the small one-man sheds because they effectively will have a throughput charge per unit of livestock. They will not be running those cattle through too quickly so it will not be a big charge. In addition, they pay \$23,000 for the inspector to stand there and, in their case, do the post mortem. There are different configurations as you move up into the bigger plants, but there is a benefit for all those participants.

Senator COLBECK: That will bring me nicely to the throughput charge, and I have got some information. The number that has been given to me at this point around the throughput charge is \$3.50.

Mr Read: The number with industry is \$3.13 presently. We are always looking at—

Senator COLBECK: I did have the term 'negotiable' next to it.

Mr Read: We are working with it.

Senator COLBECK: So that would be for each animal that passes through any plant?

Mr Read: Correct. The registration component seeks to capture two things. It seeks to capture the administrative and overhead costs of the program, which is, I think off the top of my head, around \$16 million, and what we have built into that is a component of food end-of-chain inspectors that we call 'food safety meat assessors', which effectively takes that registration component up to about \$27 million. That \$27 million is then allocated to registered participants in the program. They will be required under the proposed model to pay a registration fee. For example, the cold stores will be \$5,000, the slaughterhouses will be \$5,000, the independent boning will be \$5,000, and so forth. They will then, if you like, pay a throughput charge. That is an estimation on the previous year, or the capability of the plant in

terms of livestock throughput, and that is the cattle kill equivalent, so we have got a conversion factor whether it is cattle, whether it is lambs, whether it is mutton or kangaroos or possums—whatever. We then come up with a throughput fee that is then charged as a registration charge to the plant.

Senator COLBECK: Has there been any discussion, or has it come up during the negotiations, for the throughput charge with its capacity for an identified number, because it can be physically identified as a cost through the processing sector, to be passed back to the farm gate? Is that something that has cropped up as part of the discussions?

Mr Read: No, it has not. But I have to say also that the previous registration charge, which is the existing one that is in those papers that you have now, that \$14,985—where you see that per capita charge—is a charge against a number of meat inspectors that are on a plant. The number of meat inspectors on a plant are aligned with the cattle kill equivalent of a plant. So effectively, in a sense, the principle of the models has not changed. If that is an issue now, it was an issue before.

Senator COLBECK: How are we going towards the process of getting the task force sign-off on each of the six plants? There were six industry plants, weren't there—meat, grains, horticulture, dairy, fish—

Mr Read: Yes. The plants were all signed off on by each of those industry ministerial task forces. For the last 18 months, certainly, we have been head down working through the projects that have been enunciated in those project plans and implementing a range of initiatives across each of those ministerial task forces. Where we are progressing at the moment is quite positive. We will fully expend the \$127,400,000. Certainly all the non-IT initiatives will be concluded by 30 June. We have a range of IT builds that we are currently working on now as you can appreciate. Several of those will be completed by 30 June, others will be capitalised and will have other phases of rollout heading up towards December 2011, so this calendar year. There is a range of staggered implementation dates that will, as I said, utilise elements of that \$127,400,000 in supporting those particular initiatives.

Senator COLBECK: Have all the cycles of redundancies been finalised?

Mr Read: No, they have not. We have gone through the selection process. We have identified all the successful candidates for the end-of-chain food safety meat assessors. We still have a full workforce on our plants across Australia. Once these fees and charges are finalised, and the fees and program revenue structure has settled down or bedded down, we will be—and there is currently a process now occurring—talking to every plant around what sort of model, particularly, they want to operate on their plant which will ensure the most efficient service possible. So that is going to mean the use of AAOs, that is going to mean the use of some of our inspectors providing post-mortem inspection—that will just depend on the business circumstances. Once we have that concluded then we will know exactly what the workforce is that are required to support our meat industry sector.

Senator COLBECK: Okay. So there is a requirement for each of these industry sectors to finally sign off on this process before we start the transitioning?

Mr Read: We are only talking meat at the moment. In regards to horticulture: we have devised a new inspectorate model, also utilising AQIS-authorised inspectors. We are in the process of working out detailed documentation around that particular inspectorate

arrangement, which we are circulating now with industry. We also have a very detailed set of financial information front-of-industry around the horticultural sector. In parallel to that, we have the IT builds that I have talked about; we have the auto-management systems and the verification systems that will support those inspection arrangements; we also have the importing country requirements that will support that; we have had modifications to EXDOC, which provide assistance to the horticultural sector, for example, if that is the one we are focusing on at the moment; and industry will then, in the next number of weeks, give us a sign-off on that new inspectorate arrangements and that is what will apply to a number of the horticultural arrangements post-30 June. But that is unlike the meat, horticulture, grain, dairy, fish—those programs have the flexibility of either using authorised offices or the flexibility of using AQIS inspectors. The first part of the programs for those, particularly the hort and grain, is to put the very detailed service delivery models out there with the sector, which we are doing now. That will enable industry then to have the choice, in the new financial year, about the particular models they wish to progress. Those choices will be then serviced by those IT infrastructure in the next—as I mentioned, going forward towards Christmas—and that will then, once we have all those things established, provide the infrastructure then to allow those businesses to decide exactly what the service arrangements are that they wish to utilise.

Senator COLBECK: Have you identified any proportionate overall reductions in costs for the other sectors as you have nominated for meat?

Mr Read: With the horticulture sector: their current foreshadowed expenditure, based on current levels of activity for the next financial year under the current fees and charges, would be \$8.571 million. Under the revised model that we are talking about now, it is \$7.256 million. That is the worst-case scenario for that program. That includes only a minimal number of estimates around the use of AQIS-approved inspectors, and throughout the year we would expect that that cost will reduce substantially once the industry start to observe the benefits of the utilisation of that model. The fish program is a program of \$4.518 million—that would be our estimate of what that program would cost to run in the 2011-12 financial year. Under the fish program, again, the worst case scenario presently is \$3.7 million. With the fish program and the dairy program, the fundamentals of change in those programs are also around ensuring that we minimise duplication on fish establishments and dairy establishments where you have state regulators and the Commonwealth regulator, both appearing at the same place because you have elements of those businesses that are state registered and other areas of those businesses that are AQIS registered.

Presently we have gone through a state-by-state negotiation around who will provide what services to what particular commodity businesses. Where that is finalising is that AQIS will effectively provide the services to those seafood businesses that are export registered but, with their sort of adjunct businesses that are domestic suppliers, we will also do the coverage for the state in those areas. So that will provide a substantial benefit to the seafood sector. Equally for the dairy industry we have agreed that the states will provide the on-plant audit oversight of those plants against both the national standard and export requirements and we will effectively take a state arrangement as a kind of approved arrangement and we will do verification of that system. So, equally, industry is very excited about the benefits of that approach and we have now, as I said, just concluded that through the state discussions.

The live animal export program is a program that has a range of initiatives that we are working forward with. That program is currently around \$6.6 million. We will look in terms of the new model that we are applying to that program to determine what the savings are that we can bring to the live animal export program.

Senator COLBECK: That was largely around IT, wasn't it? The original proposal on that was largely around IT reform?

Mr Read: That is correct. There will probably be two main streams of reform to that sector. One will be around the automation of a lot of manual systems that exist within the live animal export program. The other path that we have been working on, certainly very closely with the industry in the last couple of months, is more on a systems approach as opposed to a fairly detailed inspectorate approach. That as a model will also provide efficiencies in terms of program, but in our mind will also provide better levers for performance than what we have now.

Senator COLBECK: I have just one final question, because I think there are others wanting to ask a few questions. How do the IT changes that you are talking about coordinate with the other process that we talked about earlier with respect to the broader Beale-type stuff, if you like?

Ms Mellor: Yes, I understand what you are asking.

Senator COLBECK: Are we going to have stuff that all fits together as part of that progress.

Ms Mellor: The answer is yes. The sorts of systems that are being built and the IT solutions to support the export certification reform are consistent with some of the things that we need on the imports and other parts of business as well. So the audit management system, for example, enables the provision of data and the analysis of data. That is the sort of thing we need more broadly across the business, and the object will be to plug it in.

Senator COLBECK: In the context of that, we had a discussion last night with AFMA about exporting into you and the certification process where it is paper based, and it is around their legality of catch. Is there capacity for those sorts of things to be built into, with some cooperation with the industry? My understanding is that the current systems do not allow for that because of the complication of the data that has to be put in. Is there capacity for that sort of stuff to be piggybacked onto what we are doing here now?

Mr Read: We are looking at the legality of that particular issue. If we include those particular catch certifications on an export certificate we need to ensure that the agency in the state providing the authority for that catch point is using turtle-friendly nets or whatever the selling point is for the market that it is involved with and that that is a verified assessment. We are looking at that point now and seeing how we can manage that duplication more efficiently.

Senator COLBECK: That was the point I was going to come back to. If you are negotiating with the states on those potential duplication issues, there is one example where there is the potential to streamline government service to industry—and I know that we are talking about different agencies within DAFF.

Senator HEFFERNAN: Can I come in there?

Senator XENOPHON: I will put some of these questions on notice. These are questions for AQIS and questions I asked previously on live animal exports. Mr Read, can I ask you?

Mr Read: It depends what the question is.

Senator XENOPHON: In response to my question on notice from last estimates, it was reiterated that some state based agencies have the capability to enforce the Australian Standards for the Export of Livestock, the ASEL, but they do not have jurisdictional responsibility for administering the ASEL. Please provide me with the names of those agencies.

Mr Read: I will have to take that on notice.

Senator XENOPHON: Okay, take that on notice. I will race through these. Could you provide the comparative mortality figures for sheep exported to the Northern Hemisphere in the first and second halves of each year for the past 10 years on notice. Can you confirm that AQIS has in its high mortality investigation reports on shipments over the past several years recommended that stocking densities be reduced for animals travelling to the Middle East or the Northern Hemisphere in the months of May to October?

Ms Mellor: Yes.

Senator XENOPHON: Please provide further details on notice in relation to that. In those reports, where heat stress has been a major contributing factor to the high level of deaths, how many times has that recommendation on similar recommendations to decrease stocking density been made? Please take that question on notice.

Ms Mellor: Okay.

Senator XENOPHON: Then I have these question, which you can take on notice. Over what period of time were the recommendations made? Where heat stress has been a causal or primary contributing factor, in what percentage of all reports has AQIS made the recommendation for lower stocking densities on subsequent voyages?

Ms Mellor: Yes.

Senator XENOPHON: I think the best thing to do is to put a number of these on notice, because it sounds as though they are of that nature. I am not sure if this is the right outcome—I will be guided by the minister in part—but you may be aware that there was a decision that was due to be handed down by the New Zealand High Court on orders on an interim ban on fresh pork coming into New Zealand. As I understand it, the New Zealand High Court was due to either lift the interim orders or was going to make fresh orders as of about an hour ago. I do not expect you to know the outcome of the New Zealand High Court decision, but what risk assessments have been undertaken in relation to the potential risks to Australia's pork industry with respect to the decision of the New Zealand government to allow fresh pork meat into New Zealand from countries which have PRRS?

Senator Ludwig: It is plainly wrong to suggest that pork can be imported from New Zealand into Australia.

Senator HEFFERNAN: We are not suggesting that.

Senator XENOPHON: We are not suggesting that.

Senator Ludwig: I am just making sure that you are aware of that. Secondly, there was a risk in importing—

Senator XENOPHON: You are verballing me, Minister.

Senator Ludwig: I do not think I would dare do that. Australia did complete an import risk assessment back in 2004. That found that only approved countries can import pork into Australia. New Zealand was not one of those countries; it is on the banned list. So nothing has changed.

Senator XENOPHON: For other reasons.

Senator Ludwig: Nothing has changed. If you were to establish a trade into Australia, they would have to go through a full import risk analysis. I can get Dr Cupit to take us through that.

Senator HEFFERNAN: You are missing the point.

CHAIR: The minister is answering Senator Xenophon's question.

Senator Ludwig: What concerns me most about this is that we should ensure that we have the facts on the table so that people do not scare monger around this issue.

Senator XENOPHON: I took the trouble of speaking to Australian Pork and my office spoke to their New Zealand counterparts earlier today because they are very concerned about that. I guess the issue from Australian Pork's perspective is that there is a greater risk of disease in New Zealand with the import of fresh pork into that country and whether that would have any ramifications for Australian pork, but at least it would put more pressure in world trade forums for Australia to go down the same path as New Zealand. I do not know whether that has been a subject of assessment.

Senator HEFFERNAN: We resisted in the case of American beef.

CHAIR: Senator Heffernan, you have had more than your fair share of time.

Senator Ludwig: We will not be watering down our science based quarantine system. I could get Dr Cupit to take us through it.

CHAIR: Senator Nash is patiently waiting as well.

Senator XENOPHON: That was my final question. Is there a response?

Dr Cupit: The fact of the matter is that currently we have no fresh pork imports coming from New Zealand to Australia. If they were to come in from New Zealand—and they have been suspended for a number of years due to slight differences in the animal health status between New Zealand and Australia for pork—they would be in compliance or conformity with the pig meat IRA that was done in 2004.

Senator NASH: Whom do I talk to about exploding watermelons in China? Do we have an exploding watermelon expert?

Ms Mellor: Yes, we have one; we probably have two.

Senator NASH: Thank you, Dr Clegg. You would be aware of the reports of the watermelon incident in China. What is the department's understanding of what happened?

Dr Clegg: It is a little unclear from the press reports whether it was due to the application of forchlorfenuron or due to rain causing the watermelons to split normally when the forchlorfenuron was applied. It is a legal chemical to use in China, so it was not a chemical that was illegally used. There is really not a lot of information about that, but we do not import watermelons from China, so we have not done a lot of investigation into it.

Forchlorfenuron is widely used as a chemical to increase the growth of a wide range of plant products in Europe and the USA and for table grapes in Australia. It has a wide margin of safety. There are really no food safety risks associated with it that we are able to establish from the press reports.

Senator NASH: We use forchlorfenuron here, so it is not an issue?

Dr Clegg: It is used in table grapes in Australia and it has lots of uses in Europe and the USA as well.

Senator NASH: So it is obviously not something we have on the FSANZ list of chemicals that we check for.

Dr Clegg: We have an MRL for forchlorfenuron. FSANZ advise me that in the total diet surveys it undertakes it has not actually surveyed for that particular chemical, but that is probably because it has a wide margin of safety.

Senator NASH: Are any of the areas where these watermelons have been exploding in any of the regions where apples are being grown and imported to Australia?

Dr Clegg: I could not answer that, sorry.

Senator NASH: Have there been any discussions from a department level with China about what has happened over there?

Dr Clegg: I have asked a question of our counsellor, but our counsellors are back in Australia at the moment, so we will investigate that further when they return.

Senator NASH: Has there been any discussion with anybody on the ground in China as to what has happened?

Dr Clegg: Since we do not import them, no.

Senator NASH: But we do not know if we import any other products from the regions where they have been exploding?

Dr Clegg: No.

Senator NASH: Would that not be something that the department might like to find out?

Dr Clegg: Sorry—why would we want to find that out? What is the issue?

Senator NASH: I am just wondering because you said that, for the forchlorfenuron, there was a wide scope of—

Dr Clegg: A wide range of uses—

Senator NASH: No, in the level of—

Dr Clegg: A wide margin of safety.

Senator NASH: Thank you. What is that based on?

Dr Clegg: That is based on the acceptable daily intake.

Senator NASH: So what is the MRL?

Dr Clegg: The MRL is in the Food Standards Code. I do not actually have that with me. I have not brought those papers, but there is an MRL for forchlorfenuron.

Senator NASH: Am I right in assuming that the department has not really done any work on this because there is a wide margin of safety?

Dr Clegg: We do not import the watermelons.

Senator NASH: But you also do not know if anything else comes from those regions.

Dr Findlay: The watermelons they have been having problems with are in Jiangsu province and we do not import apples from that province at the moment.

Senator NASH: Do we import anything from that province?

Dr Findlay: No.

Senator NASH: Excellent. I just want to clarify—and I think we have already had a discussion about this—the funding for biosecurity. I think we covered bees and myrtle rust. There was an announcement last Friday about \$3.5 million—\$2 million for bees and \$1½ million for myrtle rust. I think we covered that before. Is that for containment or eradication?

Ms Mellor: No, it is not for eradication.

Senator NASH: There is no funding at all allocated for eradication?

Ms Mellor: For eradication, no, but the decision of the national management group in both of those cases was that it was no longer technically feasible to eradicate.

Senator NASH: For diseases that potentially might need to be eradicated, is there an existing bucket of money? How do you manage that? When an issue comes up, how do you appropriate funding to deal with it?

Ms Mellor: There is a cost-sharing arrangement. Depending on the categorisation of the pest, there is a cost-sharing arrangement that fits that categorisation. In the case of the Commonwealth, we seek the funding through new policy proposals. We certainly had a number of them confirmed in the current budget.

Senator NASH: That obviously comes out of the existing budget, so does something have to lose to get the funding to shift to deal with an outbreak or is it new money?

Ms Mellor: That is a decision of government at that time. We put up the new policy proposal.

Senator NASH: Regarding the \$2 million for the bees and the \$1.5 million for the myrtle rust, could you point me to where that sits in the PBS?

Ms Mellor: It is not there. New announcements are additional.

Senator NASH: I have a very quick question on a different issue: slow lorises. It is obviously good news that we stopped them, but the question is: aren't they endangered?

Ms Mellor: They are listed on the site as category 1.

Senator NASH: What happens with endangered species that come in? Do we just knock them on the head anyway or do we see if we can send them back?

Ms Mellor: No. With every animal that comes in we assess the risk. We obviously look at whether there is an option for re-export or another treatment option. In the case of these ones, we consulted with the department of environment. We humanely euthanise them. There was no option to keep them anywhere. There was no option to look after them. There was no option to re-export them.

Senator NASH: What determines whether or not you re-export an animal in that situation?

Ms Mellor: If you can find someone to re-export it to. In the case of these animals, we did not know where they boarded the plane. Were they sourced from Thailand or Malaysia? Who do we send them to?

Senator NASH: Was there any discussion with, perhaps, any of the animal welfare groups that might have been able to locate a home for them?

Ms Mellor: We did contemplate whether any of the zoos or animal places might want to keep them, but they would generally only import an animal that has been pretested and gone through a whole range of pre-export arrangements. These animals come in with an unknown disease status and they would not normally be accepted. I have to say, it is not a nice decision to make, but the decision was taken.

Senator NASH: I understand that completely; just the endangered aspect of it was quite curious, that is all.

Ms Mellor: We obviously went through with Environment the options that were before us and the options that they consider and the agreement was reached that the best thing was to euthanize.

Senator NASH: Okay, thanks.

CHAIR: Thank you, Senator Nash. Senator Back has been waiting patiently.

Senator BACK: The questions that I want to go to involve inconsistencies as exporters—particularly exporters of genetic material—are experiencing with AQIS. Rather than deal with them here it might be more appropriate to deal with them in the biosecurity inquiry. But I just want to flag for officers that there is a deep concern—whether you are aware of it, and I hope you are—by those involved in the export of genetic material, particularly, and others, of inconsistencies in deliberations, determinations, by AQIS. They perceive there to be a poor process of consultation and even, it has been put to me—and I would rather put it to you so that it can be discussed—an adversarial relationship that is developing, so that exporters are wondering whether the role of the department is to facilitate export of our, in this case genetic material, or to put barriers in its way. Time does not permit, Chairman, in the minutes we have got, and I do not think it is fair on either my questions or on the department's responses. We do have an inquiry going on. If that is the most appropriate place for it to be aired, then I would like to do so.

Senator Ludwig: We have now been slurred, and I think we should have an opportunity to respond, quite frankly, Chair. The difficulty is that you are always open to put questions on notice. We can respond in kind, and if you run out of time that is a matter for your committee to determine as to whether or not you should ask questions or put them on notice or have the time extended. What I do not think is acceptable is that you then just slur the department and then stop there where the department does not have an opportunity to respond.

Senator BACK: With deep respect, minister, the last thing I have done is slurred the department or its officers. I have utmost respect for them. I am simply placing on notice the concerns that have been raised with me and I am flagging with you that those concerns are out there, and I am hopeful of seeing them addressed.

Senator Ludwig: Perhaps we could use difficult language, but unless you articulate the concerns and we could then examine whether they have any substance or not, or whether the

department has taken them into account and has got reasonable answers to them, then it is a slur, quite frankly.

CHAIR: I would suggest, Senator Back, if there are a heap of questions or a number of questions you wish to put on notice then I encourage you to do that.

Dr O'Connell: Senator, I think I should also say that while you may not have intended it as a slur, if it is left hanging there without any clarification or sourcing, it certainly will appear to others as a slur.

Senator BACK: Let me, then, clarify that, Dr O'Connell: it is not intended as a slur; it is intended to place people on notice that this concern exists. I am sure you, as the secretary of the department, as would the minister, would want to know that I make those comments in relation to the fact that I believe such a difficulty exists it needs to be addressed, and that there should be a process whereby we move to ensure that if those inconsistencies are there they can be aired, they can be addressed, so that inconsistencies, if they exist, can be removed.

Senator Ludwig: This is budget estimates. These are not questions; these are statements. If any concerns are raised they should be articulated and put to the department so that they can answer them. Otherwise, while it is left in this circumstance, I stand by the original statement that I made.

Senator HEFFERNAN: Short-selling weight produce is an issue that I have been wanting to raise all day.

CHAIR: It is on notice, this question.

Senator HEFFERNAN: Are you familiar with the practice and is there something that we are going to do about it.

CHAIR: It is on notice, thank you. One thing before I do wind up is note, with a touch of sadness, that we have to say farewell to a great friend of the RAT committee in our estimates officer Jenene James, who is moving on to greener pastures. She has kept it a secret but we have found out. Jenene, on behalf of the committee we do wish you all the very best in your future endeavours and thank you very much for your help over the years.

Proceedings suspended from 16:05 to 16:21

Rural Industries Research and Development Corporation

CHAIR: I welcome the officers from the Rural Industries Research and Development Corporation.

Senator NASH: Firstly, do we have a new chair?

Prof. Stehlik: We do—12 months—

Senator NASH: Welcome.

Prof. Stehlik: Thank you.

Senator NASH: Firstly, on staffing, could you just give us a bit rundown on the level of staffing at the moment and their particular areas?

Mr Burns: We have got a standing permanent staff of 27. Then we have six or seven, what we call, 'external managers'. For example, we have somebody who is physically located with the Chicken Meat Federation but half the time is spent working for RIRDC with money

that has accumulated through the chicken program. There are 27 permanent staff and then we have got external managers and so on.

Senator NASH: Just to refresh my memory, I think that it was the budget before last that had the \$20 million cut. What was the level of staffing then compared to now?

Mr Burns: That was a \$3 million cut.

Senator NASH: That was a good stretch, wasn't it? And I keep accusing the government of spin! Sorry, that was a mistake.

Mr Burns: Twenty million, and we probably would not be here. It is difficult really to compare the level of staffing because, if you look at the period since that \$3 million cut, we have had, for example, an injection of \$12.4 million to work specifically on a weeds productivity program—

Senator NASH: Don't we want to make them non-productive?

Mr Burns: It is an odd title for it but it is about enhancing productivity through reducing weeds. That \$12.4 million enabled us to employ two people specifically to work on that program. In answer to your question, the numbers have not changed but it goes up and down a little bit because we do get some pots of money that might be there for only one or two years so we can contract for that period.

Senator NASH: The Productivity Commission report—there is no update on that, is there? We will have to wait and see what comes back from that, won't we?

Mr Burns: Correct.

Senator NASH: Just on that weeds program, can you give us a bit of an outline of the expenditure of the \$12.4 million, a bit of the detail around how that funding was expended? Obviously there were two staff so that would indicate a significant spend on areas other than staffing.

Mr Burns: I think the best thing to do would be to provide on notice the details of that, and we are quite happy to do that because we have recently announced a number of the projects. The projects vary in spend, but I will not go into the details of them; I will provide them on notice. For example, some might be \$200,000 or \$300,000 done in conjunction with the CSIRO, which is already putting in money. So we are effectively leveraging, say, a \$1 million project through to smaller projects which might be \$25,000 or \$30,000 to look at other issues.

Part of the work will also include the establishment of a website specifically for weeds, which will incorporate all the work that DAFF had previously done on weeds. I think there were 30-odd DAFF projects done before we took over the program, and we will have the results of those projects on the website. We will have all the results, in time, of the projects we are working on. Also, we are going to harvest the existing knowledge that is out there, working with the universities and others to get access to all of the known work there is on weeds. So we are trying to leverage as much extra information as we can through that.

Senator NASH: The 'weedy website'! There is a CRC for weeds currently, isn't there?

Mr Burns: No, that was folded a couple of years ago. This program is essentially a replacement for that CRC.

Senator NASH: Is the work that you are doing mostly on-farm, in-community, in partnership—how are you doing it?

Mr Burns: It is a combination. We have some projects that are looking at technologies that are applicable to the broadacre sector which are high tech, basically. We are also doing projects to tap into existing Indigenous knowledge, bearing in mind that 20 percent of the land is native land and there is as much of a problem with weeds on that land as there is everywhere else.

Senator NASH: If not more.

Mr Burns: So we have some projects with Indigenous communities looking at that. There are also some that are specifically tailored to the pastoral interests—we are talking to MLA, for example, on what we could do. Then there are a few projects which are looking at some cutting-edge technology—for example, a microwave type technology which would be applicable on-farm but which you could also envisage councils using to deal with weeds on roadsides.

Senator NASH: When is all this work due to be completed?

Mr Burns: It is an 18 month programme. It will end in mid-2012.

Senator NASH: What happens at that point—once you have gone out and done all this great stuff to figure out how can we can be more productive with less weeds, what happens?

Mr Burns: We are hoping that it will be so productive and such good work that somebody will decide that it is a good program to keep going.

Senator NASH: Simplistically, then, you are coming up with information that can be useful to the sector in how to minimise weeds for the betterment of production. Is that right?

Mr Burns: Yes, and our expectation is that the website I referred to will live on. Whether it would be something that RIRDC would manage into the future is a future decision, but hopefully we are establishing something that can be built on in the future.

Senator NASH: Turning to biofuels—I know that you do some work in this area—can you outline the expenditure that is going towards any of that research and development work or any other work you are doing around biofuels at the moment and what you currently are doing, if anything, around the biofuels industry?

Mr Burns: We have a couple of programs there. We have a body called Bioenergy Australia which we have coordinated, although it is now becoming a separate entity in its own right. We provided the secretariat for that. It had members that ranged through other agricultural interests as well as large energy companies—I think BHP might even be a member. They contribute and pool funds which we were managing; it will now be managed by this entity in its own right. Our contribution to that for the current year will be \$480,000, but we again leverage a lot more money through that.

We also have a methanes-to-market program, which is \$202,000 in 2011-12. That runs out at the end of this financial year, so that will be the end of that program. We have another one which is called bioproducts and energy, and that is \$875,000. That is looking at some work in second generation biofuels and even some of the by-products which we might get from those processes.

Senator NASH: So you don't know for lignocellulose?

Mr Burns: A little bit but not a lot at the moment.

Senator NASH: Okay. So what sort of second generation—

Mr Burns: Again, I do not have that detail with me, unfortunately. I can take that on notice and provide all of those details as to the breakdown of the individual projects under those programs.

Senator NASH: That would be very useful.

Senator COLBECK: And pyrethrum by-products?

Mr Burns: Off the top of my head I cannot remember.

Senator NASH: And if you could particularly note the work that you might or might not be doing around lignocellulose and come back to us. That has been around for a while. Obviously, it has been one of the second generation aspects that have been around for a long time but do not really seem to be progressing, so it would be interesting to see what you are doing any differently perhaps from what anybody else is. One of the things you do refer to, under key long-term strategies for biofuels, is to develop sustainability guidelines for the Australian bioenergy and bioproducts industries. What does that actually mean?

Mr Burns: We are currently developing them through the primary industries standing committees and Dr O'Connell is the Commonwealth representative on the broader PISC. This is under the PISC framework and under it there is an R&D subcommittee, and it is currently working through several industry-specific but also cross-sectoral strategies to coordinate Commonwealth and state R&D corporation and also university activity. We are drafting a strategy in the biofuels and bioproducts area which will go to PISC by the end of this year hopefully. So those sorts of indicators would be part of what we develop in that.

Senator NASH: So what sort of things are being considered as elements that would make the biofuels industry sustainable?

Mr Burns: I will take that one on notice.

Senator NASH: I do understand that you cannot possibly have all of the information required in your head, Mr Burns. One of the things that you have done in the past is, if I am right, to do with the on-farm impacts of an Australian emissions trading scheme economic analysis. That was one of yours, wasn't it?

Mr Burns: Yes.

Senator NASH: Can we revisit that, and I know it was a while ago. I refer you to that report. In the conclusions to the report, it was said:

Agriculture will look very different to today following its inclusion in emissions trading. Farmers will need to either change their production mix, to engage in large scale forestry or to significantly change farming practices to offset the cost imposts of an explicit price on the carbon emissions they generate.

I appreciate that this was in the context of the proposed ETS. Have you done further work or have you reviewed this to see if the same principles will apply to a carbon tax?

Mr Burns: We have not specifically revisited that project. I can tell you that that project was one of the most downloaded projects that we ever had.

Senator NASH: I'll bet!

Mr Burns: But we have not specifically followed up on that and we do not have any plans to do that at the moment. A lot of the work that is being done on climate change is being done through a collaborative effort which was part of one of these strategies that are being organised through PISC. The University of Melbourne currently runs a thing called CCRSPI, which is coordinating a lot of the climate change research that is being done. We are part of that program. We have not got any projects to my knowledge—but I will check—that are following up on that specific report.

Senator NASH: When was that report initiated?

Mr Burns: I could not tell you that. That was before I started at the organisation. I would have to take that one on notice too.

Senator NASH: Yes, on notice. Is that something that you would have been asked to do? What is the situation with these sorts of reports that you do? Are you asked by government to do them or are they initiated from within RIRDC?

Mr Burns: Most of our projects are ideas that come to us from researchers. We have an open call for ideas and we have advisory committees that look at those ideas and make recommendations to us about what work should usefully be done. It is possible for the government to ask us to do particular work. I do not know the circumstances of that project because, again, it was before my time, but I will check and provide you with that information.

Senator NASH: That would be useful. Would it not be something to consider, though, given the importance of this issue? Given the fact that RIRDC has done so much of this background work—and this is something Dr O'Connell might have more input into from the broader perspective—why would you not utilise the work that RIRDC has already done in this field rather than reinvent the wheel by going out and redoing it all through some other entity?

Mr Burns: I guess the short answer is that we cover a hell of a broad spectrum and we have a limited budget and so we would hope there are researchers that look at those reports and come up with some ideas for more work, and if could fund that we would. But at the moment we are developing a new five-year plan and some of those sorts of things, particularly those cross-cutting issues like climate change, are things where we will look at what we can do and how we can fund it.

Senator NASH: RIRDC does a tremendous job and I mean that very genuinely, which is why I am surprised that you have not been asked to do this or initiated action on this again given the government is talking about a carbon price and moving towards an ETS. If it was important to do last time around when we were looking at an ETS, one would expect that it would be just as important to refresh that information through RIRDC activities and update it.

Mr Burns: Again, I will provide information about how much that project cost us, but some of them are more expensive than others and we have to make judgments about how we balance our portfolio between short-term projects and expensive projects and so on. On climate change, we put a lot of effort in the past into a collaboration with the Grains Research and Development Corporation, MLA and Dairy Australia with a program called Managing Climate Variability, where we looked at practical tools that would help farmers with some of the longer term issues and—particularly relevant, I think, in the previous year—how they manage short-term weather variations and predict what they might need to do on farm. We try

to mix up what we do between long-term research, like the project you talked about, and also some shorter term, practical things such as that Managing Climate Variability program.

Senator NASH: I note in the report that you did a lot of work around measuring and verifying the sequestering of carbon and came up with a number of principles around that. Have you been asked for your input into the Carbon Farming Initiative or anything else related to this given that you have already done all that significant work in carbon sequestration?

Mr Burns: We have not been specifically asked to do work on that, but it is an area that I think we could do more on in the future. We will be building that into what we put forward as a draft plan for the five-year plan we are developing.

Senator NASH: We had some discussions with the department yesterday—I think they said they are working closely with the department of the environment around the Carbon Farming Initiative—and it just seems a little unusual that you have done all this work and you have not been asked for your input into that process. I am not asking a question, but I find it quite extraordinary that all of that work, knowledge and expertise should be overlooked given the importance of the process.

Mr Burns: The only comment I would make there is that we do not actually do the research ourselves. We are investors in research, so at the end of the day we would pay someone else to do some of that research. For example, if we were asked to do an economic based piece of work, we might talk to ABARESS about what they could do or another private provider of that sort of research.

Senator NASH: The government are still waiting for theirs as well—it is not their fault.

Mr Burns: Sometimes it might be a decision of government to go directly to those other entities to commission the research rather than come through us.

Senator NASH: Yes. Yesterday I did raise the fact that the research actually was not going to government until after the Carbon Farming Initiative legislation came to the parliament, which did seem a little like putting the cart before the horse—a little odd. Thank you.

Senator COLBECK: I just want to go back to the bioproducts and energy project that you were doing for \$875,000. Is that fully subscribed?

Mr Burns: It is to my knowledge, yes.

Senator COLBECK: I was going to send you somebody—that is all.

Mr Burns: We usually have a lot more people asking for things if we have money for it. We are always looking for good ideas.

Senator COLBECK: I asked you about pyrethrum because I am aware of someone who is working on a project that puts pyrethrum trash into briquettes, which are then heated, giving off biogas, which is utilised in the heating process. The byproduct of that process is the biochar. Having a number of product streams out of the process does help with the economics. As I understand it, there is a fair bit of understanding of that in India but not so much is being done here in Australia. The greenhouse operator that I know is working on that. It is an interesting little project. He is currently studying it in India. I go to the pollination program. Could you give us a sense of where that is up to? I would be particularly interested

in how the drivers for the research objectives and the weightings that you have given them were established?

Mr Burns: We had a fairly significant pollination program, the product of which is really out there now. So, in a sense, that is done. That was a series of information cards, accessible electronically, for individual products—on pollination requirements and so on, particularly if there was an outbreak of diseases, and how you might need to restock, and so on. That has been a fairly well-received project. We are talking to the honey bee industry and others, including HAL, about support for a potential CRC down the track that would look at those sorts of things and would be able to get into the longer term science behind pollination and honey bee issues. Our program is reasonably modest, but we are doing what we can to assist with that. As I said, the project that we completed, for which we produced all the information cards for individual commodities, was the main product of that program.

Senator COLBECK: Is the current program completed?

Mr Burns: If you look at our budget for the coming year, we have \$715,000 for a honey bee program, but the actual pollination program has come to an end. Previously, you could identify separate lines for a honey bee program and a pollination program. The pollination program is not there.

Senator COLBECK: That is finalised. All right. You put out a press release on 16 May this year about a research report that you released. It talked about high-quality broadband and significant opportunities for rural communities. *New connections driving innovation and productivity* looked at six businesses in Tassie: Huon Aquaculture, Hansen Orchards, Bridestowe Lavender Estate, Houston's Farm, Premium Fresh and TasmaNet. It talked about all the good things that these businesses were able to do utilising broadband. The Huon Aquaculture Group were connecting the hatcheries, marine farms and processing plants and supporting all the offices across the state and throughout the mainland. Hansen Orchards had some detailed farm management data online, making more timely decisions to manage operations remotely when travelling. Premium Fresh had an automated barcoding system of their vegetable crates, allowing them to keep better track of their goods. So there are a number of really good things that those particular businesses were able to do. However, none of those were within the NBN area; they already have access to broadband. Is there any intention to do any further work on that?

Mr Burns: That particular project was some time in the making. It pre-dates a lot of the more recent rollout of the NBN. The intention with that project was not to make any comments about particular technologies or anything around the rollout. It was really to highlight the fact that rural industries that can access better broadband services—no matter what the technology might be—stand to benefit, and to look at some examples of industries in rural areas that have benefited. We were looking last week at part of the open call for ideas for research projects. I think that, off the top of my head, about six or seven different researchers put in ideas for more work on broadband more generally. Again, it was not anything to do with particular technologies but it was about the potential out there for rural industries to benefit from better internet services. So there is nothing specifically following up in Tasmania, but there are lots of ideas out there for further work. What we need to do is make sure we do not trip over some work that might also be being done elsewhere. We have not made final decisions on what projects will proceed.

Senator COLBECK: My next question: are you looking at doing further comparative studies, including the various technologies? Obviously there is potential for that to occur based on collaboration and coordination with other research work.

Mr Burns: Also, because the census data is a little bit old, the figures in there about uptake date back to their 2008 data. At the very least, getting more up-to-date data on the uptake of broadband would be useful.

Senator COLBECK: Last question. Are you subject to the efficiency dividend?

Mr Burns: No.

CHAIR: Thank you. Senator Colbeck and I are blessed with the presence of Senator Eggleston and Senator Adams. Senator Adams, I have not seen you for that long and you probably are not here just because of my good looks and good humour.

Senator EGGLESTON: I do not know how you work that out.

CHAIR: You think I am misleading? Senator Adams, do you wish to ask some questions or does Senator Eggleston? You are obviously sneaking up on me about something. Is it this or the next agency?

Senator EGGLESTON: No. I came because we were talking about some environmental issues and climate change issues and I just wanted to hear about—

CHAIR: Okay. In that case no. We will call Agricultural Productivity.

I welcome officers from Agricultural Productivity which includes Commodities, Water, Research and Development, Food, Ag and Vet Chemicals and Animal Welfare.

Department of Agriculture, Fisheries and Forestry

[16:48]

Senator BACK: Gentlemen, I have some questions in regard to animal welfare and the Australian Animal Welfare Strategy. Could you please advise me what the budget process is—what the funding is for the coming financial year and in the out years?

Mr Murnane: I am the general manager of the Livestock Industries and Animal Welfare Branch. The Australian Animal Welfare Strategy has an administered budget in the order of \$970,000 to \$990,000 for the out years.

Senator BACK: And that would be out to when?

Mr Murnane: I think it is out to 2013–14.

Senator BACK: Thank you. I should compliment the department on the work being done by the group in the Animal Welfare Strategy. I listened to a presentation at the Australian Veterinary Association conference last week and was very impressed by the information that was given to us.

It is my understanding that the animal welfare group within the animal health area, Secretary, and have now been moved to animal productivity. Is that correct and can you explain why that is the case?

Dr O'Connell: That was a couple of years ago, and that was intended to link the animal welfare issues tightly with the industry related issues. It was to ensure we got that instead of having it parked off in an area that was not directly related to the industry productivity that we joined them together.

Senator BACK: So the relationship between the department, for example, Animal Health Australia, is that transacted through the animal health branch or through the animal productivity branch.

Dr O'Connell: With Animal Health Australia, AHA, it is predominantly through the department.

Mr Murnane: Principally the relationship with Animal Health Australia through our biosecurity services area, but we work directly with Animal Health Australia on the work that it has been charged to do on developing animal welfare standards. We are directly involved in that part of Animal Health Australia's work. But, as you are aware, AHA has a very broad charter, so a lot of interaction between AHA and the department is through our biosecurity area.

Senator BACK: In terms of the budget—you were good enough to give me the information—how many staff are involved in the animal welfare branch? Is it a branch?

Mr Murnane: We call it a unit within the Livestock Industries and Animal Welfare Branch. There are nine staff at the moment, I think.

Senator BACK: Nine full-time?

Mr Murnane: Correct.

Senator BACK: Are they all based in Canberra or are they based around Australia and overseas?

Mr Murnane: In Canberra.

Senator BACK: Could you give me some indication of our relationships with the countries with which we trade, particularly with production animals—the Middle East, Asia to the north. What work, if any, is the unit with regard to the Middle East, Indonesia and Asia?

Mr Murnane: I will answer that question in two parts. Firstly, we are closely engaged with the regional animal welfare strategy of the OIE. I would go so far as to say that we are one of the leaders in developing that regional animal welfare strategy and encouraging the adoption of OIE standards in countries within the region. That is a large focus of our activities through that component of the Australian animal welfare strategy. Secondly, I assume the other part of your question deals with the specific issue of live animal exports. Is that correct?

Senator BACK: Yes, that is correct. Hopefully they are still alive when they get there—as indeed, they are.

Mr Murnane: Through the Livestock Industries and Animal Welfare Branch we are directly responsible for managing the development of the Australian Standards for the Export of Livestock—the ASEL.

Senator BACK: So the unit has responsibility in that area?

Mr Murnane: Correct. We manage that process. The process involves an external group called the Livestock Export Standards Advisory Group, which has representatives of the livestock industry and exporters; state governments; the animal welfare sector—the RSPCA; an eminent animal welfare research scientist; and it also has AQIS as a member as the regulator. That group is charged with developing standards which are then promulgated

through regulation. So there is a normal regulatory process associated with that. It has most recently developed version 2.3 of the ASEL.

Senator BACK: Version 2.3 of?

Mr Murnane: Of the ASEL—the Australian Standards for the Export of Livestock. And the regulations to give effect to that version came into force on 27 April this year.

Senator BACK: And they are available for public scrutiny?

Mr Murnane: Absolutely, they are on our website and copies have been provided to the peak livestock export industry organisations and through them to the individual companies involved in livestock export.

Senator BACK: Is there any evidence that these standards may be under review by countries, for example, in the Middle East or in Asia? Is it likely that they are extending beyond our borders?

Mr Murnane: The standards apply to companies and organisations within Australia that export livestock and so it imposes conditions and standards on the companies that export them but the standards do not impose conditions once the animals arrive in an importing country.

Senator BACK: I am sure they do not impose them because they would not be able to, but is there any evidence that the Australian standards, by virtue for example of the fact that most, if not all of the livestock exporting companies, would themselves have overseas activities, are being extended by those companies into their transport of animals in other countries from other countries?

Mr Murnane: You would no doubt be aware that the industry has been focussing on animal welfare issues in receiving countries, particularly over the last six months or so, after there was footage shown on Australian TV of some very bad animal welfare and handling practices in Middle Eastern countries towards the end of last year. As I say, the industry has been reviewing its practices, both across the industry and with individual companies, to come up with concrete ways to improve animal welfare handling in the receiving countries.

Senator BACK: My final question, Mr Murnane: does the unit extend its area of influence to companion animals or just to production animals?

Mr Murnane: Companion animals are under the auspices of the Australian Animal Welfare Strategy. Within DAFF, obviously our focus is on the portfolio interest in production animals, but companion animals—animals in zoos, animals used for work—also come under the auspices of the AAWS. One of the changes we have made to the Australian Animal Welfare Strategy just recently, which was endorsed by the Primary Industries Ministerial Council in April, was to strengthen our engagement with state governments under the AAWS so that we bring them more closely in so that, given that the states are responsible for regulating animal welfare, particularly in the companion animal sector, we are drawing them more closely in so that they can align their activities more closely with the AAWS, particularly in those sorts of sectors.

Senator BACK: Thank you. I have no other questions in the area. Thank you, Chairman.

CHAIR: Thank you, Senator Back.

Senator BACK: Traditionally we flick over to Senator Colbeck.

Senator COLBECK: I just wonder whether Senator Coonan might want to do her animal welfare questions on the back of Senator Back.

Senator COONAN: Yes, that would be convenient, if that is all right with you.

CHAIR: Senator Coonan.

Senator COONAN: I am just interested in first of all starting off looking at the Live Trade Animal Welfare Partnership and the project to review and inquire into animal welfare handling that focussed on review and maintenance of existing restraint boxes, upgrading restraining boxes, training in standard operating procedures and development of a pilot stunning project. As you would be aware, that report was also accompanied by an independent review and the final report was completed in May 2010. What happened to it then? I know it has been released this year but I am just interested to know what happened from the date it was received.

Mr Glyde: Senator, Ms Evans, who is the executive manager of the Trade and Marketing Access Division, has responsibility for the Live Trade Animal Welfare Partnership program. So I might ask Ms Evans to take us through the answers to your questions.

Senator COONAN: Ms Evans, I am interested to know what the handling was from the date the report was received, which appears to be the final report. It is dated May 2010.

Ms Evans: The final report of that component of the Live Trade Animal Welfare Partnership project has that date on the front, but it was just one component of a larger project. So when the full project was complete we, along with other projects that had been completed in that year, then published the material which was in January of this year.

Senator COONAN: 27 January.

Ms Evans: That is correct. In between those dates the specific things that are probably of particular relevance is that the industry prepared an action plan to address each of the recommendations in the report that had identified areas where there was a need for improvement in animal welfare practices. The industry made that action plan available also in the public domain on their own website. So it was on the Meat and Livestock Australia website also in January.

The other thing that happened in between that is of relevance is that we briefed the RSPCA just prior to the release of the report, including with industry representatives, so that they were aware of the nature of the report and the nature of the recommendations before we put it into the public domain.

Senator COONAN: It is fair to say that the RSPCA raised a number of what might be called additional concerns. Is that right?

Ms Evans: The RSPCA certainly responded to the report. What we can say is that the report has gone through and looked at a range of issues to do with animal welfare in Indonesia and they made observations about where things had improved. They also made observations around where further improvements could be made. The industry then developed an action plan to respond to that.

Senator COONAN: Just sticking with the report from minute, it found that:

The implementation of stunning in slaughterhouses processing Australian animals is a priority for the Australian livestock export industry.

I gather you agree with that?

Ms Evans: It is a statement from our industry that the introduction of stunning into the live export markets is a priority for them. Certainly we recognise stunning as one way of addressing a humane slaughter, but it is not the only way. In a number of the live export markets that we deal with stunning is not permitted for a range of reasons, including cultural and religious reasons.

Senator COONAN: This report was commissioned and carried out by consultants, is that correct?

Ms Evans: That is correct. It was completed by an independent panel of experts in the field.

Senator COONAN: There is a statement in there that says:

Stunning was observed to deliver the single biggest animal welfare benefit and the general adoption of stunning in the slaughter of Australian cattle in Indonesia should be an aspirational goal.

That is at page 9 of the report. So the independent experts seem to suggest that stunning has been picked out as perhaps deserving a higher order of attention than perhaps some of the other recommendations. Is that your view?

Ms Evans: All I can comment on is that that is an accurate reading of what is in the report. In terms of the relativity of that recommendation in regards to others, again, I guess there is an overlay of practicality involved. As I mentioned, in a number of our export markets it simply is not possible at this point to introduce stunning because it is not allowed. Certainly in Indonesia we know that the industry is working on introducing some further facilities where stunning can be used, and under the Live Trade Animal Welfare Partnership we have a project in Jordan where we are installing equipment to facilitate stunning. So it is certainly a part of the approach that we are taking. But, again, while there are clearly animal welfare benefits involved in using stunning, it is not the only way to improve animal welfare in these countries.

Senator COONAN: I do not think anyone is suggesting that it is the only way to improve it, but it certainly the independent report picked it out as the priority that would alleviate some of the more extreme suffering of these animals. At page 4, however, the report actually found that stunning is accepted in Indonesia.

Ms Evans: That is correct.

Senator COONAN: So how many slaughter facilities have stunning in Indonesia? Perhaps I should ask: how many slaughter facilities are there in Indonesia?

Ms Evans: I would have to take that on notice. In terms of the advice we have had from industry in terms of where Australian animals are slaughtered, the advice is that it can be in excess of 100 facilities. I would not be able to answer how many abattoirs there are in Indonesia.

Senator COONAN: Take that on notice. I am perfectly happy with that. So how many of the identified facilities to which Australian cattle are sent have stunning facilities?

Ms Evans: I would have to take it on notice to confirm, but my understanding is that there are three facilities currently operating with stunning and that there are two others that the

industry is working on. Again, I will come back to you to confirm that my memory is not inaccurate on that.

Senator COONAN: It is not meant to be a memory test. Of course, by all means check. The difficulty of course is that they would need to be halal certified to also be able to use stunning facilities.

Ms Evans: In terms of halal certification in Indonesia, our understanding is that it is possible to use stunning and still be accepted as halal.

Senator COONAN: So what is inhibiting the introduction of stunning facilities into the larger facilities in Indonesia?

Ms Evans: My understanding from the advice we have received from industry is that for the most part there are some difficulties in introducing stunning just due to the practical arrangements of what it is like on the ground in Indonesia, so access to electricity and so on that can enable the stunning equipment to operate effectively. It is the industry's project in Indonesia at the moment; the Australian government is not directly funding this project. They did have some difficulty in importing the stunning equipment into Indonesia because the equipment itself was regarded as some kind of a weapon and it was difficult to have the equipment arrive in Indonesia. That was one difficulty. More broadly, I think your question goes again to the cultural and religious practices in Indonesia and that stunning is still a relatively small part of the way that the industry in Indonesia is operating.

Senator COONAN: I was interested in whether the department or the industry has done any work to identify the bigger facilities. I understand there are some commercial constraints on the very small ones to be able to commercially introduce these sorts of facilities. But, given the statement in the report that stunning is accepted in Indonesia—that is a bald statement—I am interested to know what is being done to look at how this can be extended to the bigger facilities.

Mr Glyde: I am not wishing to duck the question in any way, but just so you are aware Meat and Livestock Australia are appearing later in our program tonight.

Senator COONAN: I know that.

Mr Glyde: They are probably going to be in a better position to give you the industry perspective. Even though they are a research and development body, they may well be able to help you in relation to that.

Senator HEFFERNAN: There are five major abattoirs coming on stream by November.

CHAIR: There are 800 official slaughterhouses, according to the FAO, in Indonesia. That is not including the unofficial ones.

Senator COONAN: How feasible would it be then to restrict the slaughter of Australian cattle to those facilities using stunning facilities?

Dr O'Connell: Do you mean to those that currently use—

Senator COONAN: Yes.

Dr O'Connell: I think you would have significant constraints on the export numbers in that case, obviously.

Mr Glyde: Are you talking about what capacity the Australian government or the Australian industry might have in that regard or are you talking about the Indonesian government?

Senator COONAN: It is not so much government to government, is it? I am not looking at restricting numbers of cattle. I am looking at how they are despatched and I am asking how feasible it is as an industry-handling matter to direct Australian cattle to facilities where they can be despatched as near as possible to Australian standards?

Mr Glyde: That is something that would probably be difficult for us to speculate on in the sense that we are not that closely involved in the industry. The industry is probably best placed to give you that answer. I imagine that those sorts of systems would require additional cost for the Australian exporter, but I really do not know the extent of the cost or the feasibility of it.

Senator COONAN: So far as the department is concerned, they have not explored this with industry?

Mr Glyde: Not that I am aware of.

Senator HEFFERNAN: The *Four Corners* program which is waiting for these hearings as part of their program for next Monday are asking AAco that exact question. They are saying to David Farley, 'These are your cattle that are being slaughtered,' in one of these places that kill six a week. And so there is—

CHAIR: We can all see that next week in that case. Senator Heffernan, Senator Coonan has the call.

Senator COONAN: I had confined my question to larger organisations where it would be commercially feasible to make the changes.

Ms Evans: May I add one piece of information there? To put it in scale, in 2009 the total number of live cattle exported to Indonesia was over 768,000. Of that number only a very small percentage would be able to go through the existing facilities that use stunning.

Senator COONAN: I want to ask a general question and then I want to come to some questions about the restraint boxes that Australia supplies. If it were thought to be a desirable objective for Australian livestock only to be supplied into Indonesian facilities where supply chains meet world organisation standards, what kind of plan would be necessary to bring that to fruition? You would obviously have to work with industry—I appreciate that—but you said industry had a plan?

Senator Ludwig: The live animal trade is one of the areas that I have been concerned about for some time. So in January I wrote to industry specifically about how they may be able to come back with a plan to improve animal welfare outcomes in Indonesia, particularly around some of the issues that you have described. They have just released a plan—I think on Sunday—but I am keen to continue to work with both the animal welfare organisations and the industry to continue the improvement that has been started for some time. Certainly it does need more focus.

One of the important things we need to be able to do is to identify that the industry is starting to address it. They have been slow to date. They need to accelerate the animal welfare outcomes for the live animal export to continue. One of those things I think they recognised

was by bringing forward the plan, which addresses both the pre-stunning issue and some of the other issues. But to date it is not a plan that I would endorse. It is a plan that the industry has to develop and implement, and demonstrate that they are on a continuous improvement in this area because to date, as I have indicated, my view is that it has been very slow.

Senator COONAN: Yes, I am sure industry do recognise the importance of continuing to make beneficial changes. I would certainly say that. Is there any difference in content, apart from the fact that Australian standards are enforceable, as to what best practice is between the OIE guidelines and Australian standards, and what recommended methods are for those sorts of things?

Mr Glyde: The people that can most help you with this were on earlier on in the Biosecurity Services Group. We might be able to see if we can find someone who can help out, but really you are asking for a veterinary opinion in a way.

Senator COONAN: I can put that on notice.

Mr Murnane: For the sake of a complete answer it might be most sensible for us to get back to you with a complete answer. You are right—there are differences between the OIE standards and the standards that are enforced in Australia.

Senator COONAN: Yes. For instance I have read that best practice suggests that animals should not be inverted at the point at which they are dispatched. I do not think they are in Australia but they are in other countries, is that right?

Mr Murnane: I believe that is the case. Again, I cannot be specific about what the OIE standards might provide.

Senator COONAN: Is it correct—and I am sure it is correct—that, through the Live Trade Animal Welfare Partnership and its predecessor, there has been funding of the installation of restraint boxes in various countries.

Ms Evans: That is correct.

Senator COONAN: Are they primarily Mark 1 restraint boxes?

Ms Evans: The majority of the boxes that have been installed to date are known as Mark 1 boxes.

Senator COONAN: What is the criticism, if that is the right description, of the Mark 1 boxes as opposed to more developed or later models such as the Mark 4?

Ms Evans: The Mark 1 box is a straightforward design. It does not require much in the way of electricity and so on to operate it. The Mark 4 box is an improvement in the sense that it holds the animal—you will have to excuse my description—

Senator COONAN: Cradles.

Ms Evans: Exactly, it cradles the animal as it tips the animal onto its side into the position in which it can be slaughtered. But that system requires a series of hydraulic and other powered mechanisms which again, similar to the earlier discussion we were having, are not appropriate or are unable to be installed in many of the locations where the Mark 1 boxes are currently installed. I think that gives you a sense of the difference between the two boxes, but a correctly used Mark 1 box delivers substantial animal welfare improvements over the traditional slaughter techniques that are used in Indonesia for example.

Senator COONAN: Would you be able to take on notice and let me have a breakdown of where the Mark 1 boxes are and when they were installed? Are we still supplying them, for example, or do we only now supply Mark 4? What is the position?

Ms Evans: There is another round of the Live Trade Animal Welfare Partnership program for the coming year where we have not yet finalised the projects themselves. But it is fair to say that there are still opportunities to put in Mark 1 boxes where that would have a substantial animal welfare improvement. They are still in the mix of the kind of activities that could be considered under the program.

Senator COONAN: Is that in places where there are some other countervailing reasons why you would not put in a more superior model?

Ms Evans: I think that would be a fair description.

Mr Glyde: Where there is no power for example.

Senator COONAN: If I could have a breakdown I would appreciate that. Has any officer from the department actually observed the operation of restraint boxes in Indonesia or has it always been consultants and industry representatives?

Ms Evans: In a formal sense it has only ever been the consultants, but certainly we have an officer on the ground in Indonesia. I would have to double-check with him as to whether he has actually physically gone and had a look at one, but I would suggest he probably has.

Mr Glyde: I can help there, Senator. There would have been several visits of both the Australian based officer in Jakarta and locally engaged staff. But also visiting public servants from the department would have gone to see the facilities in operation. I have been to one of the facilities. It was not operating at the time I went, but I am aware that there have been visits in the past. The formal assessment, if that is what you are meaning, is usually conducted by people with a degree of expertise in this matter, and I would say most of the people who visited from the department do not have the degree of veterinary experience.

Senator COONAN: So at the moment you have to rely on the advice that you receive from consultants and from people who are making those assessments. How many welfare officers do we have in Indonesia? I know you appointed one last year.

Ms Evans: We have one full-time position as a counsellor for agriculture in Indonesia. They deal with a range of issues, not just animal welfare, and they are supported by a number of locally engaged staff. There are four locally engaged staff. Those members of staff work on a whole range of issues, not just on animal welfare. The other place where we have staff on the ground to deal specifically with animal welfare issues is Dubai. Again, we have one Australian based officer and one locally engaged member of staff.

Senator COONAN: So Mr McDonald is an appointment of MLA and LiveCorp, is that right?

Mr Glyde: He is certainly not a government employee, but I am aware that MLA has staff on the ground.

Senator COONAN: I will ask them about Mr McDonald. What specific projects did the live animal partnership point-of-slaughter improvements and training in Indonesia for 2010-11 include?

Ms Evans: I am sorry. Are you especially after just Indonesia?

Senator COONAN: Yes, I am mainly interested in Indonesia for the purposes of this set of questions.

Ms Evans: In 2010-11 the project was actually building on an earlier project which he had run the previous year. The first year of the project was predominantly construction and maintenance of restraining boxes. Under the program they also provided animal handlers with training in standard operating procedures, and there was an independent assessment of past projects that had been delivered in South-East Asia. The more recent one, in 2010-11, worked to improve post-arrival animal welfare by maintaining or upgrading the infrastructure. That was the restraining boxes and other elements of the abattoirs. Further training programs for the local staff on handling and slaughter techniques was also involved.

Senator COONAN: Who does the training?

Ms Evans: It is organised through the MLA, so, if that is okay, it would probably be best to direct those questions to them. They will be able to explain it in more detail.

Senator COONAN: Yes. Perhaps for the purposes of your area of knowledge I would appreciate it if you would take on notice to give me a list of the projects in Indonesia and how they were implemented—in other words, whether consultants did it or whether LiveCorp did it, or whoever—and where.

Ms Evans: From our perspective there are two projects in Indonesia, both of which were implemented by Meat and Livestock Australia. I think you might be asking about where, within each one of those projects, a whole series of activities were undertaken. That would be something we would have to ask MLA or take on notice.

Senator COONAN: But it is basically the partnership that carries it out, the practical side of it.

Ms Evans: That is correct.

Senator COONAN: I will ask them a few things about that. I think I am correct in saying—certainly it is a rough figure—that around \$1 million of taxpayers' money has been spent on restraint boxes in Indonesia in recent years. What animal welfare measures has the department used to assess the appropriateness of the boxes before going ahead and installing more of them?

Ms Evans: We do not inspect the boxes per se. We do understand the way that they operate and we understand that appropriately-used—

Senator COONAN: I thought you said there was an assessment of past—

Ms Evans: As part of the original project in 2009-10 there was an independent assessment, so not by the department.

Senator COONAN: Who did it?

Ms Evans: I would have to take that on notice to go back and check.

Senator COONAN: What I am really getting at is: what is it that exercises the department's mind in coming to a view about what else you fund and how effective what is there is? Do you do more of it, do you do less of it or do you do something differently? I am just interested in what the process is for the department to address that.

Ms Evans: As you know, as part of this project, one of the elements was to have the independent assessment done of the whole chain, including at the point of slaughter, and that has come up with a whole series of recommendations.

Senator COONAN: That is the report I was talking about.

Ms Evans: That is the report—it is in the public domain—that you talked about. So that has given us a sense of where the issues are. The discussions that we have had with industry have focused on the fact that many of the issues identified in that report are about the use of the boxes—not the box per se but the way in which it is used and the appropriate training for the individuals who are involved. In discussions with industry about what we should be doing as we roll the program forward in the coming year, we have asked to have a greater focus on the training and handling side of the equation rather than additional physical boxes.

Senator COONAN: What advice do you get as to how this will result in welfare improvements? I suppose this is the nub of it all and the reason you are doing it. What assessments are made?

Ms Evans: In this case, with Indonesia, the advice we have is the independent assessment report, which has quite clear recommendations.

Senator COONAN: So that is really it, is it?

Ms Evans: For Indonesia, that is correct.

Senator COONAN: The report was very clear that they wanted a feasibility study of stunning facilities, and that just did not happen, did it?

Mr Glyde: The report has only just come out.

Ms Evans: I am not aware of that being completed to date. I would have to check with the MLA.

Senator COONAN: It just did not happen at all. That is what the report says. It really bothers me that from the tenor of your answers—which, I appreciate, are honestly given—there appears to be a real reliance on this report, which very clearly identifies that something identified as a priority just did not happen. That was the pilot.

Mr Glyde: Ms Evans has gone into some of the reasons why it has not occurred as yet.

Senator COONAN: But we know that Indonesia accepts it and we know that there are places that do it, so why couldn't the feasibility have been done there?

Mr Glyde: I think we touched on some of the issues as to why—some of the difficulties that the industry had in getting bolts over there, given the issues they had in getting them through the customs system because they thought it was a weapon and things like that. There have been some extraneous circumstances. But I think the bottom line is that we are trying to, through this program, not just in Indonesia but around the world, work collectively with industry to improve animal welfare outcomes in the receiving countries. The hardest thing, I think, is that we have a very high expectation of animal welfare outcomes and, through the trade and through the education process, we are trying to improve animal welfare outcomes. Will they get to the standard of animal welfare outcomes in Australia very quickly—probably not. That is why, as the minister said earlier on, we are trying to work with industry to come up with a continuous improvement program that lifts those standards. You have raised some very good points in relation to the standards themselves, but also there is the implementation

and enforcement of those standards and the actual practice during their use. You can have all the standards you like, but if they are not actually being used and the best practices are not being adopted, you are not getting there. So in our receiving countries, we are trying to work with industry to develop that. We try also to have practices reviewed so that we know we are heading in the right direction, and I guess it is a work in progress.

Senator COONAN: I just have two more questions. Does the department conduct any on-site inspections to assess the effectiveness in animal welfare terms of the funding that is allocated?

Mr Glyde: The program has been running for a number of years; I would probably have to take that on notice to examine the extent to which we have done that.

Senator COONAN: Do it by all means, but I am particularly interested in the past two years in how many on-site inspections of these projects have been undertaken by the department.

Mr Glyde: I understand the question.

Senator SIEWERT: You said that you are still sending off Mark 1 boxes, and we are talking about Mark 4 boxes. How many Mark 4s are you aware of that Indonesia is currently using?

Senator Ludwig: We can take it on notice and then the MLA will be here later on this evening—

CHAIR: They are likely to have an accurate estimate of it.

Senator SIEWERT: Thank you. We will be back for MLA. You said that one of the problems with Mark 1 was the way they were being used. What is the appropriate way that you would use Mark 1 boxes?

Mr Glyde: Mark 1 is an improvement over a previous slaughter practice. Mark 4 is an improvement over Mark 1. Mark 1 is used in a circumstance where there is no power. As I understand it, Mark 4 boxes require power to operate the hydraulics and the like. It is the question of continuous improvement, trying to find mechanisms that will lead in different circumstances and in different countries to improved animal welfare outcomes.

Senator SIEWERT: I understand the point that you are making. Ms Evans made a comment earlier about the way the boxes are used and that there should be more investment—

Senator Ludwig: No, it was not the way the boxes are used—and I do not want to put words in Mr Glyde's mouth. The important part here is that there are some more technical issues that the MLA may be able to deal with later on this evening. If you have got a specific issue about how a particular implement should or should not be used—

Senator SIEWERT: Minister, I understand that I should be asking some questions of MLA. There was a statement made about 'it's the way the boxes are used and there needs to be more training', and I want to know how you could be trained to use one of those Mark 1 boxes so that they are not inhumane.

Dr O'Connell: I think that what Ms Evans was doing at the time was explaining what that review study had said—that there needed to be additional training— rather than having an opinion of her own about how this should happen. The review said that you needed to have the training for the use as well as the installation.

Mr Glyde: You may well get more from MLA, where they are a bit closer to the actual practices, but Ms Evans was talking about the review process, and the review process reported that there should be greater emphasis on training and use.

Senator SIEWERT: If it is in fact possible to make them more humane.

Mr Glyde: The point I was trying to make was that a Mark 1 restraining box will have an improved animal welfare outcome from not using a restraining box. You are then asking whether there is a more humane method than using a Mark 1 box and—

Senator SIEWERT: No, I was picking up on the comment on Mark 1 boxes, which I took to mean you could make Mark 1 boxes more humane, and I want to know how you can do that. That was the way I took the comment from Ms Evans, and if I have misinterpreted it I will take that on board, but I understood that to be related to training, and I am not sure how you do that, how you make them more humane.

Senator HEFFERNAN: The difficulty is to get the head up—and you use a sharp knife.

Senator SIEWERT: Senator Heffernan, I will put you across the other side of the table in a minute!

CHAIR: I think you should take him out the back.

Mr Glyde: I will let Jo speak for herself, but the point we are trying to make is to have as best an outcome as you might get from a Mark 1 box you have to be trained in the use of it. That was the point we were trying to make. You need both the actual Mark 1 box but also the operators of it to be trained.

Dr O'Connell: So these were effectively a crush type affair.

Senator SIEWERT: I know what they are.

Dr O'Connell: As opposed to trying to pull an animal down through a leg and into a ring bolt, so the point is that if you have a crush type affair you need training to be able to use that crush properly in order both to use it efficiently for the purposes of killing the animal, but also for its welfare outcomes.

Ms Evans: If I can just add—I commented before that in response to the independent report, Meat and Livestock Australia did put out an action plan themselves on how to address the recommendations and I am happy to table a copy of that, but it is available on the web. And that does go through the kinds of actions that they suggest would improve the use of the Mark 1 boxes.

Senator SIEWERT: Okay, thank you. Earlier, Ms Evans, when Senator Coonan was asking about stunning, you made a comment about there are other potentially humane methods you could use?

Ms Evans: I said there are other ways to improve animal welfare.

Senator SIEWERT: I beg your pardon.

Ms Evans: This was the discussion that Mr Glyde was essentially commenting on, that there are all sorts of steps that can improve animal welfare from where it might currently be in these facilities, and there are gradations along the way.

Senator SIEWERT: Okay, thank you. I know Senator Coonan was asking about some of the international standards, and as I understand it, in Australia, the Animal Welfare and

Product Integrity committee has made some comments about restraint of species, and keeping those animals in an upright position. Is that correct?

Mr Murnane: Sorry, Senator, which committee?

Senator SIEWERT: The Animal Welfare and Product Integrity Committee. And it has also made comments about restraint boxes, is that correct?

Mr Murnane: I am sorry, Senator, it does not come immediately to mind.

Senator SIEWERT: Would you take that on notice, please?

Dr O'Connell: There is a lot of work goes through that committee, the AWPIC, so we would have to take that on notice.

Senator SIEWERT: If you could, and take on notice what advice it has been provided and what has been the response to that advice. Thank you, that would be appreciated. Can I now go back to the issues around live sheep, please. As a response to the process that you put in place after the issues around live export to Egypt, you introduced the process of—you call it a closed loop system, don't you?

Dr O'Connell: Correct.

Ms Evans: If I can just clarify that the one closed loop system that we do have in Egypt is for cattle; it is not for sheep.

Senator SIEWERT: Okay, it is not for sheep. I beg your pardon on that one, then. So it is basically only to approved loop feedlots and abattoir, isn't it?

Ms Evans: The one closed loop system that we have in place again is in Egypt and is for cattle. 'Closed loop' basically means that from the time the animals arrive at the facility until they leave as a processed meat product they do not leave the facility at all. There is a system of radio frequency ear tags and the location of the animals is tracked as they move through the facility. It is audited to make sure none of the animals have gone missing. That is what 'closed loop' means.

Senator SIEWERT: Have you been evaluating that process?

Ms Evans: The closed loop facility is the one facility that the Australian government does inspect. We do that jointly with MLA. We did that before it opened to make sure it met the requirements we were looking for and the OIE standards. We do that on a random basis regularly under its operation.

Senator SIEWERT: How much was invested in that?

Ms Evans: In terms of Australian government funding, I would have to take it on notice. There was a small amount provided for the ear-tagging system.

Senator SIEWERT: Is there consideration being given to any more?

Ms Evans: There is at this point one other facility that is looking for accreditation, but it has not yet been approved.

Senator SIEWERT: Where is that?

Ms Evans: It is also in Egypt and it is also for cattle.

Senator SIEWERT: You are monitoring it. Has there been assessment of the animal welfare benefits through this new system? I appreciate that you have been monitoring it, but

has it been assessed as being a substantial improvement in animal welfare? Has there been an independent look at that?

Ms Evans: In order for the facility to be approved it has to, according to our assessment and the assessment of the Meat and Livestock Australia representative, meet OIE standards. All of the animals that are processed in that facility are handled at OIE standard.

Senator SIEWERT: The reasoning for Australian investment in that facility?

Ms Evans: The reason for the investment of the funding per se was simply to ensure they had a tracking system that was able to provide for the kind of auditing of the system that we were looking for at that stage.

Senator SIEWERT: Sorry, I was not clear. That was what it funded, but what was the reasoning behind it?

Ms Evans: The closed loop system that was implemented in Egypt was in response to an earlier issue with animal welfare handling in Egypt. There were systematic problems with animal welfare practices that were clearly against OIE standards. There were documented instances of the tendons of cattle being cut as a method of restraint, which is specifically in the OIE standard as unacceptable. There were also instances of gouging of the eyes of the animal and other treatments which are again specifically excluded in the OIE standard. Because that was a systematic concern in Egypt it was decided to move in that instance to a closed loop system.

Senator COONAN: Does this happen in Indonesia?

Ms Evans: That type of abuse is not something that I have seen evidence of. It has not been brought to my attention.

Senator SIEWERT: What restraint boxes were they using, if they were using any, in Egypt?

Ms Evans: In the closed systems?

Senator SIEWERT: Previously.

Ms Evans: I would have to take that on notice.

Senator SIEWERT: What is the new closed loop system using?

Ms Evans: The closed loop system—and I will have to take it on notice to confirm this—does use a restraining box. I am not 100 percent sure if it is straight upright or if it tilts.

CHAIR: Senator Colbeck and I visited that facility a couple of years ago, so he is an expert. I did not want to see it.

Senator SIEWERT: Does it use Mark 1 or Mark 4?

Senator COLBECK: I have not seen whether it is a Mark 1 or Mark 4, so I cannot tell the difference. It is hydraulically operated.

Senator SIEWERT: Nearer to a Mark 4.

Mr Glyde: I suspect that the representatives from MLA will be in a position to help you out more than we have been able to, I am afraid.

Senator SIEWERT: How many cattle do we export to be Egypt?

Ms Evans: I have statistics here. The total of cattle exported to Egypt in 2010 was 56,441. That is from the MLA.

Senator SIEWERT: So I should double-check with them. In terms of the process, all 56,000 cattle would not go through this closed loop system now, would they?

Ms Evans: Yes, they do.

Senator SIEWERT: So all of the Australian cattle that are exported now go through this closed loop system.

Ms Evans: The only exports allowable to Egypt for cattle must go through the closed loop system.

Senator SIEWERT: Are you then looking at the welfare standards of other importing countries to see if they are carrying out the same practices that Egypt was carrying out before the closed loop system was put in?

Ms Evans: The kinds of practices that I described before really were very extreme and systematic, so they were not isolated incidents. It was systematic use of those practices in the slaughter of the cattle. We are not seeing that same systematic abuse in other countries. That is one difference. The other difference is just the volume. As I mentioned, there were 56,000 into Egypt and over 760,000 into Indonesia in 2009, so the practicalities are quite different in different countries.

Senator SIEWERT: I understand that. It means a hell of a lot more cattle, if the numbers are larger, would be suffering if other countries were carrying out those same practices. What would the position of the department be if other countries were found to be carrying out the same practices but on a larger scale?

Senator Ludwig: If there is any evidence of that I would encourage people to bring it to the attention of the department so that we can investigate it. One of the things I have done since coming to this portfolio is start to work with both the animal welfare groups and the live animal export industry to improve animal welfare outcomes, in addition to Minister Burke's program of \$3.2 million to improve live animal welfare outcomes for export.

As I mentioned earlier, I wrote to industry in January on this very issue for them to bring forward a plan because I had heard concerns expressed similar to those you raised at the last additional estimates. I asked them to bring forward a plan to deal with all of those issues and to demonstrate a way of continuously improving animal welfare outcomes, particularly in Indonesia. They have presented me with a plan. I do not endorse that plan. I want to be able to see that they are implementing it and moving it forward. I have raised the issue with them since then at a conference I attended in Katherine, where I spoke about where they needed to demonstrate that they were continually working on a program of improvement for animal welfare outcomes. I think all of that is critical for the industry to continue this trade.

The trade is important to Australia. The figures are about \$1 billion worth of export income. It supports about 10,000 jobs, many across areas in far Western Australia, as you know, and in the Northern Territory. It also employs a significant number of Indigenous people in the Northern Territory. So all of this means that it is incumbent upon industry to continue the improvement in animal welfare practices in the markets they send cattle to.

Senator COONAN: Have you got a time frame for some announcement with the industry on the plan that you said you have not yet endorsed, but—

Senator Ludwig: It is not up to me to endorse a plan. I wanted to see a plan from them. I might have said Indonesia, but I wanted to see a plan from them covering wherever we send animals. It is about the industry demonstrating what their plan is and their timelines and their chronology of improvement.

Senator COONAN: They have given you one—are you happy with it?

Senator Ludwig: I have not had it for very long at this point, but what I wanted to see is how that would then be implemented and worked through, because it is the outcomes that are important. You can put together a plan but we would all agree that we would want to see a continuous improvement. I think more needs to be done. I do not think there is enough being done at this point in time. That is why I have taken those actions that I have taken—to demonstrate that there is a need for the industry to recognise that they do have to develop a plan, put in the dates, put the times on it, demonstrate what practices they are going to target and start working with the industry and importing countries about how they can then improve those animal welfare outcomes.

Senator COONAN: So the government does not have any input into it? It is really a matter for industry to set their plan and implement it as best they can?

Senator Ludwig: To the extent that I have asked the industry to do this, I think the government does have a view about how we think the industry should go and how it should develop improvements and continue to improve animal welfare outcomes.

Mr Glyde: I might add that three of us are meeting with industry representatives later in the week to discuss our views from the various perspectives that DAFF has—both as standard setters within the Australian system and from an AQIS perspective.

Senator SIEWERT: I just wanted to follow up on what the minister said—that he has invited people to bring further evidence. If there is evidence presented—and I just heard all that you said—would the government be looking at investing further in closed loop systems where there are examples of the sort of treatment we heard about from Ms Evans with respect to Egypt?

Senator Ludwig: The difficulty is that I do not want to speculate on the nature, the type, the place or the location of particular animal welfare outcomes you are talking about. What is important and critical is that we recognise that the industry needs to continuously improve. The plan was only provided to me as late as Sunday, I think. We are working through that and meeting with industry. As I have said, I do not think they are doing enough. They need to do more. If people do have evidence of abuse to animals, I think it is incumbent upon them to let the department know so that we can investigate these things rather than try to hypothesise about what might or might not be happening. It is very difficult from our perspective. What we can do, though, is address the issues as they are presented to us.

Senator SIEWERT: I want to follow up the issue around the Festival of Sacrifice last year.

Mr Glyde: The Eid?

Senator SIEWERT: Yes. I am asking about government response now, not industry. Is the government intending to do anything to ensure it does not happen this year—or is the department?

Mr Glyde: That particular incident is referred to in the minister's letter. The minister has asked as a result of that for ideas and options from the industry about what it might do. We certainly have been considering from a departmental perspective what options there are for government, if you like, to assist in that process as well, and that is part of the reason we are meeting with the industry later in the week.

Senator SIEWERT: So that is part of that debate, is it?

Senator Ludwig: It is all of that; that is what I indicated. That is why it is clear by January that, with some of the practices that were highlighted there, it was incumbent upon industry to demonstrate that they were on a continuous improvement path, whether they had considered closed loop systems and whether they had looked at how they can work with the importers to improve. I might have said Indonesia earlier, but it did not specifically say Indonesia; it is only because we are talking about Indonesia that I highlighted it. But, more broadly, it is wherever the live animal export trade is imported into. So it includes the Middle East and other countries as well.

Senator SIEWERT: Thank you.

Senator O'BRIEN: Following on some of the questions, I see that the FAO has published a document which indicates there are now over 800 officially recognised abattoirs in Indonesia, although that number has obviously expanded with the shift to the market economy, away from more centralised facilities. Is it true that most of the facilities which operate are connected to the wet markets for meat in Indonesia?

Ms Evans: Again, this might be something that MLA can give you more information about, but it is my understanding that a lot of the abattoirs are associated with wet markets.

Senator O'BRIEN: In relation to slaughter methods, FAO says that halal in Indonesia accepts stunning. Is there a government-to-government dialogue between Australia and Indonesia about the slaughter methods, the export of Australian cattle and the implementation of animal welfare standards?

Ms Evans: In short, yes, there is a government-to-government dialogue. I mentioned before that we have a counsellor on the ground in Jakarta and we also have delegations from time to time who travel and discuss animal welfare issues. So that is an ongoing dialogue, and when there is an appropriate opportunity to raise stunning we do use those opportunities.

Senator O'BRIEN: Can you, perhaps on notice, supply the committee with what the government has in relation to the regulatory arrangements, if any, that apply to slaughter operations in Indonesia.

Mr Glyde: It is the Indonesian regulatory arrangements.

Senator O'BRIEN: Yes—obviously the English version, please.

Ms Evans: Okay, we can take that on notice, thanks. If I may, Chair, I will just use that opportunity as well to just correct the information I gave to Senator Coonan's question earlier about the number of facilities in Indonesia using stunning. It is three facilities in Indonesia; the other two that I referred to are in Jordan. Thanks

Senator O'BRIEN: With the facilities where there has been Australian assistance with the slaughter process, can you tell us how many such facilities exist?

Ms Evans: In Indonesia?

Senator O'BRIEN: In Indonesia, yes.

Ms Evans: The number of facilities where we have worked is around 100 or 109. It is in that order.

Senator O'BRIEN: Are they widely spread—Java, Sumatra et cetera?

Mr Glyde: We will probably have to take that on notice, Senator, to give you a precise answer rather than a stab at it now.

Senator HEFFERNAN: Could you possibly break that down to areas—there are lots that do not—that do not have sewerage and electricity and that are involved in those areas? It is one thing to want to do all this correctly, and we all want that to happen, but if you have not got sewerage, you have not got electricity and you have not got any facilities but you still want to eat then it makes it difficult. And you have religious constraints.

Dr O'Connell: It may be difficult even in areas like Jakarta. On the edge of Jakarta you can easily have places with no facilities for electricity or sewerage, so you might be running open drains and things like that. I think it might be difficult to be specific.

Senator O'BRIEN: Jakarta has probably the biggest slaughter facility, but it is well underutilised because of reliance on wet market traditional slaughter arrangements. Thanks, for that. I thought that we should get some clarity about a couple of things.

CHAIR: Thank you, Senator O'Brien. Are there any further questions on live trade or Indonesia's—

Senator COONAN: I have one more. Minister, did you raise this issue of halal killing or stunning or any arrangements that might be made government to government when you were there in March? Was that part of the matters discussed?

Senator Ludwig: Minister Suswono was not at the meeting that I went to in Jakarta. We were predominantly talking about the trade issues at the time.

Mr Glyde: As you are probably aware, there has been some restrictions placed on the trade.

Senator COONAN: Yes, with the size and number.

Mr Glyde: The number of cattle being exported to Indonesia over the last year. The focus of the discussion was in relation to those issues.

Senator Ludwig: It is fair to say that we broadly discussed the welfare issues with government and non-government persons in Indonesia.

Senator HEFFERNAN: I would like to seek some guidance. In terms of the MLA, would it be possible for Senator Coonan and Senator Siewert to be here for them at half past 10?

Senator Ludwig: Senator Siewert puts a lot of hours in.

CHAIR: I am sure that you can ask the senators personally, Senator Heffernan. Are there any further questions on animal health?

Senator COLBECK: In question on notice No. 32, I asked the department about milk pricing and the department indicated that they are working with industry to assess any impact on the factors to do with production and processing. Does the department have any current information to add to the answer to that previous question on notice on those impacts?

Mr Murnane: It might be best for me to answer that by saying that we are obviously following the progress, hearings and deliberations of the Senate Economics References Committee very closely. I have probably mentioned before that we as the department have little firsthand information about the pricing and contractual relationships through the dairy supply chain. The industry parties keep that information very close. We are obviously fairly closely following the progress or the lack thereof from some of the parties who are appearing before that committee to get a better understanding of those contractual relationships.

Senator COLBECK: That puts you in an interesting position to be on the other side of the information provision for a change. So that is effectively the process that you are using to assess where things are at?

Mr Murnane: We also have our own direct or bilateral discussions with the industry groups and other industry parties. We are continuing those discussions as well. We talk regularly with Australian Dairy Farmers, the Australian Dairy Industry Council and Dairy Australia—those sorts of groups.

Senator COLBECK: You are not talking to anyone else in the supply chain?

Mr Murnane: We have periodic meetings with some of the processors.

Senator COLBECK: It is getting towards the end of the negotiation period for all the contracts that are due to roll over on 1 July, so probably it is an interesting time in the context of the whole process.

Mr Murnane: Yes. I would note, though, that Dairy Australia, in their situation and outlook report that was released only a couple of weeks ago, was fairly upbeat about the opening price for 2011-12. It expected it to be higher than the 2010-11 price. There does seem to be some confidence around the industry, particularly around expectation about international commodity prices.

Senator COLBECK: Yes, I think the issue that we are looking at perhaps relates more to some of those drinking milk only states.

Mr Murnane: I understand that, yes.

Senator COLBECK: I certainly understand the point that you make around the international commodity price and the potential for those supplying into the manufacturing milk sector. I think you are right: things look relatively bright for them. The issue sits more around what is likely to happen in those states that are outside. Northern New South Wales, Queensland and perhaps Western Australia are the places where the stresses might be at their greatest.

Mr Murnane: Yes, I agree.

Senator COLBECK: Regarding the Horticulture Code of Conduct, has there been any change in the situation from where we were last time, which was, effectively, considering the recommendations of the ACCC?

Senator Ludwig: I had a recent meeting with representatives from the horticultural industry. Regarding what I had asked them to do, they raised a couple of issues with me—maybe their top five issues. One of them was the horticultural code. I detected there were differing views within the industry itself over the direction it should take, so I did ask them specifically whether they wanted to come back with an industry view about where they wanted to go in relation to the horticultural code.

Senator COLBECK: It would be a novel concept for that to be provided.

Senator Ludwig: Yes. But I think it is important, if you are going to have a code that is going to impact across the horticultural industry, to have broad support within the horticultural industry for that to be effective and to be used.

Senator COLBECK: I was not criticising you, Minister; I was agreeing with you.

Senator Ludwig: I know it might seem novel.

Senator COLBECK: That might be a novel concept.

Senator Ludwig: To date, though, I think the accurate picture is that it is still a matter under consideration.

Senator COLBECK: For the regional food producers program there has been \$2.67 million committed to date this year and there was \$350,000 in uncommitted funds from last year. How are we heading towards the allocation of these funds?

Mr Souness: The current uncommitted funds for 2010-11 stand at \$370,000 and for 2011-12 are \$2.62 million.

Senator COLBECK: There is a slight variation in the numbers. Is there a process for the allocation of these funds? Are we considering projects? Are we going to a request for submissions? Where are we at in the overall allocation of the funds?

Mr Souness: At the moment there is no consideration, though in the proposal there are still options that are just being considered by the department.

Senator COLBECK: Are the options that are being considered as a result of an invitation to submit a proposal or are they proposals that have been actively sought by the department? How did those come to pass?

Mr Souness: There are probably a range of options available to the department and the minister. There is a set of guidelines that guide the operation of this program, so we are obliged to stay within those guidelines. At the moment it is just a matter of considering what opportunities there may be. The program is due to complete at the end of next financial year, so at this stage there is not a lot of time available to run a round and to run projects that might come out of that round.

Senator COLBECK: There is a slight variation in the figures you have given me based on the numbers that came back in question on notice No. 34. The difference in 2010-11 is \$20,000 and based on the 2011-12 numbers the difference is half a million dollars. Where does that variation stem from? Is that a change in allocation in the budget?

Mr Souness: No. The variations come from where projects, for example, may be amended by the recipient and so there is a lessening value of the project and so less funds are taken up as a part of that project. Some projects do not complete all their allocated work and some

projects do not proceed. It would probably be in most of those cases where projects have been amended result in a lessening of the value of the project.

Senator COLBECK: How many actual projects have been completed under the program so far?

Mr Souness: In round 1, of the 15 projects that were funded, six are ongoing at the moment. At the moment in round 2, 16 grants were approved but four grant recipients declined the offers of funding, so there are 12 current projects.

Senator COLBECK: What is the value of the projects allocated in round 1?

Mr Souness: There were 15 grants awarded totalling \$6.4 million. Six of those are ongoing. So \$6.4 million GST exclusive.

Senator COLBECK: What is the value of the projects in round 2?

Mr Souness: In round 2 there were 16 grants totalling \$9.7 million.

Senator COLBECK: And the 12 current projects add to \$9.7 million?

Mr Souness: The total committed was \$9.7 million. The total funds committed was \$7.5 million. The actual expenditure to date has been just over \$2 million.

Senator COLBECK: That is in round 2. What is the expenditure to date so far in round 1?

Mr Souness: In round 1 actual expenditure is \$2.46 million.

Senator COLBECK: So out of the \$35 million commitment made in 2007 you have spent \$4.46 million?

Mr Souness: That is correct.

Senator COLBECK: How much has been transferred out of the department into other programs?

Mr Souness: We may have provided you with the response.

Senator COLBECK: You have, but I just want to make you say it.

Mr Souness: Those figures have not changed since we provided you with a written response.

Senator COLBECK: There is \$13.9 million allocated in the figures that you have given me and there is about \$3 million left over so over half the project has been allocated in other different programs.

Mr Souness: Approximately, yes; that is correct.

Senator COLBECK: How many projects are currently under consideration?

Mr Souness: None.

Senator COLBECK: So there are no new projects under consideration?

Mr Souness: That is right—for that program.

Senator COLBECK: What is the likelihood of spending the remaining \$3 million?

Mr Souness: The program runs through to—

Senator COLBECK: I understand that. The question is almost rhetorical, Mr Souness. I am sorry. Out of that that particular program, were elements allocated to specific areas, like

fisheries? Within the \$35 million, were certain allocations made to certain areas within the overall program?

Mr Souness: Yes. Originally there was to be an allocation of \$10 million to the seafood industry.

Senator COLBECK: How much has actually been spent on projects in the seafood industry?

Mr Souness: There was \$3.2 million allocated to nine seafood industry projects. Six of those projects, totalling \$2 million, accepted funding and are proceeding.

Senator COLBECK: Are they completed or are they ongoing?

Mr Souness: They are proceeding.

Senator COLBECK: So does the lack of spending relate to a lack of interest? I suppose the transferring out of \$20-odd million is a government priority, so we can sit that where it sits, but is there a demand issue around this project? Is there a lack of demand for projects around regional food production and innovation?

Mr Souness: There is no evidence of that.

Mr Glyde: It was certainly a factor in relation to the seafood ones. You are talking about the overall program or the—

Senator COLBECK: Yes. I am interested to see what the rationale was. Okay, the government has made some funding priority decisions around some of that money and it has obviously been a pot that has been effectively raidable when they needed to find some funding to do something. I am interested in what the industry's general approach to it was and the relative demand.

Mr Souness: There was reasonable demand for the two rounds that we ran. As I said before, I do not think there is any evidence to suggest that there is a lack of demand.

Senator COLBECK: But there is no intention at this stage to run a third round?

Mr Souness: No, there is no intention at this stage. It is for consideration. But, as I said, the program comes to a conclusion at the end of the next financial year and time is fairly short in terms of running these sorts of programs. Typically the projects run over an 18-month to two-year period.

Senator COLBECK: So that \$370 million and \$2.62 million that remain uncommitted could end up being lonely until the government finds a better use for them.

Mr Souness: It is certainly difficult for us to find, in this financial year, scope to use that \$370,000. The \$2.6 million is allocated to the next financial year.

Senator COLBECK: What is the typical time frame for projects that are running at the moment?

Mr Souness: As I said, around the 18-month to two-year period.

Senator COLBECK: I presume all the particular projects are listed on your website somewhere?

Mr Souness: Yes, they are.

Mr Glyde: Would it help if we could provide the details of the projects to you?

Senator COLBECK: No, I can have a look on the website. I do not need to take up any resources to do that. The review of food labelling law and the Blewett review—a question on notice, number 35, talked about the department represented on the ministerial council officers working group; are we still on track for consideration of this process by COAG? Have I missed a COAG meeting? I do not think I have.

Mr Souness: No, the process is that the Australia and New Zealand Food Regulation Ministerial Council will first develop a view on the recommendations and those positions will be then forwarded to COAG after December this year.

Senator COLBECK: Okay, so it will go to MINCO at a December meeting this year?

Mr Souness: That is correct.

Senator COLBECK: And then at COAG early next year?

Mr Souness: Yes.

Senator COLBECK: Question on notice number 36—I asked if the department had made any assessment or contact with Tasmania about its claims that Tasmania will become the nation's food bowl. Senator Heffernan is not here, that is helpful. Has the department made any assessment of that claim?

Dr O'Connell: I think the answer is no.

Senator COLBECK: Silence was the stern reply. Okay, that is a no. There is not too much further I can take that, then. Can you give us an update on where the national food strategy is at?

Mr Glyde: You are talking about the National Food Plan, Senator?

Senator COLBECK: Yes.

Mr Glyde: Sorry, it is all in the language. We are currently in the process of preparing an issues paper to release for public consultation to put out the facts and figures about the food chain and issues surrounding food and food security. We are hoping that we will get from that paper a broad discussion going but also get input that enables us to craft the National Food Plan.

Senator COLBECK: So you have announced your panel or your group participating in the process?

Mr Glyde: Yes. There is a National Food Policy Working Group, which has met a couple of times, and one of its tasks is the advice to the minister in relation to preparation of the National Food Plan, so there has been some discussion on a range of issues that affect the food sector—investment competition, resilience of the food supply chain in a natural disaster and the like. So those discussions have occurred, but there is also a process of consultation across the Commonwealth in preparing the plan and the discussion paper.

Senator COLBECK: So how many meetings have been held so far?

Mr Glyde: Two.

Senator COLBECK: Can we say when those are?

Mr Glyde: The most recent one was on 11 April 2011 and, prior to that, 1 December 2010.

Senator COLBECK: What is the complement of attendance versus nominees; membership versus attendance?

Mr Glyde: I will have to take that on notice, Senator.

Senator COLBECK: That is fine.

Mr Souness: I might be able to help there, Senator. At the first meeting we had a relatively small attendance, about a quarter of the membership were able to attend. In the second meeting we had a good roll up. I think 11 members attended of the, I think, 13 in the total membership.

Senator COLBECK: What is the cycle of meetings proposed to be?

Mr Souness: There is not a prescribed cycle of meetings. The minister makes a determination, I think, when it is appropriate that the group meets. Its next meeting would be linked into the development and release of the issues paper that Mr Glyde referred to.

Senator COLBECK: But the department is preparing that issues paper?

Dr O'Connell: The working group actually reports to the minister, so it is a matter really for the minister to decide and call the group together. So it is not a departmental group. It involves—

Senator COLBECK: No, I think you have misinterpreted my question. I asked: who is preparing the working paper?

Mr Glyde: The issues paper is being prepared by the department and we are doing that in consultation with other Commonwealth agencies.

Senator Ludwig: And my office.

Mr Glyde: And the minister's office.

Senator COLBECK: I did hear that, Minister!

Dr O'Connell: The paper, of course, will be approved by the minister for release.

Senator Ludwig: It is an iterative process.

Dr O'Connell: At the very least!

Senator COLBECK: I do not know whether it is late or we need a coffee, but everyone seems really nervous. What input to the issues paper have the members of the strategy group, the plan group, had? You have described the general discussion that was had on a number of issues.

Dr O'Connell: The issues paper has not been finalised. The discussion paper has not been finalised—

Senator COLBECK: No, I said on the development of it.

Dr O'Connell: and I think that the development of the discussion paper has been informed by those two meetings. In particular, at the second meeting there was a very extensive discussion of the range of issues and the things that those people thought were important to cover in terms of the food plan, food production, food logistics, food security and other things. It was an extremely comprehensive discussion.

Senator HEFFERNAN: Before we go to dinner, Mr Chairman, I would just like to make a correction.

CHAIR: In the remaining time, you may make your correction, Senator Heffernan.

Senator HEFFERNAN: Thanks very much. The minister—I do not know whether he has seen it—has put out a press release this afternoon: 'Senators tell porkies at Parliament House'. It relates to a press conference with five senators. His press release says 'four'—

CHAIR: Does this have anything to do with budget estimates—

Senator HEFFERNAN: It certainly does.

CHAIR: or is this just a stunt—

Senator HEFFERNAN: It is to deal with New Zealand pork. And the press release is wrong; it says 'two pigs' and 'four senators'.

CHAIR: Do you have a question, Senator Heffernan?

Senator HEFFERNAN: I just want to correct the record. For the record, it was five senators and one pig, and we did not at any stage say that we were putting at risk Australia's import restrictions on beef.

CHAIR: Okay, you have had your stunt. That is fine.

Senator HEFFERNAN: No, it is not a stunt. We want to fix the record.

CHAIR: It is a stunt.

Senator HEFFERNAN: What this is all about—

CHAIR: Have you got any questions?

Senator HEFFERNAN: is New Zealand setting a precedent for someone to take us to the WTO and having them lower the bar on the importation of pork into New Zealand. And the minister's press release—

CHAIR: There are other senators who have questions.

Senator HEFFERNAN: I am sorry, but we did not argue that the meat was going to come directly in from New Zealand.

CHAIR: Senator Heffernan, we will be going to the tea-break earlier if you do not just knock it off and let other senators ask questions.

Senator Ludwig: I apologise if I got the number of pigs wrong, but there is still no policy.

CHAIR: Okay. Thank you very much. Point taken. Now, for the last minute, is there a question? Will your question take more than a minute, if you get a very quick answer from the officers?

Senator SIEWERT: Are you still doing the food plan when you get back?

CHAIR: No.

Senator SIEWERT: I had one on that.

CHAIR: And that finishes the food plan; okay.

Senator SIEWERT: What role will the report on global food security released by ABARES play in the development of the discussion paper on the food plan?

Mr Glyde: It will be one of the inputs. As I mentioned before, in developing the food plan issues paper we are trying to draw together as much information as we can, and that sort of information is part of it.

Senator SIEWERT: There is an interpretation of it that says it is okay, we have got enough money to be able to pay for food and Australia does not need to worry about self-sufficiency.

Mr Glyde: I have seen that interpretation. I think it is important to have a look at the title of the paper, which is about global food security. The point we are trying to make there is to mirror the definition that the FAO uses, because food security has two dimensions: one is the physical availability of the food and the second is the capacity to be able to purchase it. If you are someone who gets by on less than a dollar a day then it is very hard to purchase food, even if it is available. That was the point that was being made in the paper—that in the developing world as well as the developed world there are people who do not have the capacity to be able to afford food and therefore they do not have access to food and therefore they do not have food security.

Senator SIEWERT: I appreciate it for the developing world, but there are people in Australia who cannot afford food either. It is all relative. Food is more expensive here, for example.

Mr Glyde: There are a considerable number of people in Australia who go hungry every day.

Senator SIEWERT: So that is still going to be part of the food plan?

Mr Glyde: That is one of the issues that we will be putting out there.

Senator SIEWERT: Thank you.

Senator COLBECK: I have a final question on the national food plan.

CHAIR: A quick one, Senator Colbeck, because there are staff that have been patiently waiting.

Senator COLBECK: I understand and recognise that and appreciate their work. Why is there nobody from the fisheries sector involved in the national food plan, given that fisheries provide 25 per cent of the globe's protein?

Senator Ludwig: It is a representative group across a range of industries. The challenge is there is always someone you will find to say that you have to have a particular person represented from a particular industry. It is a representative group across—

Senator COLBECK: Twenty-five per cent of the protein task is significant. I am just asking a simple question. Is there any reason why they are not there, when you have got the National Farmers Federation, for example, as part of that process? I would have thought that was an important input.

CHAIR: I think the minister has answered that for you, Senator Colbeck, but we should have a conversation about aquaculture. You and I should do that. We should bring in a carton of beer and sit down and work it out. I thank everyone.

Proceedings suspended from 18:32 to 19:31

CHAIR: We are continuing with agricultural productivity.

Senator NASH: To start with, I have a quick question about an answer to a question on notice about chemicals used in agricultural production in other countries, which was question 47. Your answer says:

Compiling a list of chemicals used in agricultural production in other countries is not required, as Australia has an independent statutory regulator responsible for the registration of agricultural and veterinary chemicals. These chemicals are registered for use in Australia, taking account of specific conditions as they relate to human health, the environment and trade. Chemicals registered outside Australia are not assessed against our specific conditions and therefore, in the absence of Australian registration, are not relevant to Australian agricultural production.

I get that. It is a little bit round and about. I understand that we have a list of the chemicals that we check for, but if we do not have a list of what is used in other countries is there a possibility that a chemical that is used in other countries might be coming through simply because it is not on our list?

Mr Williamson: The short answer to that question is that you cannot sell a chemical in Australia unless it is registered by the Australian Pesticides and Veterinary Medicines Authority.

Senator NASH: I am not talking about selling them; I am talking about testing for produce being imported. Sorry for confusing you, but I was talking about the testing we do for chemicals on products that we are importing from other countries.

Mr Souness: All food coming into Australia must comply with all of the provisions of the Australia New Zealand Food Standards Code, which all domestically produced food must as well. That includes MRLs for additives, chemicals et cetera that are used in production. At the border, as food comes into Australia, the provisions of the code are applied by AQIS and they make determinations. If that food is then accepted into Australia it must also comply with the food standards code when it is offered for retail sale as well. States and territories then enforce the food standards code at that point as well. So there is a double process that imported food goes through: compliance at the border, which AQIS is responsible for, and then the states and territories are responsible for when the food is offered for sale.

Senator NASH: I will probably stop because I think we are going to go around in circles and any minute now you going to tell me to ask FSANZ. I completely understand that we have the list of the chemicals that we test for here. When I asked at the last estimates whether we were sure that we know of every single chemical that exists in other countries and if we had a list of them, the answer was, 'We do not really quite know.'

Mr Souness: I can try to help. The process is the other way round. If a chemical is detected in a food that is not approved in the Food Standards Code, that food is then non-compliant with the code and it would be illegal to bring it into Australia. The food has to comply. If the chemical is not approved in the Food Standards Code then it cannot be imported into Australia.

Senator NASH: So I should take comfort in the fact that there is no chemical being used anywhere in the world of which we are not aware and that is not on our list.

Mr Souness: Yes.

Senator NASH: Excellent. If somebody had said that for me last time, Mr Souness, it would have saved a very gobbledygook answer. Thank you very much for that. This morning I asked some questions around the International Treaty on Plant Genetic Resources for Food and Agriculture fund and I think we referred this, Mr Glyde, to this evening.

Dr O'Connell: I am just having a quick think.

Senator NASH: Would you like me to ask something else while you are having a think, Dr O'Connell? While you are looking at that, can I do country of origin labelling here too?

Dr O'Connell: Yes, we can try to help.

Senator NASH: I want to ask you about the recent issue of Coles and Woolworths being fined for country of origin labelling breaches. What is your understanding of that, the penalty imposed and how it came about?

Mr Souness: The NSW Food Authority, which is responsible for enforcing the Food Standards Code in New South Wales, has been fairly active over recent years in enforcing country of origin labelling on food. This was just an example of the authority being proactive in identifying this failure of labelling in Woolworths and Coles in a couple of their stores. It coincides, too, with a letter that the minister wrote along with Parliamentary Secretary Catherine King, back in March, to all state and territory food ministers asking them to be more active, I think, in their enforcement of country of origin labelling as well.

Senator NASH: Was it an issue purely on the part of Coles and Woolworths? I think there are a lot of people who were stunned that it would have happened anyway, but is it a responsibility purely of Coles and Woolworths that this happened or is it an issue within the labelling laws themselves that needs to be addressed?

Mr Souness: No, Coles and Woolworths were found, in those stores, not to be compliant with the current arrangements. At least in one case, I understand, they had fruit from both Australia and overseas labelled as Australian fruit.

Senator NASH: Outrageous.

Mr Souness: They were clearly non-compliant, so it was not a problem with the law. In a number of these cases, I understand it is often the local staff in the store that are not diligent enough in applying the labels, so it was a failure at that store level. Woolworths, since that court case, have come out very strongly and have said that they will be more active in ensuring compliance with country of origin labelling. In fact, they proposed going further in terms of actually labelling the country of origin of the fruit and not just saying 'local' or 'imported' product.

Senator NASH: That is good news. Thank you for that.

Dr O'Connell: You asked three questions which were relevant and we have the answers. I can table them in document form if you want rather than read them through. They are quite lengthy.

Senator NASH: That would be good.

Dr O'Connell: Chair, just to cover off, I have some other answers which I can table as well.

Senator NASH: Thank you, Dr O'Connell.

CHAIR: Thank you, Dr O'Connell

Senator NASH: Did the department's agricultural productivity section have anything to do with any of the policy work around the 16,000 migrants coming to regional areas, in terms of any potential impact on agricultural productivity?

Mr Worrell: We have not had any direct involvement on that particular issue, but the department engages with the department of immigration on migration-related issues.

Senator NASH: This may not be in your area—and, Minister, you might be able to help me out here—but was it in 2008 that agriculture and horticulture were removed from the Australian Apprenticeships list? Correct me if I am wrong.

Senator Ludwig: That is before my time.

Senator NASH: Dr O'Connell, can you assist? Or are they still on the list for Australian apprenticeships?

Mr Worrell: Senator I think that is a question, probably, for the Department of Education, Employment and Workplace Relations.

Senator NASH: All right. I shall be there next week and I shall ask that there.

CHAIR: That is fantastic. Thank you, Senator Nash, and I thank the officers from Agricultural Productivity, and now call Wheat Exports Australia.

Wheat Exports Australia

[19:42]

Senator NASH: Mr Woods, do you want to start just by giving us an update on how many grain buyers in the market at the moment are registered and if there have been any changes since you were last here?

Mr Woods: Currently there are 26 exporters accredited, of which 19 are currently exporting grain. To the seven months from 1 October through to the end of May, it is going to 33 countries and 10.2 million tonnes in bulk have gone out. Since we last appeared I believed Gavilon would be the only company that we have accredited.

Senator NASH: So that 10.2 million tonnes was over what time period?

Mr Woods: That is since 1 October last year until 30 May—until now.

Senator NASH: How does that compare to the same period last year?

Mr Woods: We are about four million tonnes ahead.

Mr Woodley: I think it is about 50 per cent higher.

Senator NASH: Was the expectation that it would be more than 50 per cent higher given drought the previous summer and the good season last year? Did you have a prediction before we went into this season about roughly what you thought it might be? Was 10 million in the ballpark?

Mr Woods: It is one of those difficult things. We go off ABARES statistics on those forecasts

Senator NASH: Yes, okay.

Mr Woods: And, because they are based on different time periods and we fall across different time periods, it is always hard to work it out in those areas. But I think our budget was somewhere around 14 million—13.5 million, something like that.

Senator NASH: Do you have any concept of the reason it did not hit the peak that you thought it might? Was it the wet season? Or are there any sort of anomalies?

Mr Woods: Probably, for a financial year, we are doing better than we thought, because the exports for last year and the financial year are different to what we thought. But, for the marketing year, they are also probably better than we thought at the moment. Given that there is a significant amount of feed wheat around, we were concerned that it would impact adversely on exports, but a number of new markets have opened for feed wheat and exports have actually gone faster than what we may have initially thought once the rain started.

Senator NASH: What are those markets for feed wheat?

Mr Woods: I think Egypt has opened up as a new market.

Senator NASH: Can you take that on notice and let me know if there are any others.

Mr Woods: Yes, there are a couple of others.

Senator NASH: Thank you, that would be quite useful. Within that 10 million tonnes, do you have any evidence anecdotally or otherwise that that level was actually down on the prediction because of on-farm storage? Or is that something you are just not able to gauge?

Mr Woods: We are unable to gauge that, but I cannot see that on-farm storage would stop exports; all on-farm storage would mean is that growers are taking marketing into their own hands and not putting it into the bulk handling system as soon as they normally would, trying to keep it outside to leave their marketing options open.

Senator NASH: That is sort of what I meant; because there seems to be—certainly I am finding anecdotally that over the last 12 months there has been a lot of on-farm storage go up, so I just wonder if that has become an option for some growers as opposed to selling it into the bulk handlers. I just wondered if that had contributed to a lower than expected figure overall—

Mr Woods: Not that we can tell.

Mr Woodley: I think growers are taking that option but they are also probably taking the warehousing option to a greater extent than they were. In the east with the wet harvest, wheat was not of the quality that it was initially thought to be and some growers, I think, took the opportunity of just holding that for a little bit longer. In terms of the volumes, the other point with the last harvest was that there were two stories. In the west the harvest ended up being far worse than expected because of not enough rain. In the east the rain affected the harvest, and probably the end result was better than what people had thought it might have been in terms of volume. Certainly in terms of quality it was badly affected, but overall I think, as Peter said, even though the west was down on initial expectations and probably the east was up a little bit on mid expectations, overall the volumes were slightly above what had been forecast well before harvest.

Senator NASH: Those 26 exporters, 19 exporting, I understand through commercial reasons you cannot say who is who at the zoo, but do you have the ability to provide the actual tonnages against each of those exporters?

Mr Woods: Not publically.

Senator NASH: Mr Woodley is nodding.

Mr Woods: We receive Customs data and we are not allowed to provide the names—

Senator NASH: No, I specifically just said I wasn't asking for the names. I completely understand that you cannot provide the names.

Mr Woods: We can provide tonnages on an A to Z basis.

Senator NASH: Great.

Mr Woodley: In fact, I do not know if you have a copy of the report for growers 2009-10?

Senator NASH: I do not.

Mr Woodley: It was published at the end of last year.

Senator NASH: You might just have to table it for me. Thank you.

Mr Woodley: It is readily available.

Senator NASH: It is not readily available here. It was done when?

Mr Woodley: December 2010 for the 2009-10 marketing.

Senator NASH: So you do not have the figures for this last—

Mr Woodley: For the full marketing year we have the figures for the exporters—they are not identified with names, just with letters—and we will produce a similar report for this marketing year this August, which will cover the 2010-11 year.

Senator NASH: So the figures will not be available until August?

Mr Woodley: They will not be available until December for this full marketing year.

Senator NASH: Which finishes when?

Mr Woodley: At the end of September. I draw your attention to page 15 because it does show the proportionate share of the 18 or so active accredited exporters and it shows the movements between years in terms of their market share. There have been significant movements which show that the market is dynamic and highly competitive. It also shows that no one exporter dominates exporting.

Senator NASH: But the two biggest exporters have nearly 50 per cent, 46.5 per cent, between them?

Mr Woodley: Yes, but on the other side there are, as I think we say here, five exporters who exported in excess of 900,000 tonnes.

Senator NASH: It is interesting that three out of the 19 have 56 per cent of the market. Is this still 19? I know you are saying that there are 19 exporters now.

Mr Woods: There were 17 or 18 then. I think that year to date there are 10 exporters who have exported over 800,000 tonnes across Australia.

Senator NASH: Are those figures that we can have now or do we have to wait?

Mr Woodley: That figure cannot be correct. We will have to check that.

Senator NASH: That is all right. I understand that this will not be done again until the end of the year, but are there any interim figures you could supply to the committee?

Mr Woods: We can provide some interim ones. We do that in newsletters every six months.

Senator NASH: That would be very useful, thank you. This may well not be your area. I am not sure you have any actual responsibility for this, but are you aware of any of the concerns around logistics through the system difficulties that any growers have had? Is that something that comes to you at all or do people not bother coming to you with those sorts of issues? Is it something that is raised with you?

Mr Woods: We do get growers and exporters discussing those sorts of things with us. It depends on where the issues are—up country or at port—and whether we can help with the situation.

Senator NASH: I understand it is not your responsibility to fix it. I am just trying to gauge the types of issues that are being raised with you.

Mr Woods: Various sorts of things. We get some people asking about shipping slots and other people saying that they do not have access to rail. There are issues with road because of distances and not wanting to deliver into the bulk-handling system and therefore their options are limited in trying to deliver direct to port and those sorts of things.

Senator NASH: I am very happy for you to take this on notice. Can you give us a briefing on what the issues that have been raised with you have been. I know one that is certainly not in your bailiwick is road condition. I am interested to know whether that has been raised with you as well.

Mr Woods: In conversations it has been definitely raised. The issues of moving grain off rail and onto road is putting cost back onto the road and onto local shires, where it should not be carried. That is normally the extent of it.

Senator NASH: So do you communicate that back to government? Do you have discussions with government about the things that are raised with you or does it stop with you because it is not your responsibility? Do you have that communication with either the department or government to make sure they are aware of those types of concerns?

Mr Woods: We would normally try to get the people who are raising those concerns to write to the correct area—the ACCC, the department and those sorts of people. I do have regular meetings with the department. Depending on how recent conversations are or how many there have been, I might raise something like that.

Mr Woodley: In some cases it might be an issue directly within our area of responsibility and we will take action to audit that particular activity. We have reported on that in the past.

Senator NASH: Can you just refresh my memory. Where are we in the lifespan of WEA? There was obviously a whole lot of discussion around the ACCC involvement in the undertaking. Can you just explain where that is all up to at the moment, because I think there was a finite period of time for all that, wasn't there? Is that correct?

Mr Ottesen: Are you referring to the report of the Productivity Commission's inquiry into wheat marketing arrangements?

Senator NASH: Yes, it probably would have been that.

Mr Ottesen: That made certain recommendations about the future wheat marketing arrangements, and it made recommendations that are still being considered by government as to whether there should be a continuation of WEA, the wheat export charge and the accreditation system.

Senator NASH: You are probably not the ones to ask if it is going to wind up, but has there been any discussion about what the alternatives might be? Maybe that is one for the minister. But maybe not to discuss in front of—

Senator Ludwig: I was watching the discussion and I thought, 'Eventually you will get to me.'

Senator NASH: I am nothing if not predictable.

Senator Ludwig: It is a quite complex issue. I have been in discussions with industry representatives about the WEA and its direction given the Productivity Commission's report. I should be in a position not too far away to make some announcements about that. There is one date; I think it was a September date. But it is looking a little shaky at this point in time because it is so close, but there is a further date in 2014 which we are looking at. Ultimately it is about some of these powers. The Productivity Commission's report recommended how this should be dealt with, so government will respond to that in the not too distant future. I had the opportunity of speaking to a couple of the industry bodies just very recently and I have not quite finished my consultation in this area.

Senator NASH: That 2014 date you just gave us, what does that relate to?

Senator Ludwig: The Productivity Commission's report has indicated that the ACCC access undertaking should be withdrawn at that stage.

Senator NASH: That is what I was after.

Senator Ludwig: I have not come to a conclusion or a date yet, but it is not far away.

Senator NASH: Does Melbourne Port operate under a different set of arrangements to the other ports?

Mr Woods: Melbourne Port terminal is outside the access undertaking at the moment. Due to the way the port is operated and managed, they do not have an associated entity who is an accredited exporter. There is no need for them to have an access undertaking.

Senator NASH: So because basically there is no vested interest or conflict of interest because no-one is—

Mr Woods: Associated enough.

Senator NASH: It is completely separate.

Mr Woodley: It is a little more complicated than that in that—

Senator NASH: I am very happy to hear a more complicated version.

Mr Woodley: Melbourne Port have applied to the ACCC for an access undertaking.

Senator NASH: Why?

Mr Woodley: To go back a step, the legislation requires an entity who wants to be accredited and is either an owner or provider of port terminal services or has an associated entity who is an owner or provider of port services to apply for and get an access undertaking from the ACCC. In the past, as Peter said, the operator of the Melbourne Port terminal was not deemed to be an associated entity of a company who wanted to be accredited. The ownership—

Senator NASH: Before you continue, who is the entity that owns Melbourne Port at the moment?

Mr Woodley: It is a split entity between Sumitomo and Agrium. I think Sumitomo—

Senator NASH: The clouds part and it all becomes clear. Go on.

Mr Woodley: No, it is quite complicated because it refers, in legal terms, to what an associated entity is and you have to go to the legislation to get a clear definition of that, so we

have spent a bit of time on this issue. But Melbourne Port terminal has now decided to seek an access undertaking. We expect that is because Sumitomo, who decided to surrender their accreditation, will probably, once the terminal gets an access undertaking, then apply for accreditation. Under the present arrangement that occurred with changes in the governance structure they would have been required to have Melbourne Port terminal have an access undertaking for them to maintain their accreditation. So I hope that is clear. I am not sure that I have explained it very clearly.

Senator NASH: It sort of is. You might assist me a little bit for a few more moments on this one. But Sumitomo do not have any interest in exporting?

Mr Woods: Sumitomo were an accredited exporter and surrendered their accreditation about nine or 10 months ago. Therefore because they no longer had accreditation with us, Melbourne Port terminal did not need to have an access undertaking.

Senator NASH: So they were accredited, so at one point they did have an access undertaking—

Mr Woods: No, they have never had. Due to a change of ownership—

Senator NASH: Sorry, if you would slow down and bear with me for just a moment. So because they were an accredited exporter for a while, wouldn't that have automatically made them subject to an access undertaking?

Mr Woods: No. Originally it fell outside because of the way of the ownership structure. It was owned by ABB, Sumitomo and AWB and it was managed by ABA.

Senator NASH: So why did that fall outside of the access undertaking?

Mr Woods: Because of the way it was operated and managed under —

Senator NASH: Which was?

Mr Woods: ABA, who was independent of those three and managed the port and neither of the three could control how it was managed or influence it in the structure so it fell outside the arrangements. Once ABB sold to Viterra Sumitomo then purchased ABB's share in Melbourne port terminal and we had AWB and Sumitomo. Because Sumitomo, through their company structure, could then influence the operation of the port through ABA, they then fell under the arrangements and chose to surrender their accreditation.

Senator NASH: Can you explain for me exactly what you mean by Sumitomo then falling under it because of the arrangement with ABB?

Mr Woodley: I think the arrangement was that Sumitomo were not an associated entity initially. Because of the changes in ABB and the ownership structure of Melbourne Port terminal, they would have fallen under the umbrella of being an associated entity at that time. Because Melbourne Port terminal did not have an access undertaking, they realised they could not maintain their accreditation with the new governance arrangements so they surrendered their accreditation. But now Melbourne Port terminal has sought to have an access undertaking and therefore when that is in place Sumitomo will be able to reapply to be accredited.

Senator NASH: As an exporter?

Mr Woodley: As an exporter.

Senator NASH: When they do that do they have to give you a reason? Has Sumitomo made any public comments about moving into the export market?

Mr Woodley: Well, they were. Because of the ownership structure and then effectively becoming an associated entity of Melbourne Port terminal it is required under the act for the terminal to have an access undertaking.

Senator NASH: So they may not be an exporter themselves. Is it because they are with Agrium at the moment? Take the associated entity. If they are not an exporter themselves at that point, which was the associated entity that is an exporter that did necessitate the requirement for the access undertaking?

Mr Woods: The associated entity test is pretty complex and we seek lots of legal advice before the members make a decision regarding that. It comes to ownership and operation and management and the influence of such. There were critical periods when we had to look again at each of these factors. Basically at the moment Melbourne port terminal does not need an access undertaking. It is choosing to go through the process of an access undertaking, which can take nine months or so. At this particular stage, there is no accredited exporter who is an associated entity of Melbourne port terminal. Therefore they do not need an access undertaking to export under our act.

Senator NASH: So why are they applying for one?

Mr Woods: That is their choice. They may have other plans in mind that we know nothing about.

Senator NASH: I completely understand that.

Mr Woods: It would be part of their long-term strategy, I would presume.

Mr Woodley: The principle behind this is that, if an accredited exporter is in some way or another associated with a port terminal and can exercise power over how that port terminal operates, the legislation requires that particular port terminal to have an access undertaking.

Senator NASH: I understand that.

Mr Woodley: That is the principle. In the past, there was no accredited exporter that had the power to control Melbourne port terminal.

Senator NASH: This is making sense. You said it can take up to nine months for that sort of thing to happen?

Mr Woods: Yes, with the ACCC.

Senator NASH: If Sumitomo wanted to sell part or all of their interest in Melbourne port and down the track they wanted to sell it to someone who was an exporter, it would be in their interests to have the access undertaking ready to go. Would that be right?

Mr Woods: Firstly, I do not know whether they would be willing to sell, seeing they just purchased an ABB share.

Senator NASH: I am just talking hypothetically. I have absolutely no idea. I am just trying to get the process and structure of what happens. I am just trying to get my head around why they would even bother applying for an access undertaking if they are not an exporter.

Mr Woods: Because they were an exporter and they probably want to be an exporter in the future.

Senator NASH: If somebody wanted to purchase Melbourne port who was an exporter and Sumitomo did not have an access undertaking in place, would it be more difficult for the sale to go ahead?

CHAIR: Is this a hypothetical, Senator Nash?

Senator NASH: It is not necessarily hypothetical. I am just trying to understand the process.

CHAIR: Do you know something we do not know?

Senator NASH: No, not at all. It is a process issue. From the perspective of where you sit, in terms of process, would it be more difficult for a company like, say, Sumitomo to sell to somebody else if they did not have an access undertaking in place?

Mr Woodley: I do not really think that is for us to comment on. That is getting into the realms of commercial decisions of companies. I think what you are proposing has some logic to it, but we do not really know the motives of Sumitomo or what their intentions are.

Senator NASH: No. I understand that.

Mr Woodley: But we understand the reason for seeking the access undertaking now is that it enables Sumitomo—or it may be the reason; it may be an entirely different reason. We are surmising to some extent here. But Sumitomo will be able to be re-accredited as an exporter once Melbourne port terminal has an access undertaking. At present they cannot be accredited.

Senator NASH: I understand. Mr Woods, correct me if I am wrong. Did you say Sumitomo used to be an exporter, or did you mean they were associated with an exporter?

Mr Woods: Sumitomo used to be an exporter.

Senator NASH: When was that?

Mr Woods: There were accredited back in probably August 2008 and surrendered their accreditation some six, eight or 10 months ago.

Senator NASH: How much grain did they exploit during that time?

Mr Woods: I am not sure that they were active.

Mr Woodley: I do not think they were active.

Senator NASH: So they were accredited but they were not active.

Mr Woodley: Let me say that we are using the word 'Sumitomo' a little bit loosely, because there are a number of companies within the Sumitomo group. The Australian company was the one that was accredited, but there are other companies within the Sumitomo group that have the interest in Melbourne port terminal.

Senator NASH: Could you take that on notice and clarify that for me—that there was not any active trading during that period?

Mr Woods: Sure.

Senator NASH: Most enlightening, thank you, gentlemen.

Senator BACK: I have a couple of questions.

Mr Woods: May I just correct the record? I think earlier on I said that there were 10 exporters who had exported in excess of 800,000 tonnes for this marketing year. To date it is only six.

Senator NASH: You said there are 26 exporters. Nineteen was the figure you gave me—

Mr Woods: Active.

Senator NASH: Nineteen active. But there are only six that have actually exported over—

Mr Woods: Eight hundred thousand tonnes.

Senator NASH: Thanks.

Senator BACK: And the previous year it was five who exported over 900,000 tonnes?

Mr Woods: Yes.

Senator BACK: So the numbers are not significantly different. I apologise if you have already covered this, but could you give us an idea of the tonnages of wheat exports from Australia in the season just concluded?

Senator NASH: Senator Back, I asked exactly the same question.

Senator BACK: If it has been asked, I will pick it up from *Hansard*. And that would be on a state-by-state basis as well?

Mr Woodley: Yes, I think we do have it on a state-by-state basis.

Mr Woods: Yes, we are doing that.

Senator BACK: Could you just advise me, without my having to look at the pie diagram, where the biggest changes have been?

Mr Woods: In figure 8, on page 10, we compare on a state-by-state basis for the last marketing year. Western Australia in 2008-09 was 55 per cent and in 2009-10 was 54 per cent, so that is relatively consistent. I dare say that will be different this year. New South Wales in 2008-09 was 20 per cent and in 2009-10 was 13 per cent. Queensland was not very different, with eight and six per cent. South Australia was 14 per cent in 2008-09 and 22 per cent in 2009-10.

Senator BACK: And that will jump up dramatically this year?

Mr Woods: That will increase this year, as I would expect Victoria might increase as well this year.

Mr Woodley: And Western Australia will come down.

Senator BACK: WA will plummet, and New South Wales will probably stay somewhere fairly close for exported grain?

Mr Woodley: In New South Wales there will be a significant increase on 2009-10.

Senator BACK: Tonnage wise?

Mr Woodley: Yes.

Mr Woods: Yes.

Senator BACK: What impact will seasonal conditions in different parts of the country have on grain quality in this harvest just concluded, from an export point of view?

Mr Woods: There is an increased amount of feed wheat available and being exported, which is pleasing to see. A number of seasons ago, if we had had this sort of issue, exports would have been down significantly.

Senator BACK: So there has been a demand for feed wheat?

Mr Woods: There has been good demand for feed wheat.

Senator BACK: Heavily discounted prices?

Mr Woods: No; good prices.

Senator BACK: And they have come out of New South Wales principally?

Mr Woods: And Victoria.

Senator BACK: South Australia has been top quality wheat?

Mr Woods: Largely.

Senator BACK: Again I hope I am not covering questions that Senator Nash may have asked, but the Wheat Industry Expert Group recommended a number of industry development functions for improved delivery of industry development—are these questions that have been put to you this evening?

Mr Woods: No.

Senator BACK: Under the new wheat arrangements, can you tell me how much of your agency's budget is made up of the wheat export charge and how much is anticipated into the future?

Mr Woods: Most of our budget is made up of the wheat export charge. The wheat export charge is currently 22c. It has always been 22c per tonne of exports.

Senator BACK: That is independent of quality?

Mr Woods: Independent of quality, and that is both in bulk and containers. Our only other income comes from application or renewal fees, and percentage wise that is not a large amount, so this year I think we are looking at something like \$3.2million in the wheat export charge and a couple of hundred thousand for application fees.

Senator BACK: Your organisation regulates the export of wheat with accreditation powers to monitor and enforce responsibilities to exporters. Can you tell us what proportion of the budget and of time therefore by the agency is directed at that activity?

Mr Woods: Most of the agency's time is looking at those sorts of activities. As far as the budget is concerned, 60 per cent of the budget would be on those sorts of activities. There are two areas of the organisation: a corporate services area and an operations area. The corporate service area has less staff normally on part time. The operations area are all full-time staff and they spend all their time on those sorts of activities, which include preparing for these sorts of hearings, looking at audits of exporters, accrediting exporters, renewals, visiting exporters and those sorts of things.

Senator BACK: Can you just give us some indication of any action you may have had to have taken against accredited exporters and the nature of those actions as a result of the work your operations group do.

Mr Woods: We conduct a number of audits every year, and one of the most recent audits we made public was on a shipping stem of Viterra in October last year. We released a joint

media statement on that with some areas which Viterra was going to look at changing their processes on.

Senator BACK: That is information you made publicly available through releases.

Mr Woods: Through a joint media release, yes. We publish that sort of information both in the *Report For Growers* that we have just provided you with and our annual report every year.

Senator BACK: What mechanism do you use to regularly communicate with growers? Do you have some sort of newsletter, email contact? Do you have a scheduled communication forum with growers?

Mr Woods: We have a number of things that we do with growers. We try to issue fact sheets on industry topics that we think more information needs to be out there on. We have just published a newsletter last week that was picked up by the media across Australia and a couple of overseas countries. We have board meetings interstate every couple of months and, as part of that, we meet with the grower group in that particular state and we also have staff go and meet with growers on those. Annually, we produce the *Report For Growers*, which we have just given you, and we keep in contact with all the grower groups regularly. I go and speak at their AGMs if I am asked. We go to all their AGMs regardless and those sorts of things.

Senator BACK: I notice questions were asked earlier about the Productivity Commission's review, so I will pick that up in accordance with the minister's response. The status of industry development functions—are you able to advise the committee on that?

Mr Woods: That is not an area we are covering. DAFF may be able to answer that question.

Mr Ottesen: Again, this is being considered in the context of the government response to the PC report.

Senator BACK: Of course you would. Just two other questions: can you tell me perhaps for this last harvest—or the previous figure if you have got them—what proportion of our grain is now exported in containers as opposed to bulk export; is it a changing figure; what is the trend? You can point me to something in the report.

Mr Woodley: If you go to page 8 figure 6. You can see there that bulk exports are around 12 million tonnes and non-bulk exports are just over two million.

Senator BACK: Two million. So it is not an insignificant proportion.

Mr Woodley: No. For the last three years or so, it has been 20 per cent or more; in fact, it was a much greater percentage in 2007-08 when there was a very poor crop. You can see there that non-bulk exports were almost half of the bulk exports.

Senator BACK: In 2007-08, yes, but I notice that the difference from 2006-07 to 2007-08 for non-bulk exports is more than double.

Mr Woods: Yes. There has been a continual rise in non-bulk exports since deregulation of that container market. On year-to-date figures for the current marketing year from 1 October till now, I suppose, total exports appear to be about 11.6 million—

Senator BACK: Do they?

Mr Woods: with 1.4 million in containers.

Senator BACK: 11.6 exported?

Mr Woods: Yes, with 1.4 in containers.

Senator BACK: One of my associates went six bags, I think, when he was harvesting; three in the morning and three in the afternoon.

Senator HEFFERNAN: It's time you had your turn! We've been putting up with that for years!

Senator BACK: Take a seat and be very quiet, Senator Heffernan! This is my last question. You are obviously aware of the moves in the industry in terms of takeovers. Is there any comment that you can make about your prediction as to what impact, if any, this may have on Wheat Exports Australia?

Mr Woods: Consolidation is something that could happen in the future in the industry. We are not sure. There is no impact for our agency except for looking, when consolidation does happen, at how it affects the accredited export entities and what we need to do in regard to that matter.

Senator BACK: Okay. I almost felt compelled to ask a question about risk managed crop insurance, Dr O'Connell, but I will resist the temptation. Thank you very much; I have no other questions.

CHAIR: In that case, we are finished. Thank you very much to the officers from Wheat Exports Australia.

Australian Wool Innovation

[20:21]

CHAIR: Welcome, gentlemen. We will go straight to questions. Senator Parry, do you have some questions?

Senator PARRY: No, thank you, Chair, but I appreciate you asking.

Senator NASH: Do you want to give us a bit of a snapshot of how things are looking across the board at the moment, as a general question, relative to previous years? This is your opportunity to tell us all the good news. I gather there is a fair bit.

Mr McCullough: There is some good news. We have wool prices that are the highest they have been in 25 years, so we are delighted about that. We are especially delighted and, of course, we want them to sustain at these levels so all woolgrowers can get a bite at these sorts of prices despite when they shear. We saw a slight reduction in wool prices a couple of weeks ago, but they are rebounding as we speak. In the last couple of weeks they have started to rebound.

We think that there are a few reasons for this. We think that certainly wool is very much back in fashion in the Northern Hemisphere. We recognise that there is a new consumer out there, the clean, green consumer who wants to feel good at the cash register. Wool works particularly well for them. Most importantly, Chinese affluence is playing a big part in this and certainly in the luxury apparel sector, in which wool features rather prominently.

We have three marketing strategies against those particular demand drivers. We also have a supply driver. We are forecasting a modest increase in the supply of wool in the next 12 months to 344 million kilograms greasy.

Senator NASH: As compared to—what is it now?

Mr McCullough: This year it was 335. But we do that rather tentatively. We are hearing horrific stories of sheep losses, especially in some of the pastoral areas, with fly strike, and, because of the wet year, worms as well are killing them. Another thing I heard just recently from Hay is that mosquitoes are killing sheep out there, believe it or not, which is a new one to us. We are a little tentative about those figures, even though the forecasting committee forecasted it that way.

We rolled out three marketing strategies last year and we will spend more money against them this year. The first one is the HRH program. The Prince of Wales is the patron for the Campaign for Wool. We have that in the UK. We also launched it in Australia at Admiralty House on 29 March and we will launch it in Japan and Spain at the end of this year as well as the UK. The second strategy is the Woolmark Gold strategy, which is directly focused at Chinese affluence. It is an umbrella project that umbrellas some of the high-end fashion brands of Europe into China. The third one is the No Finer Feeling campaign, which has been developed by AWI for the fashion sector. In the coming fiscal year, 2011-12, we have asked our portfolios to expand their project spend. Naturally we are going to have some more money.

Senator NASH: Can I stop you there. When you say you are going to have some more money, what is your ballpark figure of the increase in the levies?

Mr McCullough: We will go from a project spend of \$24 million this fiscal year to a project spend next year of \$45 million. It is quite significant. When you do that, of course you do not want to sacrifice your protocols in terms of selecting good projects. That is very important. The other thing is that when you have more money and you do more projects you have got to have people to run those projects and manage those projects, so we have got to be conscious of the operating costs in doing such a thing. Because we have asked those portfolios, the on-farm portfolio, the off-farm portfolio and the marketing portfolio, to almost double their project spend, I have asked them to maintain, pretty much, their operating costs. So it is a challenge; we do have a challenge there.

The board has resolved that they are willing to dip into reserves. We have set a figure for the next three years, actually, of what the project spend will be and, irrespective of wool prices, we think we can fund that. So the projects will be doubled and we have asked for the operating costs to be maintained. The surplus that we will post for this year is looking to be somewhere around \$21 million. That is not all a windfall from levy. There is about \$12 million of windfall from levy there. We have also had a \$3 million operating saving this year, which is good news.

We will spend the project spend that we budgeted for, \$24 million. The surplus is not through inactivity. We cannot say the same about the previous year, but this year it will not be about inactivity. It is certainly about some of the savings we have made in the windfall on levy. We have had an interest windfall. Also, there is a dedicated piece of money there called

a tactical fund—it used to be called the CEO's fund—which we will just get rid of. We are not spending it, so we will get rid of it. That just about makes up the \$21 million.

Senator NASH: What did it used to be called?

Mr McCullough: It used to be called a CEO's fund.

Senator NASH: Was that lunch money or something?

Mr McCullough: No, it is a bit more than lunch money.

Senator NASH: Sorry.

Mr Merriman: It was used as a currency buffer.

Mr McCullough: Quite right. That is a little snapshot of where we are at the moment. Certainly we are delighted with where wool prices are at the moment.

Senator NASH: Absolutely. In terms of staffing levels, how many staff have you got?

Mr McCullough: We have gone from about 129, which I think I reported at the last Senate estimates, and we have raised that by about 10 globally. At the moment, we certainly are looking at adjusting our human resources in those markets. I spoke to you before about inheritance of human resources in markets, going back to the IWS days—laboratories in Italy and Japan. We are in the R&D and marketing business. I do not think we are in the testing business, so we are shutting them down. There are some more human resources adjustments. The other thing I will raise is that, in a place like China, for example, where human resources have been very much focused on supporting the manufacturing sector, we are now seeing China as a really decent consumption market, so we have to adjust our human resources to support not only manufacturing but also marketing. We have an office of 20 people in China, one of which is on the marketing side of the ledger, so we have some adjustments to do there, not necessarily sacrificing the manufacturing support but just growing the marketing support.

Senator NASH: How many staff are employed domestically and, of the countries overseas, how many in each place?

Mr McCullough: I can take that on notice and give you the exact figures. Roughly, we have about 70 in Sydney and the rest are based overseas. Something like 70 are based overseas.

Senator NASH: The breakdown of that would be great. You were talking about the HRH launch. I gather that was a great success?

Mr McCullough: Yes.

Senator NASH: Well done. You just mentioned Japan, and I think it is also being rolled out in Spain and the UK. What is going to be the cost to AWI to roll those out in those three countries?

Mr McCullough: For the HRH campaign?

Senator NASH: Yes, for the launch.

Mr McCullough: We give a piece of money, which is £100,000, to the campaign for wool. That is the investment we make for that. On top of that, to do functions, events and store windows that support that and grow that investment, we spend about another £400,000 a year. It is quite modest. That particular program is driven highly on PR off the back of some of the events that we have.

Senator NASH: Has the rise in the dollar impacted our competitiveness at all?

Mr McCullough: It has not. It is amazing. From the depths of the global financial crisis in March 2009, we have seen the dollar rise and the wool market rise along with it. It is defying all the odds, I suppose. Typically, when you see a stronger dollar like that, you expect—

Mr Merriman: It is genuine demand, admittedly with a low supply base. The big trick will now be having the retailers selling at the higher price into the Northern Hemisphere autumn and winter.

Senator NASH: There is a lot of demand coming from China. Where else have you seen a rise in demand?

Mr McCullough: India fluctuates between about 10 per cent and 20 per cent, so we have seen a modest increase there, certainly in consumption of greasy wool. We are seeing all the growth in consumption. At the moment China is taking about 75 per cent of the Australian wool clip, of which they are consuming about 50 per cent domestically. That is what has really jumped. We had an international wool textile organisation conference in Hangzhou last week. The affluence there is quite amazing. The luxury brands that are selling there are selling at a higher price than they will be in Europe, because they can get it.

Senator NASH: When did you see this shift?

Mr McCullough: This is the thing—it creeps up on you. That is the problem with the resources that we have dedicated to that market, for example. China does not go from step one to step two to step three; they jump from step one to four to six to 10, and that is exactly what has happened. In this instance we have seen dramatic growth in domestic wool consumption in the last three years.

Senator NASH: Over years, we have seen renegeing on deals and that sort of thing. How is the market at the moment?

Mr McCullough: They were quite famous for renegeing on letters of credit. The answer is: very good. They are quite a model. That is the story we are hearing from the exporters, anyway. All the credits are being opened. We are on a rising market and wool is sold forward. So the contract price they are buying it at—a rising market is always going to look good. So you are always going to see your credits opened in those sorts of circumstances. They have changed quite dramatically. Some of the European countries would be down the list a little further.

Senator NASH: Who would you say are our biggest competitors at the moment?

Mr McCullough: In apparel wool we do not have a true competitor. Somewhere between 80 and 90 per cent of the world's apparel wool comes from right here. If you are talking about carpets and interior textiles, there is China, which has a huge sheep flock, New Zealand, South America and South Africa. Just to give you an idea, we have 340 million kilograms greasy, which equates to about 220 million clean. New Zealand has about six million clean kilograms of apparel wool. So we have a lot of apparel wool. We dominate that sector.

Senator NASH: It really is a good story.

Senator HEFFERNAN: We send it overseas for about \$30 a suit length and buy it back for \$800 or \$1,200 in a suit. It makes a lot of sense!

Mr McCullough: But if you think about that, it will just torment you.

Senator Heffernan interjecting—

Senator NASH: Interesting. Well done on what you have done. You brought up the issue of flies. I have not seen a season with flies like this year, compared to the last few. I want to get an understanding of the mulesing clip and the whole mulesing issue. Where are we with that at the moment?

Mr McCullough: We have that as one of our strategic intents. Flies, lice, predation and shearing shed end trading are the four pillars of the on-farm research portfolio. We continue to invest in that. We have some really interesting projects. One at the moment, which you may have read about, is the skin traction program, which is already in the hands of a commercial partner and showing great promise. We have some other programs which have just popped up in the last 12 months where we have bought access to literally large libraries of insecticides to see whether there is an opportunity there for something that can kill *Lucilia cuprina*, the fly. That might offer us some benefits in control of moths post farm and lice as well. We certainly have access to that particular library and our researchers are going through it to find something that might have been overlooked.

We continue the investment in that area. We are a research, development and marketing company. We will do the research in that area and communicate what we are doing. We are working towards finding a solution. The bottom line is that, in a year like this woolgrowers will do what they need to to keep those animals live, and good luck to them for doing such a thing. We have this northern hemisphere pressure from some retailers and we will continue our investment in that area, but it has been a shocking year, a heartbreaking year. We have heard of a woolgrower in Hay who typically shears 20,000 who brought in 14,000 this year because he physically could not get to them. With clean musters in South Australia of a paddock they put 1,000 sheep into they are bringing out 600. So it is quite dramatic. That is why we are a little hesitant about those optimistic production—

Senator HEFFERNAN: Body strike or—

Mr McCullough: A lot of body strike. They get barley grass into their ribs. They get a bit of seed in their ribs and they will reach around and bite themselves, so there is a lot of body strike and in all sorts of weird places—not only breach strike.

Senator NASH: Back on the clips, what sort of take-up has there been? I have been following very clearly and I am trying to get a sense of that.

Mr McCullough: Not very good.

Senator Heffernan interjecting—

Senator NASH: Senator Heffernan! This is like getting a dual response. I never underestimate the intelligence of Senator Heffernan.

Senator Heffernan interjecting—

CHAIR: Mr Cobb wants the answers. I have no doubt you have dutifully—

Senator NASH: What are you talking about?

CHAIR: Oh, are you making this up as you go? I think it is a wonderful story that AWI has done over the last couple of years. In fact, I did not think you had to come back because you are doing so well.

Senator NASH: Chair, it was in my own fair hand!

CHAIR: You do offer to give us briefings, which I dutifully picked up.

Senator NASH: Chair, that swipe at me was beneath you!

Mr McCullough: The clips are assigned over to the commercial hands of a partner. I will endeavour to find out the real figures of sales there, but I think they will be reluctant if they are modest, and we expect they are.

Senator NASH: I was just having a look through your website the other day, and obviously the mulesing clips are still up and still being promoted. If it is not going that well—and we can get back to that in a minute—is it advantageous to still have it on the website looking like the clips have proven successful? Is there a bit of a disconnect between what is there and what is actually happening on the ground?

Mr McCullough: We put \$7 million into the project, so it was a significant investment. We have a sense of how they are going—there is no doubt about that—and the sense is that the adoption, or sales, are not that good. But I will endeavour to get you an accurate figure on it rather than guess at it. Certainly they have worked okay with plainer breached animals, but for anything with even a modest amount of wrinkle they do not work so well. The biodegradable version of that is not available either.

Senator NASH: What are the reasons for the failure? Obviously you would be aware if their take-up has not been that great; why they are not working would be getting back to you at least anecdotally. What sorts of stories are coming back to you?

Mr Merriman: We have a problem here in that it is a commercial business. We have done the R&D and there are commercial rules about us talking about a commercial product. Stuart can get you all the information he wants, but our company wants a suit from the maker of the clips.

Senator NASH: So you know that the take-up is not great but you cannot tell me why not?

Mr Merriman: It is a commercial product out there and it is just between buyer and seller.

Senator NASH: I am a woolgrower myself. If I were to ring AWI and say, 'How are these clips going? Has anyone had any problems?' you would not tell me?

Mr Merriman: We could show you the research and we could put you on to the clip manufacturer.

Mr McCullough: We have certainly got some personnel in the company who we could put a woolgrower in touch with. There is a chap called Geoff Linden. He could talk to them about the body style of the sheep and what is required and what you should do and should not do. He could recommend contractors that can apply these things. We, of course, support the commercial partner here—

Senator NASH: I am just very interested that it is up on your website but you cannot give me any idea of how it is going.

Mr McCullough: We will try to get the sales figures for you, and I presume they will tell the story.

Senator NASH: But, having invested the money, wouldn't you want to know why, how and when it is not working given that the information is still here for people to go and see? Having invested all that money, wouldn't you want a bit of a measurement of how it is going?

Mr McCullough: We monitor these. If you ask me, they dwelt in the trial phase too long before they got to a commercial partner. I think we will get those figures and communicate them to the committee.

Senator NASH: That would be very useful. Thank you. Is that \$7 million the investment from AWI into the research for this from start to finish?

Mr McCullough: Yes.

Senator NASH: And when did you start on that?

Mr McCullough: 2004.

Senator NASH: I shall look forward to any information you can provide to the committee. That would be very, very useful. Thank you.

CHAIR: Mr McCullough, you said 'skintraction.' Can you just tell us a little bit about that?

Mr McCullough: Skintraction is the chemical approach to this. It uses a piece of chemistry call sodium lauryl sulphate. Sodium lauryl sulphate is found in toothpaste, shampoos and its residues are rather benign. It is injected under the skin. Sodium lauryl sulphate, or skintraction, is showing great promise. It is in the hands of a commercial partner called Cobbett Technologies. It is a needleless injection. This chemistry is forced under the skin with air. It forms a barrier between the nutrients going into the skin. What they call an eschar—a skin scab, if you like—forms. It drops away and tightens the breach area. It is very much like mulesing.

CHAIR: Is this in its trial period still?

Mr McCullough: Yes, it is in its commercial trial period and the chemistry is with the APVMA.

CHAIR: How far away do you think you are from having that as a marketable option?

Mr McCullough: Twelve months.

CHAIR: Good. We might have to get you back.

Mr McCullough: Providing that these commercial trials all go well. Because it is a shroud of needleless injections that force it under the skin, it is a matter of the patterns that you apply around the breach area to get the best results. Also, skin types have a big impact on it. They have found that it is working better with weaners than it is with—

CHAIR: As far as AWI are concerned, is it an exciting prospect? Senator Heffernan said that it did not work.

Mr McCullough: I think Senator Heffernan was referring to something else back in our history. This is certainly a lot more promising. We would prefer to be good than look good. We will not be spruiking anything too far and wide without seeing some real commercial adoption.

Mr Merriman: I think it has a way to go, rather than put a timeline on it.

Mr McCullough: For the reasons that we raised.

Senator NASH: How are the labour shortages, whether they are on the farm or in shearing, affecting the industry? Are they having an effect, given the shortfall that we are seeing predicted? Is it having an effect on productivity at all?

Mr McCullough: Certainly with regard to labour on farms, particularly in the west where the mines are rather aggressive in their employment strategies. It is also certainly the case with shearers. We have a big program, which the board has just agreed to, to expand shearer and wool handler training. We have been investing about \$820,000 a year in that pretty consistently. We have cut a huge amount of overheads out of that program, \$500,000, in the last three years. The board has just agreed to expand that and look at some other things in that area. Certainly, we are very conscious of the fact that there is a huge labour shortage out there. Has it had an effect on productivity, Mr Merriman?

Mr Merriman: It has for someone who lives it every day. In the future we are going to have to do more with less. We do not have the labour, so instead of one man to 2,000 it is one man to 3,000, 4,000 or 5,000. In that sort of scenario you need all the procedures and things that you can get so that one man can look after a large flock of sheep. It is getting that simple. We do not have the labour to get the sheep in every second day or once a week.

Senator BACK: The levy is still two per cent?

Mr McCullough: Yes, it is.

Senator BACK: In the surplus that you now have, do you think that that will extend and expand into the future? What is your prediction for the market.

Mr Merriman: We have a wool poll next year where the shareholders will vote how much they want to fund this company. At this stage the board sees no reason to ask for any more.

Senator BACK: I was actually directing the question as to whether or not you would be recommending a reduction in the levy, Mr Merriman?

Mr Merriman: That will be up to the shareholders. That is the first thing. They tell us what they want. With the way things are structured at the moment, to spend on marketing, which the growers have all voted for, we have to spend on research. We have a 20-30-50 that Stuart talks about. Our problem is finding good research projects that we think are worth funding to release that money for marketing.

Mr McCullough: We have a ratio that 50 per cent of our money must be spent in marketing.

Senator BACK: Fifty per cent on marketing, yes.

Mr McCullough: Thirty per cent in on-farm research and 20 per cent in off-farm research. Now as a company we are split 50-50 research and marketing expenditure. Those ratios are written into the statutory funding agreement.

Senator BACK: Can you just go through that split again?

Mr McCullough: The 50-30-20 is written into the statutory funding agreement and we report on those figures to DAFF. It is not us waking up and resolving what we might spend here or there like it used to be. This was not written into the statutory funding agreement until the last 12 months. It was not measured in the past but it certainly is now. We are happy it is measured now. We have people pop up and say, 'Why aren't you spending more in R&D or

why aren't you spending more in marketing?' This is the intent of woolgrowers as they voted at wool poll. It is written into the statutory funding agreement and we will be measured against it, and we are happy to be measured against it.

Senator BACK: Can you tell me how long that statutory agreement has been in place?

Mr McCullough: It went into place on 1 July 2010.

Senator BACK: So it has almost had a year.

Mr McCullough: Yes.

Senator BACK: Has 50 per cent of marketing those funds been expended?

Mr McCullough: We are right on those ratios this year.

Senator BACK: On all of them?

Mr McCullough: Yes.

Senator BACK: Did I hear you say that you are having difficulty in actually identifying suitable projects for the 30-20?

Mr McCullough: In March every year we have to go to our research staff and say, 'Here's the money that we will allocate to research projects and operations for your portfolio in the next 12 months or the next fiscal year. Come back to me with a budget of how you are going to expand that money.' What happens is, with marketing, it is really easy to spend money; you buy another page in a magazine. With research, take this year for example, we got to January and realised that wool prices were a lot higher and we had more money to expend there. For us to spend that you have to go out and call for project proposals, have them come in, assess them, possibly identify and not sacrifice any of your selection protocols, select decent projects, contract them, and achieve some of the milestones for payment or within five months left in the year; and it is impossible.

Senator BACK: Highly unlikely to do that. So within the statutory arrangements do the expenditure of funds on research have to be concluded in a financial year? Can you invite projects that might run over a two- or three-year period on-farm and off-farm?

Mr McCullough: Sure, but our auditors come in every year and they will want to see that the payments that have been made are being made against milestones that have been achieved, so there is no dragging forward or pushing back. The expenditure against those ratios, after the auditors have been through, will be reported DAFF and aim to hit that 50-30-20 right on the nose.

Senator BACK: Can you tell me the procedure that AWI uses? Do you put out a prospectus into the research community indicating the nature of the projects you have identified as being your priorities for a three- to five-year period?

Mr McCullough: Yes, we wrote a new strategic plan last year—

Senator BACK: Sorry to interrupt you, but when you say 'we' can you explain to me the structure within AWI? Do you have a research supervisory committee?

Mr Merriman: What has happened to start with is that the board reviewed all the governance procedures and this call for proposal system, which I will let Stuart take you through.

Mr McCullough: The first thing we did, about this time last year actually, was write a new strategic plan for 2010, 2011 and 2012. So our strategic intent is clear. Each year in November we put out an open call for on-farm research proposals and we articulate a little bit clearer than a strategic plan exactly what we are after—what we are seeking for the next fiscal year. In January we do the same with the post-farm research portfolio—exactly the same.

Senator BACK: Who evaluates those on behalf of the board?

Mr McCullough: The portfolios is the first point that they hit. The research portfolios look at that. We have a science and welfare committee that sits above those two research portfolios that also will have a role in guidance. I suppose the operations of the business, certainly the strategy is provided by the board and the science and welfare committee and the operations and tactics are expedited by the executives.

Senator BACK: So it is still very early days—it must be in its first cycle—but just for our understanding can you give us some indication of the number of research projects related to on-farm activities and either the average value or the gross value and the same for off-farm—just so we understand?

Mr McCullough: Sure. This fiscal year in the on-farm research portfolio we had a project spend of \$9 million; next year in the on-farm research portfolio we will have a project spend \$16 million. This year in the post-farm research portfolio we had a project spend of \$2.4 million; next year we will have a project spend of \$2 million, I think.

Senator HEFFERNAN: Are they commercial-in-confidence—the projects?

Mr McCullough: Well, somewhat. Accept every year in the annual report we publish all our—

Senator HEFFERNAN: Can you provide the projects?

Senator BACK: We would be appreciative just to know the nature of the project and the title of the projects.

Mr McCullough: Every year in the annual report we openly publish every project above \$75,000, so it is all there and has been since I think day one of AWI.

Senator BACK: Good. Excellent. So in line, as you say, with the audit requirements it is quite possible that many of those projects would go over a financial year with targets in a financial year that has to be reported on.

Mr McCullough: Sure, but—

Senator BACK: My final question in relation to this is very encouraging, I think—these sums of money being expended. What is the proportion of Australian research organisations that have been successful in your applications, roughly, percentagewise—is it three-quarters, all?

Mr McCullough: All the on-farm research portfolio is pretty much all Australian, so you can tick that off. It is \$9 million or \$16 million next year. I do not think we do any international projects in the on-farm research portfolio, to the best of my knowledge, but I will take that on notice and make sure that that is right. Let me take the post-farm research on notice, but I would say the majority would be with the supply chain overseas.

Senator BACK: Excellent. That concludes my questions, Chair, thank you.

CHAIR: Senator Heffernan, it is nine o'clock; if you have one or two very quick questions, great; otherwise, we will go to the tea break and come back at 9.15 pm.

Senator HEFFERNAN: We can knock them off. In terms of a wise spend—and, as you say, it is impossible to fit the timetable—wouldn't you be able to negotiate a statutory reserve for the 30-20? Isn't it better to spend them unwisely rather than hastily?

Mr McCullough: We cannot bank it, I do not think; that is the point. But I think it is reasonable to say—

Senator HEFFERNAN: But you could bank it in a reserve.

Mr McCullough: I think it is reasonable to say that, if we missed hitting the 50-30-20 on the nose—

Senator HEFFERNAN: On merit.

Mr McCullough: DAFF would probably—and I am speaking on their behalf, but we have had a little conversation here that, over the period of the statutory funding agreement, or over the period of that strategic plan—

Senator HEFFERNAN: It is easy to piss money up a wall.

Mr McCullough: If you hit the 50-30-20 over the three years, I think that that could be—

Senator HEFFERNAN: But shouldn't you have a safety mechanism to prevent the event of pissing money up the wall, as it were?

CHAIR: Senator Heffernan, at this time of night, one could accuse you of doing certain things, but I would not. That language is uncalled for.

Senator HEFFERNAN: We are wasting the money.

CHAIR: You have gone into the smoko break of the staff—

Senator HEFFERNAN: I am sorry if I am interfering with the smoko break!

CHAIR: I asked if you had quick questions. If you are going to stretch it all out and make things up as you go, we will come back at 9.15.

Senator HEFFERNAN: It seems to me—

CHAIR: It is your call, Senator Heffernan. Have you got one more question?

Senator HEFFERNAN: there needs to be a safety valve in the system—

CHAIR: Have you got one more question?

Senator HEFFERNAN: I have.

CHAIR: Well, put it to the witness.

Senator HEFFERNAN: You need a safety valve to ensure that, unlike earlier expeditions in research by the AWI, rather than spending the money hastily, unwisely, you could put it into reserve and spend it wisely.

Mr Merriman: We will not be doing it hastily. As Stuart says, you have got this rigid, call-for-proposals system. It has to come through there and be evaluated by all the staff; and, if it does not come through there or it is not good enough, it just does not get funded. Now, yes, that means we will have a surplus—we are happy to go to the shareholders with that. It gets back to the system they put in place at Woolpoll, and next year they will have an opportunity to change that if they want to.

Mr McCullough: Just on that, the board has resolved that they are willing to dip into the reserves of the company, and have asked us, the executive, to project out three years—the full length of the strategic plan—at a certain figure, which is around the figures that I gave the other senator.

Senator HEFFERNAN: But like you said—

CHAIR: Last question, Senator Heffernan; we will come back to this after.

Senator HEFFERNAN: it is impossible to meet the target in time. So are you saying you are going to go to a longer time frame cycle?

Mr McCullough: Yes. We are. We are now going out three years—

Senator HEFFERNAN: That is fair enough.

Mr McCullough: And irrespective of wool prices—if wool prices go up then we have certainly got the money to pay; if wool prices go down then we go into reserves and make sure we can pay. So in some ways I think that speaks to what you were getting at there.

Mr Merriman: It is virtually locked in for three years, this increased rate of spend.

Senator HEFFERNAN: Anyhow, the game has lifted. Congratulations.

CHAIR: Are you finished, Senator Heffernan?

Senator HEFFERNAN: We are finished.

CHAIR: Thank you very much, gentlemen; I can let you go early. After the break we will come back and hear from GRDC.

Proceedings suspended from 21:03 to 21:15

Grains Research and Development Corporation

CHAIR: I welcome to the table witnesses from Grains and Research Development Corporation, Mr Harvey and Mr Perrett.

Senator NASH: This morning I was asking some questions around the International Treaty on Plant Genetic Resources for Food and Agriculture, and they referred me to you. Mr Perrett is laughing! They said you would be able to assist with some of the detail around this.

I will go back to the beginning. There was a media release from the minister—back in March I think it was—when he was travelling to Indonesia. At that stage it was talking about the contribution they make to the treaty, the work that was being done:

Members of the Treaty have developed a benefit sharing fund which invests in high-impact projects addressing food security, adaptation to climate change and agricultural biodiversity.

They assured me that GRDC would be able to contribute in response to my questioning around the genetics and how the fund actually works. One of my main questions was trying to drill down into what the benefits were of the sharing and how it actually worked in terms of IP—if there was development from a certain country how that actually worked in terms of transferring that to another country and the responsibility from the receiving country.

Mr Perrett: Normally we bring Geoff Budd with us, one of our employees who deals specifically with this issue—

Senator NASH: I feel like my flick has just rolled right through the day.

Mr Perrett: but my managing director will probably be reasonably well across it. So I will do him in for that.

Mr Harvey: As you know, all the crops that we grow in Australia are imported from overseas so, from an Australian point of view, we are very dependent on germplasm, particularly in the Middle East, but also in other parts—

Senator NASH: Sorry? Dependent on what?

Mr Harvey: In terms of looking for genetic variation, looking for new traits—

Senator NASH: Did you say 'germplasm'?

Mr Harvey: Yes. Looking for new germplasm. We are very dependent on what we can access from overseas. That is because none of the crops we grow in Australia are native to Australia. So it is important that we continue to gain that access to germplasm from overseas. We do that in a number of ways. Most of the germplasm we get for a crop like wheat, for example, is through the international wheat and maize centre in Mexico. They have a very large genetic resource bank and we access a lot of germplasm from there.

There has been development over the last 10, maybe even more, years of an international treaty. There was a lot of tension at one stage, with developed countries going into undeveloped countries and accessing germplasm but not with very strong government arrangements around that. So there has been this development of a treaty to try and get some clarity around how that operates. That international treaty is now getting towards the latter stages. We certainly have been participating, and Keith alluded to Geoff Budd, our corporate lawyer, who has been involved in developing the material transfer agreements associated with that. That is getting into the nitty-gritty of: when you take germplasm, what are your obligations? Part of that whole development of the treaty has been some way of recognising and rewarding some of the developing countries for the fact that the germplasm has come from them. That is the intention of the fund, to reinvest some of that money back into some of these developing countries. If you need more detail on that, it would probably be better for us to try and line up a meeting with Geoff to go through the detail with you.

Senator NASH: That would be very useful. Thank you. And thank you for your very informative input. I have had to wait until 20 past nine, but it was worth the wait. When you were talking about the material transfer agreements, how does that actually work?

Mr Harvey: When you access germplasm, even within Australia but particularly internationally, you sign a piece of paper that transfers that germplasm to you from the owner.

Senator NASH: At a price?

Mr Harvey: They give you the seed, but they also give you some obligations. In a lot of cases it is not at a price, though it can be, but it does give you obligations—if, for example, you were to commercialise that, how that commercialisation of that might operate. Under the treaty, what there has been a large effort into—and Jeff has been involved in this—is developing up a common MTA that all countries agree on and that is just a standard; the terms and conditions by which germplasm is exchanged between countries.

Senator NASH: Say I have some of this germplasm and there is a material transfer agreement. What is in it for me as the giver of the germplasm?

Mr Harvey: This is the exact question that some of the developing countries have been asking, and that is the reason that there was this agreement to set up a fund—so that there would be something in it for the developing countries.

Senator NASH: Am I right then in saying that one of the main parts of it is for developed nations to assist developing nations? Or is it the other way around, or—

Mr Harvey: It is probably not as simple as that. I think the developed world is very dependent on being able to access material from all over the world. A lot of the areas that are particularly good areas in which to look for new variation in genetic material is some of the undeveloped world, so—

Senator NASH: So we do not want to take advantage of them by not having some sort of return in it for them.

Mr Harvey: Exactly—it needs to be a quid pro quo.

Senator NASH: You may not know this: how many countries contribute to the fund?

Mr Harvey: No, I would have to take that on notice. I would have to check to see that the fund is actually up and operating. I know that a number of countries have signed the treaty.

Senator NASH: The minister is going to tell me it is.

Senator Ludwig: We had a meeting in Bali. It is the member companies which become the governing body, as you would appreciate, and then they have an executive. I do not think they have got to phase 2; they have got to the first round, but they have not got to the second round.

Senator NASH: What sorts of things do you envisage the funding being spent on to assist those nations?

Mr Harvey: I—

Senator NASH: Minister, do you want to jump in? This is very genuine—I am just trying to get an understanding of what it is about.

Senator Ludwig: He is explaining it very well.

Senator NASH: He told me he could not answer this bit, Minister, so it is over to you! How do you see that farming assisting those nations? It has been beautifully explained now by Mr Harvey; how is that going to work, and what sorts of things is that funding going towards?

Senator Ludwig: There are really two parts to it, because plant breeders really do need to access the germplasm. One of the difficulties is that, if you are going into a country that has a particular variety that you might be seeking because you want that attribute so that you can then have either a plant that might be resistant to a particular pest or have a particular property around its ability to subsist in a particular type of climate, the plant breeder in Australia—for arguments sake—might then find that individually they have to access a particular country, and they have to work out how to make the arrangements and go over there or, alternatively, find a third party to make the arrangements, buy the germplasm and then return it. That can take seven years—it can take a significant amount of time—but the patents and the system allow them to go on.

What they want to move towards is developing an online system so that they can make the purchases a lot quicker, but, of course—as I think you correctly described—what is in it for the exporting country? Sometimes you might have a particular variety, and to you it is your local species—it is your local dietary fibre or protein intake—but to a country such as ours it might be a multi-million dollar outcome. So what the system does is try to ensure that we do return some of the outcomes that we might gain from that.

Of course, not every germplasm is going to end up with an outcome, so the plant breeders have to have that range. The types of programs that the fund supports are those around training, development—anything that will assist the particular local community to become self-sufficient by developing a water supply or by working through how they can commercialise a particular product or how they can bring something to market themselves, and training is a part of that. It is a very small fund, and we need to recognise that, but it is an important area. It does not get a lot of attention, but if you are a—

Senator NASH: Until today!

Senator Ludwig: If you are a plant breeder you know this inside and out, because it is a challenge for plant breeders to access germplasm. You can imagine that they are looking for the type of variety to suit a particular climate, and if they get it right they can introduce that as a particular new variety and outcome for the market.

Senator HEFFERNAN: Are we talking about gene patents here?

Senator NASH: No.

Senator Ludwig: No. Just germplasm.

Mr Perrett: Protecting access to—

Senator NASH: If you were in the position of the exporting country, why would you want to assist a potential competitor to improve their productivity? Does that happen at all, or is it that different areas do that type of thing?

Mr Perrett: A lot of those countries do not export grain crops. They are subsistence crops. We have had a number of investments before this investment in looking at protecting genetic resources; making sure those genetic resources are available and helping those countries locate and utilise those resources. It is quite a complex area.

But Australia needs access to those genetic resources. We have funded a fellow to wander around some of the most dangerous parts of the world collecting stray plants—parent species—

Senator NASH: That just sounds—

Mr Perrett: that have turned to wild relatives; they are tens of thousands of years old. If we do not collect that genetic resource now it may well be lost. It is part of giving those developing countries the opportunities and the knowledge to recognise and utilise those sorts of resources so that they do get something out of it.

Senator Ludwig: We recognise that there is a certain number of grains that are on the list. Not every grain is on this list. We are also trying to preserve the list and the make up of the genetic material. We do not want to end up, down the track, with someone losing standard wheat—whatever that might be—from that country. So they are also looking at how they can effectively develop a seed bank, but a different type of bank to the one that you hear about with frozen seeds in the middle of nowhere. The type of seed bank they are developing is one

where you can literally make deposits and withdrawals. Conceptually, it is about how you ensure that you can trade effectively in grain.

Senator HEFFERNAN: Are there patents with this?

Senator Ludwig: One of the things they have to attach to it is a patent, because people do want to protect their—

Senator HEFFERNAN: When you are finished I want to come to a very in-depth discussion with you fellows, because you did not understand the last time you were here about the patenting of the discovery side of this.

Senator NASH: You can do that when I finish. Chair, if I might suggest—with the Minister's agreement—that we take up GRDC on the offer of a briefing on this?

CHAIR: Minister?

Senator Ludwig: Yes, I am only too happy for that. The department can send one of their people from the particular area along. The people from this area are very passionate about it, can I say.

Senator NASH: Yes, I am genuinely very—

Mr Perrett: We would be more than happy to do an in-depth briefing for any of the senators who wish to come along, and go through all the work that has been done on protecting genetic resources and making sure there is free, fair and wide-ranging access to genetic resources right around the world. That is one of our aims, to make sure the world has access to these genetic resources and is not trying to tie them up.

Senator NASH: There are a couple of other things that I want to raise. Where is GRDC at the moment for staffing and operation funds?

Mr Harvey: At the moment we have 54 positions. Some of those are part-time, so that is 51 full-time equivalents employed within GRDC. They are all based in Canberra.

Senator NASH: And what is your annual budget?

Mr Harvey: For next year we anticipate that we will invest \$164.5 million in R&D.

Senator NASH: Minister, thank you for your agreeance on the previous issue; it is much appreciated. We do talk about most interesting and useful things at estimates besides the PBS. That was a beautiful example, wasn't it Minister?

Senator Ludwig: I would prefer to talk about—

Senator NASH: I know, but in the absence of the PBS, it was very useful. Do you want to give us an overview of the work that GRDC is doing in the area of GMOs at the moment.

Mr Perrett: Basically, broadly, we have a viewpoint that gene technology and the science surrounding that is an extremely useful technology for the future. It is not just about genetic manipulation. It is about knowledge of genetics and so forth. Genetic manipulation is what you are probably referring to more than anything. We see that as a very useful tool for farmers. The use of genetically modified crops around the world has exploded exponentially. It is certainly providing many benefits to many growers and many communities and the environment around the world. We are seeing growth strong in Australia. The bulk of the cotton crop is a genetically modified crop, providing a range of benefits to growers, such as better insect resistance. So there are a lot less pesticides used. Also management of weeds has

certainly been vastly improved, so there is a reduction in what you may call the stronger chemicals with regard to using more glyphosate as a means of controlling weeds.

Senator NASH: Do you work with RIRDC on this issue?

Mr Perrett: We work with a number of the RDCs on weed control measures. We have a major project which is run out of Western Australia looking at weed resistance and ways in which we can manage weed resistance, integrated pest management. So that is one important area of our research. In respect of other genetically modified crops in Australia, canola was approved for commercial release a couple of years ago. It is certainly growing in popularity with farmers. It gives them a wider range of options in their cropping. A good example is this year in Western Australia and some parts of New South Wales, where we did not have the timely start to the season that growers would want. They utilised the Roundup Ready canola to plant that dry. If they did not have the option of Roundup Ready they would have weeds coming up in their crop that they would not be able to manage. Now they can manage those weeds because the weeds emerge with the crop and they can go in and it is an ease of management for them. So it is another way of overcoming some of the weed issues that farmers have. That is basically it in a broad nutshell.

Mr Harvey: Basically I think Keith has covered it. I do not see anything intrinsically wrong with the technology. It is a matter of looking at it case by case, putting it through all the proper regulatory requirements before we obviously deal with it and then just seeing what the benefits are versus the costs.

Senator NASH: Are you finding any issues in terms of farm to farm transfer? You are obviously having the trials of the GM canola. Is there any movement from farm to farm?

Mr Perrett: There have been studies in the past that look at the movement of pollen and the movement of seeds. There will always be an issue with some movement of seeds. If you get flood events, as we saw last year, there is the potential. There is a case in Western Australia at the moment, which I am not overly familiar with, but I know there is a grower alleging that his crop has been contaminated by some unknown source. He is alleging that it came from another grower's property, and there is potential for some legal action there. There has certainly been a lot of publicity around that. It seems to be a multinational organisation involved in some of that work, that being Greenpeace. We will wait and see what happens.

Senator NASH: That is what I was leading to, and you have raised it yourself—this issue of the flood events. I completely understand that there is obviously going to be a level of risk that we would prefer to mitigate as much as possible. As GRDC, how do you mitigate for the type of flood events that we had, which could obviously see a huge relocation of seed, potentially, in those types of events? Have you done any work in any of the areas that have been flooded—which seems to be most of Australia—if it actually has occurred where there has been a grain trial and if there has been any shift of seed? Is that the sort of follow-up that you do?

Mr Perrett: We are unaware of it at this stage and even the viability of the seed is questionable too after a flood event; you do not know.

Senator NASH: Is it something that you should follow up, though? I am quite genuine about this. Obviously, you know where all the trials are. Would it be worth the GRDC at least pinpointing where those trials are and seeing if any of them have been flood affected?

Mr Perrett: Certainly some trials would have been flood affected. We are unaware, though, that any material moved off the trial sites.

Senator NASH: But that is my question: is that something that you wait to come to you or do you and actively, as the GRDC, follow up to see if there has been any movement? Or do you just wait until people come to you—screaming neighbours?

Mr Perrett: I would expect that we would get a report from the contractors who run the trials for us. We do not run the trials. If we are running trials in Queensland, say, it could well be DEEDI in Queensland; it could be INI in New South Wales; it could be private contractors. Grower groups have grown trials for us.

Mr Harvey: We run a range of trials. The trials that we run—particularly with canola and the bulk of the trials that we run that have genetically modified crops in them—are the NBT national variety trials. We have a record of all those trials and we have a record of whether or not they have been involved in a flood. We can certainly get back to you and let you know if any of those trials were flooded.

Senator NASH: That would be really interesting. As a gross generalisation, I imagine that those running the trials would be the least likely to come and tell you that there had been an issue.

Mr Perrett: Under the management arrangements we have for those trials, they are obliged to report any instances that might affect the results, and certainly a flood would.

Senator NASH: To quite a significant degree, I would imagine. If you would supply the background information on that, that would be very useful.

Mr Harvey: Certainly.

Senator HEFFERNAN: I have a difficulty with what you just used as a throwaway with the organic farmer out there who is in trouble and going to court is the reverse legal onus. Would you like to comment on that? This is a serious problem for contamination. As you know—or you should know if you do not—trying to quarantine a seed like canola is impossible. So we have a stupid situation in Western Australia—and I am sure Senator Back will back me up on this—in which a bloke is being taken through the courts on the reverse legal onus issue. As a research body, would you like to comment on that?

Mr Perrett: No-one has been taken to court at this stage, so I cannot comment on that. And I would not comment if there were legal proceedings underway.

Senator HEFFERNAN: I am sure that you would not.

Mr Perrett: But I am aware that no-one has been taken to court yet. It has been suggested that the organic farmer may take legal action against a farmer who he believes had GM canola on his property and who he believes could have been responsible for that GM canola getting on to the organic farmer's property. It is all speculation at this stage. I cannot comment on speculation. It would be irresponsible to do so.

Senator BACK: The question Senator Heffernan put was about the cost to the organic farmer of having to proceed in order to prove his case. Are you satisfied that he ought bear those costs?

Senator HEFFERNAN: Bearing in mind that Monsanto is funding the other bloke.

Dr O'Connell: That is a legal policy issue. I am not sure that it is GRDC's role to discuss that.

Senator HEFFERNAN: I am on the money; I know that I am on the money, because the chairman said that I am on the money. Of course I am on the money. This poor bastard is getting castigated.

Mr Perrett: We look at research. We look at making sure that Australian farmers have access to the best technologies that they possibly can. Where we can work with any providers to make sure that our farmers have access to the latest and best technology, we do so. But the secretary is right: that is a legal policy issue and it is not one that the GRDC is chartered with resolving or having a major interest in. I would be remiss in trying to give a personal viewpoint or speak on behalf of the organisation. I am not trying to avoid the questions.

Senator HEFFERNAN: We will let him be fed to the dogs. Could you give me a brief from the GRDC's point of view on the patenting of gene technology in plants and in separating discovery from invention?

Mr Perrett: Patenting the discovery of genes.

Senator HEFFERNAN: Patenting of genes separating discovery from invention in that process. You are the research body, and I applaud GMO research. I want to know what your position is on the patenting of the actual naturally occurring discovery in the plant versus the invented step, which is unique and has a commercial end.

Senator Ludwig: It seems, Chair, a question well outside the remit of GRDC.

Senator HEFFERNAN: Excuse me: it is the very basis of future crop research. No, they are not going to get away with that.

CHAIR: Senator Heffernan, the minister has clearly put—

Senator HEFFERNAN: That is because he does not understand it.

CHAIR: I am sure he does understand it.

Senator HEFFERNAN: He does not understand it because Kim Carr does not understand it. I have asked this before by the way. I thought you could go away and do a bit of homework.

CHAIR: Mr Harvey has the call, Senator Heffernan.

Mr Harvey: The primary goal that we have at GRDC is to make sure anything we invest in and any technology we invest in gets as quickly as it possibly can out to growers and benefits growers, so the majority of the activities that we are involved in are generally put into that public domain and made available freely to Australian growers so that they can benefit from them. In some situations we will require some commercial investment to take that technology to market and that can be for a couple of reasons. One of the reasons is that we may need to access some of the skills that are in the commercial sector. In some cases we may need to access technologies which are in the commercial sector which are patented and are required to get that technology to market. So where we need to get a particular technology to market, we look at patenting so that we can attract a commercial partner. It is very difficult to attract—

Senator HEFFERNAN: So when you are—

CHAIR: Senator Heffernan, Mr Harvey is halfway through his explanation. Keep going, Mr Harvey.

Mr Harvey: It is very difficult sometimes to be able to take those technologies to market without a commercial partner unless there is some IP protection. The position of GRDC is that—

Senator HEFFERNAN: That is not what I am asking.

CHAIR: Keep going.

Mr Harvey: The position of GRDC is that we do support—

Senator HEFFERNAN: You might think it is a joke, Joe; it is not a frigging joke, mate.

CHAIR: Mr Harvey, just ignore and continue the answer.

Mr Harvey: The position of GRDC is that the current arrangements for protecting IP in Australia are appropriate. We think it is very important that they are aligned and consistent with the IP protection arrangements in other countries, particularly OECD countries, because in a lot of cases we need to access technologies from those countries.

Senator HEFFERNAN: Very good. So you agree that the patenting of naturally occurring genes is legitimate.

Mr Harvey: What we agree on is the current patenting arrangements and protections is—

Senator HEFFERNAN: That is what you are saying. In case you do not know what that means, that is what it means.

CHAIR: Senator Heffernan, you have asked Mr Harvey. At least give him the chance to answer.

Mr Harvey: We believe the current arrangements are appropriate. There are some things that we think potentially could be tweaked. For example—

Senator HEFFERNAN: This is crap.

Mr Harvey: some of the definitions that you require around what is an inventive step could be tighter and, in some cases, some of the actual claims that have been made are just too broad. That allows people to protect probably more than they should or rightly should.

CHAIR: Any further questions?

Senator HEFFERNAN: Yes. Do you accept—you are the research body; you are the people who applaud people like Monsanto, protect their seed supplies, the food task—that the patent law excludes discovery?

Mr Harvey: We accept that it must have an inventive step so you can protect it. It needs to have that inventive step.

Senator HEFFERNAN: Do you then accept that Monsanto, Syngenta and these people include in their inventive step, which has to be unique and have a commercial reality, that they are including in the patent applications the discovery?

Mr Perrett: You are referring to discovery as man-made, so altered from their natural state.

Senator HEFFERNAN: No, that is inventive. Discovery is like, 'Whoa! There's the moon.' Discovery is naturally occurring.

CHAIR: There is a full one tonight.

Senator HEFFERNAN: You might think this is a joke, mate. You want to get on the pace.

Mr Perrett: It is quite complex.

Senator HEFFERNAN: You obviously do not know what the answer is.

CHAIR: Senator Heffernan, you might be shocked to hear—

Senator HEFFERNAN: Six months ago I put you on notice. When you say man-made is discovery that is the complete opposite of reality.

CHAIR: Senator Heffernan, you are starting to go off on a tangent. If you want to put some questions—

Senator HEFFERNAN: These are the research people. I am asking them: do they accept when bodies like Syngenta and Monsanto put in an application—and Australia is seen as a soft-entry point for this, by the way—for a patent that includes as well as the inventive work the discovery work that that is actually breaking the law?

Mr Perrett: What I would say to clarify it is, where you have isolated genes and genes as part of a man-made construct, they are not a natural state of affairs. Therefore, that is very different—

Senator HEFFERNAN: No. With great respect, you do not know what you are talking about. An isolated gene—

CHAIR: Senator Heffernan, do not push me.

Senator HEFFERNAN: This is very important.

CHAIR: You might not like the answer. You have got the answer. I will shut it down. You had the opportunity to ask questions—

Senator HEFFERNAN: An isolated gene is not materially different to a naturally occurring gene.

CHAIR: Order, Senator Heffernan! Mr Perrett, you do not even have to answer that because, I am telling you now, Senator Heffernan is starting to rant. If you do not show decency through the chair, Senator Heffernan, I will shut it down and move on. They have given you an answer.

Senator HEFFERNAN: All right. I will go to the next question.

CHAIR: Good idea.

Senator HEFFERNAN: Do you not concede that an isolated gene, of which there are piles of legal literature to confirm, is not materially different to a naturally occurring gene—it is the same thing?

Mr Perrett: Isolated genes, as part of man-made constructs, are very different.

Senator HEFFERNAN: I am not talking about man-made constructs.

Mr Perrett: That is what I am referring to.

Senator HEFFERNAN: I am sorry, but what I am talking about is an isolated, naturally occurring gene. There is no material difference from the naturally occurring gene. If it is the gene that gives a plant salt tolerance and drought resistance, it is naturally occurring. It is the

discovery side of the equation and should not be included in the patent. The difficulty for seed supply is the invent of work downstream. The invent of work downstream is patentable, but it should not include the discovery work. If you are not on the pace, for God's sake get on it.

CHAIR: On that note, I think it has gone as far as it could. Thank you, gentlemen.

Meat and Livestock Australia

[21:47]

CHAIR: Welcome, Mr Palmer.

Senator SIEWERT: I would like to ask about live cattle export. I will clarify some numbers firstly. In terms of the work that the industry is doing, we heard this afternoon—and I am sure you are aware of what we were talking about this afternoon—that the minister has written to the industry. I am not sure whether that means he has also included you when he wrote to the industry. Perhaps he wrote to the individual bodies. Were you part of the response to the minister about what the industry is doing to address animal welfare issues and the issues that have been highlighted about export. As the minister pointed out, it was about both live sheep and cattle. Were you involved in that response?

Mr Palmer: Yes, we are part of that correspondence and in having talks with the minister, the department and other agencies, along with LiveCorp, the Cattle Council and the Sheepmeat Council. We are all in unison and part of that dialogue and part of that debate. Also, we are pleased to be part of the recent strategy that has been put to the minister. It is one that I am quite convinced that the industry will back and deliver on.

Senator SIEWERT: I realise that the minister has only just received the correspondence. I have not asked the minister to release it, but I wonder whether you are able to take us through where you are going with this strategy.

Senator Ludwig: I think they made it public.

Senator SIEWERT: Is that since Sunday?

Senator Ludwig: That was a public release.

Mr Palmer: I am not aware of this being confidential. What is critically important in this is establishing it. It depends on which market you are referring to, but there is this notion of benchmarking ourselves against international standards and the establishment of in-market animal welfare groups, given the ongoing investment that the industry has a proud record of—and it is one that will continue. Some \$4 million has been spent in the last decade on training slaughtermen and on training cattle handlers and sheep handlers—in the Middle East of course—and on the ongoing improvements in abattoirs and restraining. So today's strategy is really a part of a much longer program that has been going for years and years. It is just that from time to time the live export industry becomes quite topical so therefore there is renewed external interest. But the industry itself has been investing for decades in trying to preserve and enhance the standards to go into new and exciting markets. I do not think that there has been a market that we have gone into initially that has not come with great complexity. It is all after a series of investments and bilateral understanding, as it is a matter of culture and there are other things that motivate various markets. It is not a question of one being better than the other. We operate in different environments and the industry has a lot of government support. This government and previous governments have continually supported the industry

in making those investments and nothing is going to detract from or deter us from continuing those investments.

Senator SIEWERT: If we could move to the restraint boxes, and you are probably aware that we had a conversation earlier on—it was late this afternoon—in terms of restraint boxes Mark 1 and Mark 4. Could you tell us how many restraint boxes the MLA has supported as to Mark 1 and Mark 4 in Indonesia?

Mr Palmer: Yes. Mark 1: about 109 boxes have been constructed, and I think they are spread across about 85 to 89 meat plants and they would represent about 85 per cent of the slaughter in Indonesia. Mark 4: these boxes are relatively new and more sophisticated and perhaps more complex and it depends on the circumstances of where they are going as to whether a plant is capable of taking them on. But I think there are about four at the moment although there may be more; I am not too sure. Don't hold me to that. We could take that on notice. Mark 4 is a recent innovation. Mark 1, in the circumstances that it finds itself in the nature of the plants, has achieved a lot and we will continue to work with the Mark 1 as we will work with successive models. But it depends a bit on the plant and it depends on what are their circumstances and what is available. We are looking at some stunning trials at the moment as well, but again it depends very much on the level of sophistication and the level of infrastructure and logistics that might operate in a plant.

Senator SIEWERT: This is in terms of where Australian cattle go to. We heard earlier this afternoon there are about 800-odd abattoirs in Indonesia.

Mr Palmer: I am sorry, Senator, but how many?

Senator SIEWERT: About 800, as we heard this afternoon. From what you are saying, it sounds to me that the bulk of the Australian cattle go into a certain number of abattoirs and not all those smaller ones. Is that so?

Mr Palmer: That is my understanding. With the 109 Mark 1 restraining boxes that I mentioned that are scattered through 80 to 90-odd plants, they represent, I am told, about 85 per cent of slaughterings.

Senator SIEWERT: Okay, thank you.

Mr Palmer: Remember that there is a very large domestic industry which operates in its own sphere which we are not necessarily privy to. Our investments, sensibly, are part of an integrated supply chain with the feedlots that are being supplied knowing that those feedlots, in turn, are selling to butchers who are processing in the main in known plants.

Senator SIEWERT: Are all of them wet abattoirs?

Mr Palmer: Wet market. Again, it is the culture and tradition in the marketplace. It is a market that has not previously relied on or had availability of refrigeration. There is a culture around eating meat fresh, and it is referred to as the wet market. An animal might be processed overnight and it will be in the wet market by dawn, purchased and consumed soon after.

Senator SIEWERT: So the bulk of the abattoirs that the Australian cattle go to are wet markets as well?

Mr Palmer: Cattle that are sent live to Indonesia?

Senator SIEWERT: Yes; I beg your pardon.

Mr Palmer: As I understand it, they go primarily to the wet market. There are western-style supermarkets, which are growing in number as logistics, infrastructure and so on change, and community style with them. They are supplied, again, by Australia but largely through processed and boxed beef out of Australia. Primarily, our live animals are fed and finished in Indonesian feedlots, processed and go through the wet market.

Senator SIEWERT: In terms of the stunning trials, I was told this afternoon that there are only a limited number. I think there are three.

Mr Palmer: I think we have five in trialling at the moment and another five to go online by the end of the year. If all 10 are up and running, I am advised that will represent about 16 per cent of slaughter. So this is a big breakthrough for us.

Senator SIEWERT: So 16 per cent of slaughter in five or 10 sites—

Mr Palmer: Ten.

Senator SIEWERT: They must be handling a fairly large number of animals in that case.

Mr Palmer: It would suggest that, yes. Correct.

Senator SIEWERT: Are the 85 to 90 abattoirs that have the Mark 1 boxes fairly large abattoirs?

Mr Palmer: I do not have a lot of in-market knowledge and, yes, I have been to a couple. The times I have seen them, they would be killing 20 to 40 cattle a night. If that is large, that is a large one.

Senator SIEWERT: What is the number of exports—780-000-odd beasts?

Mr Palmer: It varies a bit. There are always issues in the trade about permits and how many get through. It will vary, depending on restrictions that might apply at that time to the market, between 500,000 and 700,000 cattle. About 60 per cent of Australia's live cattle exports go to Indonesia. It is an extremely important and very highly valued market.

Senator SIEWERT: How closely have you been involved in the closed-loop process in Egypt?

Mr Palmer: Quite closely. I have been to the plant at Ain Sokhna. It is in a free trade zone, a closed trade zone in the gulf. It is foreign owned. When I was there it was managed by a New Zealand group. It has state-of-the-art technology. It has a killing and processing facility which would stand any test here in Australia. The cattle are unloaded at port side. They have an 800-metre run through a laneway into a, I think, 20,000- to 25,000-head cattle feedlot. They remain there, are fed and finished and then processed through the plant. That has an EU licence. I can assure you that being registered for the European Union brings high standards. It is a very polished plant.

Senator SIEWERT: I asked this afternoon about the investment Australia had made. I think the investment was around the ear tagging. Did that come through MLA investment? Did MLA invest in that site or was it just—

Mr Palmer: In bricks and mortar? No.

Senator SIEWERT: No, in anything to get it up and running. Australia invested, as I understand it, in the technology for the ear tags.

Mr Palmer: We have a national livestock identification system, which was not set up for the Egyptian trade. It was set up for all our trade and it just happens to be a really efficient vehicle for satisfying the Egyptian protocol, as it does for a whole bunch of markets we work in. That has been a longstanding investment. The industry has put tens of millions into the livestock identification program, as has the Australian government. I think back in about 2005-06 about \$20 million was invested by the Australian government to help us with that. The protocols around the Egyptian project—the Sokhna project, as we call it—has been a combination of training here and across there. At the same time meeting, the requirements of the protocols to satisfy ourselves and the Australian government that the closed operations were going to meet our standards. There is a combination of training, working with government, having trade missions go there to see it all and see how it worked and giving us all confidence and comfort that the closed operations at Sokhna were going to meet our needs.

Senator SIEWERT: I understand all Australian cattle that are exported to Egypt now go through there?

Mr Palmer: That is correct. There is another one, but the name escapes me. There is another closed operation that is under consideration at the moment. It will also go through the same protocols and standards in order to satisfy all the parties.

Senator SIEWERT: Is Australia investing in that at all?

Mr Palmer: I suspect we will be doing the same investment as we did with Sokhna, which is a combination of training, site inspection, and confidence to industry and the government that what we said we would embark on is being delivered.

Senator SIEWERT: Does that meant that we will be exporting further cattle to that particular plant as well?

Mr Palmer: That would be the ambition, correct.

Senator SIEWERT: From now on, do the cattle that go to Egypt solely go through either of those two plants?

Mr Palmer: Correct.

Senator SIEWERT: Is there any other market that you are aware of where the closed loop system is being considered?

Mr Palmer: No, I am not familiar with any. I know it has been talked about and there has been consideration, but it also has to be weighed up against the logistics and infrastructure of what can be delivered. The Sokhna project was enormously beneficial, but it came with some unintended consequences. One was that it was in a free trade zone and the other was that it had a European Union registration. It made a lot of sense. The Sokhna investment made a lot of sense for the ongoing trade or trading out of that port into the European market. There was a lot of inbuilt business sense that, therefore, made the closed system operate for our purposes. Do you understand what I am saying?

Senator SIEWERT: Yes. There were added benefits.

Mr Palmer: Yes. Added benefits and added incentives to all parties to make it work.

Senator SIEWERT: Did that feedback then flow back to the producers over here?

Mr Palmer: I am not equipped, and I do not think anyone is equipped, to tell you how many cents. But we have some independent studies now that are telling us that it is something

like eight cents a kilo in the cattle price that you could attribute to live exports. But I could not tell you that Egypt delivered this and Indonesia delivered that, that is too precise and I would be misleading you. Studies do indicate there is about eight cents a kilo that is thereby influenced by the live export market.

Senator SIEWERT: I want to quickly go back to the number of cattle exported. What has been the highest number that we have exported to Indonesia?

Mr Palmer: I had better take that on notice. I was going to say 700 or 750, but I would prefer to take it on notice.

Senator SIEWERT: That is fine. I understand what you are saying and that you cannot tell me precisely but it is around what we exported last year and that was around 780 or something like that.

Mr Palmer: Yes, but we would be down on that.

Senator SIEWERT: That is about the highest.

Mr Palmer: That would be the highest. I think in a big year we would have moved nearly 900 or one million, but that is to all destinations, and 60 or 70 per cent was going to Indonesia. The figures you are quoting would be pretty close to the mark. I would be happy to give you the actual figure and we will do that on notice.

Senator SIEWERT: The million was a total number?

Mr Palmer: Total. Just under one million.

Senator SIEWERT: What is our next biggest market for live cattle?

Mr Palmer: The Middle East. I cannot break it down, I am sorry, but Egypt, Jordan and Israel would be the three major ones.

Senator SIEWERT: It you would take it on notice to give me that breakdown, that would be great.

Mr Palmer: Yes.

Senator SIEWERT: Thank you. Regarding the stunning trials, what evaluation process do you have in place to see if it is delivering benefits? You say you have five stunning trials already established with five planned by the end of the year. How much is MLA investing in those trials?

Mr Palmer: I cannot answer that question tonight; I will have to take that on notice. The first five are under trial now, so there will be an evaluation process going on as we speak, but I am not across it. The other five have not come on; they will be later. There are five under trial at the moment, but, as to the actual cost related to those five and what preliminary evaluation has occurred, I will have to take that on notice.

Senator SIEWERT: If you could take on notice the cost of the first set and the second set, what the evaluation process is and when you expect to release those results, that would be appreciated.

Mr Palmer: Yes, definitely.

Senator SIEWERT: Thank you.

Mr Palmer: I think that working with the Indonesians around the stunning trial is no small feat. This is brand new territory and, I think, a very significant breakthrough, in a sense.

We are dealing with age-old culture and tradition that we cannot take lightly. This has to be stepped through carefully. Getting the agreement that we could go to a stunning trial was a significant breakthrough and it is one that we are very keen to make work. But I am afraid I do not have at my fingertips the details around evaluation and the costs.

Senator SIEWERT: That would be appreciated, thanks. One of the issues we talked about this afternoon was the lack of electricity in some of these abattoirs, which restricts the ability to use the stunning technology and the move to the mark IV boxes. Do you know how many abattoirs that have the boxes, which are 85 per cent of the trade, have access to electricity? They are obviously bigger operations if they have feedlots.

Mr Palmer: I cannot answer that; I do not know. In terms of expenditure, I can tell you that a government-industry match of funding of about \$2.7 million has been available over the years. There is a recent animal welfare partnership between the government and industry and about \$3.2 million has gone through that. So it would be from those funds that this work will be done. As to the breakdown of electricity and the availability of trained labour and staff in these places for stunning trials, I do not have that information. That is why we persevered trying to make mark I work, taking the complexity out of these things, because the fear is that, if some of these things break down or are malfunctioning, there is a potential for them to be ignored and just left in the corner. So we just have to take this thing gently. That is why mark I is being persevered with—just to keep it simple and keep it working and have satisfactorily trained slaughtermen operating these boxes.

Just to finish on this, this is a long evolutionary process. Where we are today is a lot better than where we were 12 months ago. Where we are going to be in 12 months time will be a lot better than where we are today. I do not want to be corny, but this is not a destination; this is a never-ending journey.

Senator SIEWERT: Thank you.

Mr Palmer: This trade into Indonesia and other parts of the world in live cattle will always continue. Our view is that, if we care about animals, we should encourage Australia to be in these markets because we are the only country investing. There are plenty of people who will take our place if we bail out. We have a long record and a proud record of investment in these markets and there is no suggestion on the part of industry that we are going to pull out of them or pull out that investment. It is a long journey and there is a proud record which we will continue to work on and continue to invest in. But it is about changing tradition; it is about changing culture; it is about changing a whole lot of stuff which we, in our society, need to delicately pursue.

Senator Ludwig: The action plan and material is on the MLA website.

Senator HEFFERNAN: My congratulations to the MLA on the good work it is doing up there. They are starting from a low base. It is fair to say that no-one is in denial on the improvements that are needed or the urgency of the improvements that are needed. Nobody is in denial about all of these little abattoirs where there is no sewerage, no running water and no electricity—people still want to eat, so they kill stock and have traditionally done that in pretty basic fashion. We have added to the animal care and the respect for animals. If we were not there, as you have just said, Mr Palmer, someone else would fill the place and probably

would not invest in the research and instruction as we do. That would be a fair statement, would it not?

Mr Palmer: There is no evidence from other traders into other markets anywhere in the world of investments at the levels that Australia is making. So I think our record does speak for itself. But importantly there is no intention on our part to reduce or diminish that investment. Indonesia is an even more special case. Here we have 320 million red meat consumers, largely Muslim—so pork is out of the picture—right on our doorstep. Some of the projections we have on meat sales and meat growth generally— and it will be a combination of live and boxed into that market—over the next decade are quite phenomenal. So it is more than just a market. It is right on our doorstep and the investment is solid and will continue. I agree with you—if we were to vacate the market, that vacancy would definitely be filled. The culture and the nature of the market is calling for fresh, warm, wet market meat and that necessitates a sufficient quality of domestic or imported cattle.

Senator HEFFERNAN: It would be fair enough to say the aspiration of the Indonesian government is self-sufficiency, but that that is a very difficult objective for them to achieve.

Mr Palmer: This is quite a touchy point. Self-sufficiency is an objective of the Indonesian government and it is one that the Australian industry will work on collaboratively with our Indonesian counterparts to ensure that the political imperatives, if you like, can in some way be satisfied. We have joined with Indonesian counterparts around breeding programs. There are a number of heifers and females in the market that are being joined and are calving down in feedlots as a means to try to help stimulate the local market and stimulate the local industry. But the protein demands in Indonesia are growing at a very impressive rate. So it is a combination of how Australia sympathetically works and supplies sufficiently that meets the political imperatives, but at the same time also provides affordable and sufficiently abundant protein to a market of 320 million consumers. It is a fine balance.

Senator HEFFERNAN: On that target of 350 kilo landed in Indonesia, even if it is landed in Indonesia individually weighed, can you describe to the committee the impact that has had on the cattle industry in Northern Australia and the difficulty, because there is no killing works, in dealing with cattle?

CHAIR: Senator Heffernan, can I just come in there. I spend a fair bit of time in the Kimberley and I know and fully appreciate the troubles that are facing the northern beef producers; but, with the greatest respect, that would be something that might be discussed at another time and we should use this time to ask questions about the budget. It is a very important issue and I am not skirting it. I think, with the greatest respect to the committee, we are all very well aware of the imposts on our northern producers of the 350-kilo limit and, of course, the Indonesians not taking our short horns as well.

Senator HEFFERNAN: I was going to lead to a budget proposition for the government.

CHAIR: If you want to put a budget question across, please do.

Senator HEFFERNAN: And I realise that you, like I, want to go home, so I will only be a second. Mr Palmer has been very patient and I am thankful for his late appearance tonight. In terms of the long-term planning for the sensitivity of the issue previously raised, the 350-kilo limit, the fact that adult cattle now have to have either a three-day journey south or a three-day journey east, there is a proposition, which would fit in with putting more meat into

boxes from the northern industry, for an abattoir in the north. There are various propositions. I will not go through who the proponents are, who probably would need assistance with infrastructure, whether it be roads or power or whatever. Has the MLA done any planning to assist any proponent to build a northern Australian abattoir in Darwin or somewhere?

Mr Palmer: Pretty limited, Senator, for a lot of reasons. MLA's charter is not to invest in meat plants, and quite rightly so. However, we are aware of a proposition to build a meat plant in Darwin. Given that there is no large animal processing works in a line from Townsville to Fremantle, it makes some sense, on the face of it, to get a plant in the north, particularly if we can avoid sending these adult cattle so far south. We have done some work with the company in question around some feasibility issues and assisted with some cost-benefit analysis and we have people on staff who can provide some appraisal on that. We have also flagged the idea and we are constantly trialling and looking at new innovation, whether it be robotic devices or what we call manual assist, which is taking some of the labour out of some of the processes. We are looking at some of those technologies to get them further trialled in a meat plant, and that is through our donor company program. So some cost benefits, some feasibility studies and some internal staff resources and suggesting that some new technology that could be trialled is the extent of our participation.

Senator HEFFERNAN: Given that it has such a bright, visionary, looking forward for the industry aspect, are there things that the MLA would like to see this committee and the government do to assist this project? You may take that on notice if you want to.

Mr Palmer: Just slightly on a tangent, the Queensland government called a meeting of the industry about 18 months ago around the issue of abattoirs, and live exports was part of that discussion. The overwhelming thing that came out of that was the need for infrastructure. The north is every bit as in need of infrastructure as any other part. Without being too specific, access to ports, road access et cetera is always in keen demand.

Senator HEFFERNAN: We will see what we can do. I am sure the minister, who has been very patient all day, has been listening very carefully. Mr Chairman, I apologise for being grumpy with the previous witnesses. That concludes my evidence, and I thank you for your indulgence.

CHAIR: Well said; thank you.

Dr O'Connell: Chair, I would like to mention that this is Mr Palmer's last appearance at estimates.

CHAIR: So was I!

Dr O'Connell: Sorry to pre-empt you in that case, but he has been a great friend of the department and contributor to the committee.

Senator HEFFERNAN: Are you going to put on drinks for us so we can all go and celebrate? What about that as a proposition to the minister?

Dr O'Connell: They would have to have that in the estimates, Senator!

CHAIR: Thank you, Dr O'Connell. Mr Palmer, on behalf of the committee we wish you well on your exit from MLA. We will see you pretty soon somewhere else, I am sure.

Mr Palmer: Thank you.

CHAIR: Thank you to the staff, Hansard and broadcasting. That concludes today's hearing.

Committee adjourned at 22:20