



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT  
LEGISLATION COMMITTEE

**Consideration of Additional Estimates**

MONDAY, 18 FEBRUARY 2002

CANBERRA

BY AUTHORITY OF THE SENATE

## **INTERNET**

The Proof and Official Hansard transcripts of Senate committee hearings, some House of Representatives committee hearings and some joint committee hearings are available on the Internet. Some House of Representatives committees and some joint committees make available only Official Hansard transcripts.

The Internet address is: **<http://www.aph.gov.au/hansard>**

To search the parliamentary database, go to: **<http://search.aph.gov.au>**

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

**Monday, 18 February 2002**

**Members:** Senators Buckland, Cherry, Crane, Ferris, McGauran and O'Brien

**Senators in attendance:** Senators Bartlett, Buckland, Colbeck, Conroy, Ferris, Forshaw, McGauran, McLucas and O'Brien

**Committee met at 9.04 a.m.**

**AGRICULTURE, FISHERIES AND FORESTRY PORTFOLIO**

**In Attendance**

Senator Ian Macdonald, Minister for Forestry and Conservation

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

**Departmental**

Michael Taylor, Secretary

Bernie Wonder, Deputy Secretary

**A. Management Services and Corporate Governance (Senator Macdonald)**

Bill Pahl, Deputy Chief Finance Officer

Bill Handke, General Manager, Corporate Governance

Julie Hicks, General Manager, Portfolio Coordination and Communication

**B. Industry Development (Senator Troeth)**

***Rural Support and Adjustment; Women in Rural Industry/Industry Leadership Agricultural Industries***

Don Banfield, Executive Manager

Mike Wilson, General Manager, Rural Support and Adjustment

Cliff Samson, General Manager, Field Crops

Paul Sutton, General Manager, Meat, Wool and Dairy

Greg Williamson, Manager, Wool and Dairy

Glen Taylor, Chief Executive Officer, Wheat Export Authority

**C. Food**

***Food Supply Chain and Food Industry***

Bev Clarke, Executive Manager

David Mortimer, General Manager, Food Industry

**D. Market Access and Biosecurity**

Simon Hearn, Executive Manager

Dennis Gebbie, General Manager, Trade Policy

David Banks, General Manager, Animal Biosecurity

Brian Stynes, General Manager, Plant Biosecurity

Cheryl McRae

**E. Product Integrity, Animal and Plant Health**

Gardner Murray, Chief Veterinary Officer  
Tim Roseby, Executive Manager, FMD/BSE Taskforce  
Dean Merrilees, General Manager, Animal and Plant Health  
Bill Roberts, Chief Plant Protection Officer  
Melanie O'Flynn, Director, National Residues Survey  
Steve McCutcheon, General Manager, Agri Production Safety/Ag and Vet Chemicals  
Dr Mike Nunn, Manager, Animal Health Services

**F. AQIS**

Meryl Stanton, Executive Director  
John Cahill, Executive Manager, Quarantine and Business Operations  
Greg Read, Executive Manager, Exports  
Tim Carlton, General Manager, Exports, Finance and Information Strategy  
Andy Carroll, National Manager, Cargo Management Group  
Jenni Gordon, National Manager, Animal and Plant Program

**G. Innovation and Operating Environment**

Paul Morris, Executive Manager  
Andrew Pearson, Manager  
Annette Sugden, Manager

**H. ABARE**

Brian Fisher, Executive Director  
Annette Blyton, Corporate Manager

**I. BRS**

Peter O'Brien, Executive Director  
Derek Staples, Deputy Executive Director

**J. Natural Resource Management (Senator Macdonald)**

Ian Thompson, Executive Manager  
Mike Lee, Executive Coord State and Regional Negotiations  
Ross Dalton, General Manager, NRM Policy  
Tom Aldred, General Manager, NRM Assessment and Regional Action  
Charles Willcocks, General Manager, Landcare and Regional Capacity

**K. Fisheries and Forestry**

Daryl Quinlivan, Executive Manager  
Jonathon Barrington, Fisheries  
John Talbot, General Manager, Forest Industries  
Mr Frank Meere, Managing Director, AFMA

**Secretariat**

Ms Beryl Williams  
Harriett Boldeman

**DEPARTMENT OF AGRICULTURE, FISHERIES AND FORESTRY**

**CHAIR**—I declare open the public hearing of the Senate Rural and Regional Affairs and Transport Legislation Committee. On 14 February 2002, the Senate referred to the committee the particulars of the proposed additional expenditure for the year ending 30 June 2002 for the portfolio areas of Agriculture, Fisheries and Forestry and of Transport and Regional Services.

The committee will consider the proposed expenditure for both portfolios during this week's hearings. The committee is required to report to the Senate by 13 March 2002. Answers to question taken on notice and additional information should be received by the committee no later than Friday, 5 April 2002. Committee members and participating members have been provided with the portfolio additional estimates statements for each of the two departments. I propose to call on the estimates according to the format adopted in the printed program. The committee has authorised the recording and rebroadcasting of its proceedings in accordance with the rules contained in an order of the Senate on 22 August 1990.

I welcome the Hon. Senator Ian Macdonald, Minister for Forestry and Conservation, representing the Minister for Agriculture, Fisheries and Forestry. Senator Macdonald is accompanied by Mr Bernard Wonder and other officers from the Department of Agriculture, Fisheries and Forestry and related agencies. I remind officers that an officer of a department of the Commonwealth and of a state shall not be asked to give opinions on matters of policy and shall be given reasonable opportunity to refer questions asked of the officer to superior officers or a minister as appropriate. Finally, witnesses are reminded that the evidence given to the committee is protected by parliamentary privilege. I also remind you that the giving of false or misleading evidence to any committee may constitute a contempt of the Senate. Minister, do you or Mr Wonder wish to make an opening statement this morning?

**Senator Ian Macdonald**—Madam Chair, I wish only to thank the committee for its cooperation in arranging the agenda. As the committee knows, I will be here for a while this morning and then Senator Troeth will take over for matters on which she has ministerial responsibility. I will be returning later in the day and finishing the estimates until whenever. I understand I will be doing all of the matters tomorrow with Transport and Regional Services—regrettably, Senator Troeth will not be around. I also want to thank the committee for indicating at an early stage that, unlike in previous times, we will not have an automatic spill-over on Friday. That pleasure, I understand, is going to Senator Hill in one of his various disguises. I do thank the committee for their cooperation in that, and I also welcome Senator Colbeck to the first of what will obviously be many of these—

**CHAIR**—Joyous occasions!

**Senator Ian Macdonald**—I was trying to think of the right term and it was not 'joyous occasions', but it is good to see new senators come along.

**CHAIR**—Mr Wonder, do you wish to make any opening remarks?

**Mr Wonder**—I have only a couple of brief remarks. As we have done in the past, we forwarded the committee last week, over Michael Taylor's signature, a copy of what we would call the highlights of our activities in the last little while. We hope that, as it has been in the past—at least that is the feedback that we have had—it is useful for the committee in terms of what the business focus of the Department of Agriculture, Fisheries and Forestry—Australia has been in the last little while. Other than that, we are happy to proceed with the program.

**CHAIR**—Did you wish to apologise on behalf of Mr Taylor?

**Mr Wonder**—I understand Mr Taylor was detained this morning on some unanticipated business and I am not absolutely sure whether he will join us this morning or not. Against that background I thought it was premature to give an apology at this point. I will give an update in an hour's time or so, Madam Chair, and let you know whether or not we expect him to appear.

**CHAIR**—Thank you, Mr Wonder.

[9.10 a.m.]

**CHAIR**—The first item on the program this morning is Management Services and Corporate Governance. Senator O'Brien, are you opening the batting this morning?

**Senator O'BRIEN**—I am happy to if no-one else wants to jump into the fray. Mr Wonder, can you tell me how the budget cycle generally operates in relation to program underspends. I understand that generally where you have a program that has a life of three years, for example, the funding underspend would be rolled into the next year.

**Mr Wonder**—I will ask Mr Pahl from our corporate management service area to answer that question.

**Mr Pahl**—The normal procedure is that we apply for rephasing of money from one financial year into the next to cover any of those sorts of arrangements where the program has not reached full expenditure in the year that the money was appropriated.

**Senator O'BRIEN**—You have an annual rephasing argument every time there is an underspend; is that what you are saying?

**Mr Pahl**—There is an annual opportunity to rephase funds from one financial year to the next.

**Senator O'BRIEN**—In relation to Agricultural Development Partnerships Program, there was some discussion at the last hearings about funding rollovers if there was a delay in getting the program up and running. When in the budget cycle would you have discussed with DOFA what you might keep and what you might hand back?

**Mr Pahl**—The rephasings would normally be discussed with DOFA as we went into the budget process for the following financial year, just as part and parcel of the overall budget arrangements for the portfolio. Usually, in terms of timing, you would be looking at about this time of the budget cycle.

**Senator O'BRIEN**—Would it be normal for each program in which there is an underspend to be up for renegotiation, as it were, about whether the money is to be available in future budgets? Is that what you are saying?

**Mr Pahl**—It depends whether it is an underspend in the sense that we have a program that is being delivered well within budget and in fact there is a fortuitous saving as opposed to a program where the delivery for whatever reason is slipping and we are looking to actually move the funds from one financial year into the next financial year.

**Senator O'BRIEN**—Like the Agricultural Development Partnerships Program where there was a delay in getting it up and running?

**Mr Pahl**—Yes.

**Senator O'BRIEN**—Does that mean that if there is such a delay then it is open for negotiation as to whether the program will actually shrink or will be extended over a longer period of time? Are those the concepts that are up for discussion?

**Mr Pahl**—Yes.

**Senator O'BRIEN**—So every time we look at the future of a program, if there has been an underspend we need to get clarity as to what decisions have been taken about the future of the program in this renegotiation as it were?

**Mr Pahl**—Yes.

**Senator O'BRIEN**—Can you confirm that the department was required to transfer to DOFA significant underspends just prior to the last election?

**Mr Pahl**—There was a significant sum that was not rephased from the last financial year to this financial year.

**Mr Wonder**—Can I just come in on that, Senator. If you go through the estimates, the detail that is contained in the portfolio booklet—

**Senator O'BRIEN**—Which booklet: the old one or the new one?

**Mr Wonder**—The thinner one.

**Senator O'BRIEN**—What page?

**Mr Wonder**—Pages 48 and 49. You will see on those pages that for appropriation bill (No. 3) the net result from these additional estimates is that an additional \$47 million has been provided. If you turn to page 50, you will see that in appropriation bill (No. 4) there is an additional \$25.239 million. I am referring to the bottom right-hand figure. The reason I have made those comments, Senator, is that, whilst that is the bottom line in terms of what has happened in bill (No. 3) and bill (No. 4), there are all sorts of variations as you would appreciate around that bottom line such as the ones that you referred to. I would not want to leave you with the wrong impression when you say we are returning money. The actual bottom line for the portfolio is—as is noted at the start on page 3 of the portfolio additional estimates statement—that AFFA is reporting an increase of \$130 million across its administered and departmental appropriations in these additional estimates.

**Mr Pahl**—And \$106 million of that is in the administered area.

**Senator O'BRIEN**—In other words, it is not operational for the department; it is what you administer for others to do things, if I can put it that way.

**Mr Pahl**—Yes, that \$106 million is. The other \$24 million is departmental. So it is a fairly substantial increase.

**Senator O'BRIEN**—There are a couple of new spending areas which you outline, which we will come to later in the examination as to why that is the case. The point I am getting to is that you were required to effectively hand back to DOFA for reallocation money out of existing programs prior to the last election, weren't you?

**Mr Wonder**—The government has reassigned some priorities but the net result is a significant expansion in the portfolio expenditure from these additional estimates. So when you say 'hand back'—

**Senator O'BRIEN**—You have used different terminology, but we are both talking about the same thing, aren't we?

**Mr Wonder**—I am saying the cake is bigger than what it was.

**Senator O'BRIEN**—You are saying that now the cake is bigger than what it was. Prior to the last election, the cake was a certain size and DOFA said, 'We want these particular areas of underspent money out of your budget and back to us for reallocation.'

**Mr Wonder**—Yes, there has been an element of that.

**Senator O'BRIEN**—How much can be categorised in those terms?

**Mr Wonder**—If you look at the difference between the budget estimate and the revised estimate, which is I guess the key to this—and Mr Pahl might want to elaborate on this—as go down the right-hand column on pages 48 and 49 you will see a lot of pluses and some negatives. The program you referred to, Agricultural Development Partnerships, in 2001-02 has a smaller amount. On the other hand, as you work your way down, you will see only a couple of lines below that that the Douglas Shire Ethanol Project has nearly the opposite amount.

**Senator O'BRIEN**—An infinite percent increase; that is right. That is new.

**Mr Wonder**—Precisely.

**Senator O'BRIEN**—The Eden Regional Adjustment Package has a 300 per cent increase roughly.

**Mr Wonder**—The comparison I suppose that is most helpful is the comparison between the numbers in that thick book to your left hand and what is in this thin book, the difference between the portfolio budget estimates and these additional estimates.

**Senator O'BRIEN**—So would it be fair to say that where there is a reduction in the figures in third column on pages 48, 49, 50 et cetera that they would be the areas where there has been a hand-back and the pluses would be where either at that time or subsequently there has been recrediting of AFFA?

**Mr Wonder**—Unfortunately, it is not that simple. There are other contributing reasons as to why those negatives appear. Let us stay with the example that you gave of the Agricultural Development Partnerships Program, because I think it is quite instructive of the point that I want to make. Through that program—and through others that you have an interest in such as the National Action Plan, AAA and the like—when you go across the entire suite of portfolio programs, as you know, particularly with the states which we work in partnership with on many of these programs, the Commonwealth has put on the table a lot of additional funding. For much of the program roll-out and delivery we are dependent upon the states actually matching funds in order for us to proceed with the roll-out of the program. In other words, we have to come to a partnership arrangement.

It would be fair to say that in taking all of this forward we have struck some difficulties with the roll-out in that regard in terms of actually getting state-matching expenditures for some programs. Indeed, my colleagues may want to answer some more detailed questions about that in the relevant part of the program, but the Agricultural Development Partnerships Program would be one good example of that in terms of us being able to secure the matching funding. Against that background, we have come to a conclusion and said, 'What's the point in terms of keeping all that mone? For argument's sake in 2001 and 2002, we have had to consider the reassignment of those funds to other priorities.'

**Senator O'BRIEN**—Thanks for the big picture, and now can we get back to the small picture that I wanted to look at. In the 40 days prior to 10 November, how much did DOFA require the department effectively to hand back?

**Mr Pahl**—It was \$26.5 million.

**Senator O'BRIEN**—Can you identify the areas that that \$26.5 million came from? I am happy for you to take that on notice and document it.

**Mr Pahl**—I will take that on notice.

**Senator O'BRIEN**—We have gone through the general detail of the basis for the hand-backs, and that may be relevant to some of it or all of it, but are you able to indicate the basis for the hand-backs in each case? Is it just a case of saying, 'We do not think you will need it this year, therefore it goes back into the pot at this stage,' or was a more elaborate reason given?

**Mr Pahl**—I do not think there is any more elaborate reason. It probably is as you describe it, which is just an aggregation of where we were as a portfolio and where we thought we would be at the end of the budget period.

**Mr Wonder**—I would add that it also reflects and is compounded by the sort of explanation I was giving earlier about the extent to which the Commonwealth can roll out that expenditure in the year in the light of experience that we have had with state-matching or whatever other factor might come to bear on the situation.

**Senator O'BRIEN**—How much had the department in effect been required to hand back for the financial year prior to that period that I identified—the 40 days prior to 10 November?

**Mr Wonder**—Sorry, I do not quite understand the question. The year prior to?

**Senator O'BRIEN**—We are talking about the same year. We are talking about the same small document. You have given us some numbers. I have identified a 40-day period leading up to 10 November. Had there been any hand-back prior to that period for this financial year?

**Mr Pahl**—I can check to be exactly sure, but I could almost guarantee that it would be zero because it is just one part of a process which occurs annually.

**Senator O'BRIEN**—I understand.

**Mr Wonder**—It is a regular process. It would not matter if it was last year, the year before, next year or the year after, we will be doing things, as we understand it, at the same time. We will have those issues revisited.

**Senator O'BRIEN**—So would it be fair to say that in the first six months of the financial year that \$26.5 million would be what was effectively handed back?

**Mr Pahl**—Yes, I think it would.

**Mr Wonder**—Again, if I could add to that: it is true, as Mr Pahl says but, in terms of the end result of these additional estimates, it is more than offset by what the government has put in these additional estimates.

**Senator O'BRIEN**—Thank you for that. Commonly over the previous three years, how much of the department's budget would be taken back by DOFA in the first six months of a financial year?

**Mr Pahl**—We would have to take that on notice.

**Senator O'BRIEN**—Is it common that any would be taken back?

**Mr Pahl**—It depends when the budget cycle runs. That has been compounded, as you know, in the current year by an election, but it is an annual event. I could not tell you off the top of my head.

**Senator O'BRIEN**—So it is not normal for there to be a take-back before the budget cycle commences to run?

**Mr Pahl**—I guess at the end of the day it is up to government to prioritise and administer it as they see fit.

**Senator O'BRIEN**—But it is not normal for that to occur until the budget cycle has commenced.

**Mr Wonder**—We are perhaps miscommunicating here, Senator. We would normally go through a process where we are required to interact with the Department of Finance and Administration regarding rephasings and reprofilings. As I said earlier, it would not matter if it was last year, the year before, next year or the year after, that would be part of the normal process.

**Senator O'BRIEN**—In the budget cycle?

**Mr Wonder**—Yes.

**Senator O'BRIEN**—You are going to detail where the \$26.5 million came from, aren't you?

**Mr Pahl**—Yes.

**Senator O'BRIEN**—In relation to the \$26.5 million, were there any agencies affected? If so, which, and what was the impact of this decision on their operation?

**Mr Pahl**—I would have to take that on notice. Can I just clarify what you mean by 'agencies', please?

**Senator O'BRIEN**—Any of the statutory authorities et cetera that have been funded.

**Mr Pahl**—Right.

**Senator O'BRIEN**—Was there any impact on delivery of services and implementation of programs?

**Mr Wonder**—With a view to being helpful, could I suggest that, whilst Mr Pahl is in a position to answer overall the financial situation relating to those programs, if you have a question regarding any of those individual programs—and I hear what you are saying in terms of their impact on delivery of services and the like—we would best be able to deal with those in each of the respective businesses later in today's program. Neither Mr Pahl nor I are in a position, at this point in the program, to give the detailed consequences of each individual program. As pages 48 and 49 show, there are several programs. We can do our level best to do it now if you wish, but it might be more productive, from your side, to do that later.

**Senator O'BRIEN**—It is a bit of a catch-22 to pick through it program by program if you are going to give it to me after the estimates.

**Mr Wonder**—No. I am saying in these hearings.

**Senator O'BRIEN**—Yes. The answer to the question as to where the \$26.5 million came from; to go program by program through that as they come up would be rather difficult until I get the document.

**Mr Wonder**—Yes. It is not exactly the same thing, but the difference between the budget and the revised estimates is, at the end of the day, the amount that is actually available for that program.

**Senator O'BRIEN**—Money could have gone out and come back in, for all I know, between those two processes. This document does not necessarily tell me what happened in that \$26.5 million process.

**Mr Wonder**—No, it does not, but it does tell you what the net resources available for each individual program are now vis-a-vis what they were at the time of the portfolio budget

statements. To me, it should be useful from the point of saying, ‘What would be the impacts accordingly?’

**Senator O’BRIEN**—Perhaps Mr Pahl can give us, without precise numbers, a general answer about where the money came from. I will not hold him to precise millions or hundreds of thousands of dollars. If Mr Pahl can give us some idea, that will facilitate the process that you suggest I follow.

**Senator Ian Macdonald**—Isn’t this it?

**Senator O’BRIEN**—The answer to the minister’s question is that this is not it, is it? There are toings and froings between the two—subtraction and addition. One was just a subtraction process, and the process in this document is subtraction and addition.

**Mr Wonder**—Yes. This reflects everything that comes into the difference between the PBS and the additional estimates—of which the issues you have raised are part but, as I indicated earlier, there are some other complicating and confounding factors as well. I suggest to you—and it seems that you might not accept the view—that at the end of the day what really matters is what resources are actually available for each of the programs to roll out. That is probably all that really does matter at the end of the day. I was hoping that, with that explanation, we could just deal with each of the businesses as we go through. If you had some specific questions about industry development and adjustment, the officers could talk about agriculture development partnerships or whatever else they need to under that output.

**Senator O’BRIEN**—Yes. That will answer questions relating to this document; it will not answer questions relating to the processes of the deduction of the \$26 million, unless there was some other factoring decision taken at the time about how matters might be redressed later if there was a problem with deductions made at that time, if you follow me.

**Mr Wonder**—I do, but I think the answers would have much in common. Let us use the Agricultural Development Partnerships Program as an example, which we used before. As I indicated, the situation was that, yes, that would have been part, I am sure, of the \$25 million—exactly how much I am unsure. But, at the end of the day, the reduction in \$2.5 million between the PBS and the revised estimate does reflect the fact that we were having difficulties in terms of matching the available funds from the states. Therefore, in terms of the government’s overall priorities for expenditure, we were able to look at that as a possibility for reassignment.

**Senator O’BRIEN**—Let us look at appendix 2. I can see reductions of \$8-odd million in the administered items listed there. I am not counting the additions as well. I am just talking about those against which there is a negative input, totalling those up. Would they be all the areas in which reductions were made in the 40 days prior to 10 November, or would some have been reduced and have now been added to?

**Mr Pahl**—I do not think it maps as simply as that right through. I really would have to go back and have a look for the detail. If you look at the two tables in appendix 2 on page 48, I think you will find, as you have already said, that it is about \$9 million that has shifted in the tables, but there are other issues as well in that the PBS figures, which are the original figures, are in fact an estimate in their own right. We also have at the additional estimates stage an update that takes account of the actuals that were at 30 June of the previous financial year. So there are a few complicating factors. It may get very difficult to map a dollar from the PBS back through to the PAES.

**Senator O'BRIEN**—Yes, you have only this one complication—not two—in your financial year, haven't you, Mr Pahl?

**Mr Pahl**—I am not sure what you are driving at there, Senator.

**Senator O'BRIEN**—You do not normally have an election financial clean-out as well as the budget process and the additional estimates process.

**Mr Pahl**—That is not for me to comment on.

**Senator O'BRIEN**—I assume you do not have one every year, whether you want to categorise it the way I do or otherwise.

**Senator Ian Macdonald**—I thought Mr Wonder said that it is done every year.

**Mr Wonder**—I did; I said that twice, Senator. I indicated to you that the normal part of the cycle—

**Senator O'BRIEN**—‘In the budget process,’ you said, Mr Wonder.

**Mr Wonder**—Yes, in the budget process, Senator. Let us be clear here. I am talking about from the PBS through the whole cycle of the year, through the additional estimates and the like. I am calling all of that part of the budget process, in case we are not communicating clearly, Senator. I am saying to you that, as a normal part of that annual cycle, we would do that from year to year as a matter of course. The other bit of information that you might find helpful, Senator, is that appendix 2 only refers to the budget year 2001-02 and it does not have any reference to forward estimate years. So it is possible that, whilst bill (No. 3) and bill (No. 4) as they are presented from pages 48 to 50 do not get to the entire \$25 million, the same programs may have some of that money distributed beyond 2001-02. You cannot see it in the presentation as it is shown there. I will just flag that.

**Senator O'BRIEN**—I was fairly certain you could not see it that way, which is why I have been asking the questions that I have—to understand it in the context of what is normal and what is not. I asked a question before about preceding financial years: how much would you normally hand back in the first six months of a financial year?

**Mr Wonder**—I think Mr Pahl took your question on notice, and we would be happy to have a look at that, Senator. I did not want you to be left with the impression that this was a one-off event in the year 2001.

**Senator O'BRIEN**—I am asking a general question in anticipation of the answer to the previous questions taken on notice about detail. How should we understand a reduction in the funding of a particular program in this process: should we understand it to be simply an inability to spend funds or, because there was significant overfunding of a program, an inability to properly utilise the funds that have been allocated?

**Mr Wonder**—The point that you make about inability to roll the program out as anticipated at the time of the PBS is particularly important for the sorts of reasons that I was indicating earlier. There would be some selfchecking to see how we stand for the remainder of the year and beyond with respect to roll-out of the program, and some corrective action would be taken to put things on a track that is feasible rather than one that is not going to be realised. I think that would be the general model.

**Senator O'BRIEN**—Mr Pahl, when you do this list of ‘hand-backs’—if I can call them that—could you identify the reason for each of them in the document please?

**Mr Pahl**—I will certainly try.

**Senator O'BRIEN**—Does that mean the department does not know the reason for each?

**Mr Pahl**—I am sorry. We will identify the reasons.

**Mr Wonder**—The answer is yes, Senator.

**Senator O'BRIEN**—Thank you. Does the department maintain a list of programs which it runs that are scheduled to finish at the end of the current financial year?

**Mr Wonder**—We have, as we always would, a list of what we call lapsing programs. As you will be aware, we have estimates for the budget years and the forward estimate years. If the government does not decide at some point to continue a program, then it becomes a program that is going to terminate at some time. So we do have a list of the programs that would ordinarily run out of their forward estimates, if you like, at 30 June 2002. Equally, we have a budget process that we go through, as we have been talking about. I cannot tell you the results of that budget process or whether or not those programs that might appear as finishing at 30 June 2002 would be given the additional expenditure for further years into the forward estimates. That is the normal process.

**Senator O'BRIEN**—You have got a list of programs that are scheduled to finish, which was my question.

**Mr Wonder**—Yes, that is the best way to put it.

**Senator O'BRIEN**—Can you provide that list to the committee, with the budget for each of those programs, and details of any reviews of the operation of the programs that have been completed?

**Mr Wonder**—I would be happy to give you that list.

**Senator O'BRIEN**—Thank you. Subject to the budget process, could you indicate which of those programs might be extended?

**Mr Wonder**—No, I cannot.

**Senator O'BRIEN**—At the last hearings, Mr Taylor went through a long list of programs, and he identified the funding for, and duration of, each of those programs. It would be helpful if the committee had an idea of the significant changes in the major programs—both their funding and duration—at the beginning of these hearings, if that is in fact possible.

**Mr Wonder**—As I said, I cannot second-guess what the government's decisions will be in regard to the budget. That would be totally inappropriate, as I am sure you would appreciate. All I can really do is make available to you the information that is available for programs that are, as you put it, scheduled to lapse—pending decisions by the government in regard to their future.

**Senator O'BRIEN**—There are a fair few significant programs out there: \$700 million over seven years for the national action plan for salinity; an extension of \$1 billion over seven years for the Natural Heritage Trust; \$596 million over five years for disease preparedness; an extension of an additional \$46.7 million for Nairn funding; \$26.4 million over four years for agricultural development partnerships; \$151 million over two years for flood relief in New South Wales and Queensland; \$17.4 million over three years for rural financial counselling; \$21.7 million over five years for the New Industries Development Program; and \$3 million over two years to support the development of the National Food Industry Strategy.

**Mr Wonder**—Your question was: what programs lapse at 30 June 2002? Most of those programs I just heard you read out do not lapse at 30 June 2002.

**Senator O'BRIEN**—No, I moved to another point about the significant changes in major programs, in both funding and duration.

**Mr Wonder**—Sorry.

**Senator O'BRIEN**—Is there any expectation at this time that any of those programs that I have just listed will change in terms of their spending or duration?

**Mr Wonder**—Not as far as the forward estimates are concerned, no. Again, that depends on the government's budget process, and I do not wish to speculate on that process.

**Senator O'BRIEN**—I want to ask about table 3.6 on page 40 of the portfolio additional estimates statements. Under the heading of Taxation, you advise that the revised income from taxes, fees and fines is \$530.669 million. What was the estimate for this item at the time of the last budget?

**Mr Wonder**—We have the choice of fidgeting in our papers, Senator, or taking it on notice. Would you like us to see if we can dig it up?

**Senator O'BRIEN**—If you can fidget a little while, I have the big book here.

**Mr Pahl**—Senator, the estimate was \$517.364 million in the PBS. You will find that on page 98 of the PBS document.

**Mr Wonder**—That is the thicker book. In table 3.6 again, the same number.

**Senator O'BRIEN**—That is, I take it, all of the AFFA portfolio taxes, fees and fines?

**Mr Pahl**—Yes.

**Senator O'BRIEN**—What does it actually include? How should I understand that figure?

**Mr Pahl**—It is mostly the levies that are flowing in from the research and development corporations, and so on.

**Senator O'BRIEN**—Could you give me a more detailed answer? I accept that you may want to take it on notice so you can dot the i's and cross the t's, as it were, on that answer.

**Mr Wonder**—We will take it on notice, if you like, Senator.

**Senator O'BRIEN**—If it is not necessary, you can tell me now. That is fine. I just want a complete answer.

**Mr Pahl**—We can take it on notice.

**Senator O'BRIEN**—Thanks for that.

**Mr Pahl**—Actually, Senator, if you look at page 46 the PAES document, you will find a complete breakdown of that \$517.364 million, which is the budget estimate for 2001-02. You will see for each levy what the estimate was and that it subtotals through to the \$517.364 million.

**Senator O'BRIEN**—That is good. Sorry, page 46 or page 47?

**Mr Pahl**—Page 46 and page 47 of the additional estimates statement. If you look through the first column, 'Budget estimate 2001-02', you will find that it comes out at \$517.364 million, which was the number that we just provided to you.

**Senator O'BRIEN**—Yes, and there is the revised estimate. So the major change is the assistance to the lamb industry and the wheat levy. How should I understand the assistance to

the lamb industry? Regarding these taxes, fees and fines, does assistance to the lamb industry mean growth of revenue?

**Mr Pahl**—Sorry, I missed the question.

**Senator O'BRIEN**—The heading is 'Assistance to the lamb industry'. It is actually a revenue item. Is that the levy?

**Mr Pahl**—There is a levy that was, if my recollection is correct, halved for a significant period.

**Senator O'BRIEN**—The estimate has gone from nil to \$8 million.

**Mr Pahl**—Yes, it is a new measure.

**Senator O'BRIEN**—Perhaps I will get some detail on that in the animal industries.

**Mr Wonder**—Okay.

**Senator O'BRIEN**—I want to ask some questions about the Hewitt matter. At the last hearing, I got the impression that some progress was being made to resolve this matter. Where is the matter up to now?

**Mr Pahl**—It will probably be best if I go back to when we last talked about it, which was, I think, May last year. We, AFFA, requested further information from the applicants in June. We followed that up again in July. We had a draft response to our requests from the Hewitt brothers in August of last year. There were then another three requests from us to their solicitors in the period leading up to Christmas for the final response. The final submission from the Hewitt brothers was received by AFFA in early December. It consisted of, I think, a 135-page submission, a 35-page index and seven ringbinders of attachments, of which I have not counted the pages but they were very significant in number. We, along with our legal advisers, have been looking through all of that material to ensure that we fully understand what is contained in the submission. We expect to finish that process by the end of this month. We will then be making a recommendation to the minister that he appoint a decision maker to then undertake the work that is necessary to reach a decision on the matter in accord with the scheme for defective administration.

**Senator O'BRIEN**—So, when you say you expect to be in a position at the end of this month—

**Mr Pahl**—I have checked with our solicitors before the hearing and they expect to complete their work by the end of February. It is a very substantial amount of material and it is essential that we make sure that we understand what is actually in all of the attachments.

**Senator O'BRIEN**—I take it that the minister will decide who the decision maker is with recommendation from the department?

**Mr Pahl**—The department will make a recommendation to the minister, yes. That is what the scheme requires.

**Senator O'BRIEN**—There have been some questions as to the selection of someone who was absolutely remote from the original actions et cetera.

**Mr Pahl**—Yes. In a previous hearing, Senator, we actually gave an undertaking that we would ensure that the person selected was someone who had not been previously associated with the matter.

**Senator O'BRIEN**—What do you envisage the timetable will be for the decision maker to make a determination on the matter?

**Mr Pahl**—I would have to put a caveat over my answer to say that I cannot speak on behalf of someone who is yet to be appointed, but my judgment, from the complexity and the sheer weight of material, is that it will take a reasonable amount of time for that person to satisfy themselves as to the claim that is before them.

**Senator O'BRIEN**—Yes.

**Mr Pahl**—I could not see a decision maker being appointed in March and having a decision available in three or four weeks. It is not that style of problem. It is a very significant and long-running issue that will require—

**Senator O'BRIEN**—Presumably, someone would be appointed who would be able to apply their complete attention to the matter given its complexity?

**Mr Pahl**—That would be our intention.

**CHAIR**—Just as a matter of clarification, Mr Pahl, the process you are referring to is related to the compensation question. Does it also include the \$7,000 for incidental costs that Mr Hewitt is also claiming?

**Mr Pahl**—No, it does not.

**CHAIR**—Can you clarify for me the process involved in relation to that \$7,000? This is to cover the cost of secretarial assistance and so on that Mr Hewitt claims he incurred in the collation of the documents—photocopying costs and those sorts of things. Are you aware of that claim?

**Mr Pahl**—I am aware of that claim. My understanding is that a letter was received by the Australian Government Solicitor requesting that they reimburse those costs. I do not recall seeing a response to that letter, but I would want to check the records to be entirely sure of that.

**CHAIR**—I would be grateful if you could do that so that we are able to understand whether the \$7,000 is included or whether it is subject to a separate investigation as well as what the process will be for that.

**Mr Pahl**—I can say that it is certainly not included in the \$68 million claim that is before us because the submission was received prior to the correspondence that you are referring to, Senator.

**CHAIR**—Any further information on that would be appreciated.

**Senator O'BRIEN**—I do not have any more questions on that matter. I am prepared to move on to industry development.

**CHAIR**—Thank you very much. We are scheduled to have a break at 10.15 a.m. Minister, would you like to take the break now and have the new officers to the table after the break?

**Senator Ian Macdonald**—If it suits the committee, that would suit me because Senator Troeth will need to come to the committee for those questions.

**CHAIR**—Thank you very much.

**Proceedings suspended from 9.56 a.m. to 10.15 a.m.**

**CHAIR**—I welcome Senator Judith Troeth representing the Minister for Agriculture, Fisheries and Forestry, the Hon. Warren Truss. We are now moving on to item B, which is on

---

industry development, rural support and adjustment, women in rural and industry, and industry leadership. Senator O'Brien, would you like to open the questions?

**Senator O'BRIEN**—I take you to page 9 of the additional PBS. In the box on the bottom row headed 'Industry development and adjustment' there are some numbers: total price \$24.457 million; appropriation \$19.609 million; administration expenditure \$517.695 million. What is the basis for the three headings?

**Mr Banfield**—The total price there is the departmental costs, of which \$19.6 million would actually be funded by appropriation revenue. The remaining difference is obtained through contributions from outside agencies. The administered expenditure is the administered items, the amount of programs—the total dollars—that we administer in terms of programs.

**Senator O'BRIEN**—So the total for programs administered by the department under this grouping, if I could put it that way, is \$517.695 million?

**Mr Banfield**—Under this output, yes.

**Senator O'BRIEN**—The figures in the PBS to 2001-02 were \$28.343 million, \$19.24 million and \$445.895 million. Can you explain the reason for the difference in each of the figures?

**Mr Banfield**—To give you a considered answer I would need to take that on notice, but I can allude to the major difference. With the administered expenditure, the \$445 million, I think—and Dr Samson might correct me—the extra dollars would be largely comprised of funding for the flood package.

**Senator O'BRIEN**—So there is a \$72 million difference, and you say that is largely due to the—

**Mr Banfield**—Dr Samson might have the precise number, but most of that increase is because of the extra cost of the delivery of the flood package.

**Senator O'BRIEN**—I think you said that price was the cost of the department's services.

**Mr Banfield**—Yes.

**Senator O'BRIEN**—So that has gone down by almost \$4 million?

**Mr Banfield**—Yes. Again, I would have to take it on notice to give you the detail but, for example, horticulture and wine has been transferred to food. There are a couple of issues there that would explain most of that.

**Senator O'BRIEN**—There is no substantial difference in appropriation—\$350,000 roughly. Does that mean that with those transfers went other revenues?

**Mr Banfield**—The difference between the price of the delivery of those—the \$28.3 million and the \$19 million—is made up from contributions from outside agencies. So we get, for example, some contribution from AFMA, the Fisheries Management Agency, and other outside agencies to undertake departmental projects.

**Senator O'BRIEN**—Yes. The costs have gone down and the appropriation has not gone down substantially. Does that mean that the areas that have been transferred out have taken with them funding from other agencies—for example, other funding sources—or is that not relevant?

**Mr Wonder**—If we are talking specifically about the difference between the \$19.24 million and the \$19.6 million, we should provide you with an explanation of the various factors contributing to that. There will be a number of reasons. As Mr Banfield has indicated, the exact structure of the output is not the same as when the PBS was done. That is one contributing factor. Yes, as you point out, the respective sources of revenue of each of those business, either from appropriation or from outside funds if they receive any, could contribute to it. How about we reconcile it for you?

**Senator O'BRIEN**—Thank you very much. I accept your offer. The farmers retirement scheme was scheduled to end on 30 June last year. Did that happen? Did the program end?

**Mr Banfield**—Yes, it did, Senator. That program is administered in the Innovation and Operating Environment part of the business under Paul Morris so you might like to ask those questions of Mr Morris.

**Mr Wonder**—That is actually listed on the program at program G.

**Senator O'BRIEN**—What about rural counsellors?

**Mr Banfield**—That is under industry development, Senator. The rural counsellor area is administered by us.

**Senator O'BRIEN**—At the last hearing Mr Wilson advised us that the department was negotiating with rural counsellors about how more flexibility could be built into their contracts. We were advised that any change would be incorporated into the contracts for 2002-03. Can the committee be apprised of what has happened in relation to that matter please?

**Mr Wilson**—Since that time, we have implemented contracts for all the rural counselling services. The contract has been redrafted to build into it a number of new administrative measures to pick up the improvements that were recommended in the review that had taken place 12 months prior to that. As part of all of that, there are some flexibility arrangements that have been negotiated, not so much specifically in the contract but with counsellors themselves. In fact, in some cases they have already been put into practice.

**Senator O'BRIEN**—So it is not a contractual negotiation; it is a sort of 'work practices within the contract' negotiation?

**Mr Wilson**—Yes, essentially in relation to flexibility, although with the review of the program we would be looking at other measures for flexibility as well as just within the work practices.

**Senator O'BRIEN**—Okay. What sort of flexibility are you talking about?

**Mr Wilson**—The capacity for us to sit down with counsellors if there is a need in a particular area and work out how existing counselling services might be able to service that area and in particular be able to govern, for example, a new counsellor or existing counsellors to service an area if a counsellor is ill or if the area is currently unserved.

**Senator O'BRIEN**—What sort of flexibility would you need to talk about in contractual terms?

**Mr Wilson**—Sorry, Senator, I do not understand.

**Senator O'BRIEN**—If you are talking about a review of the contracts as well as this review of work practices, or whatever other description you choose to apply to what has already been done, what sorts of things would you be looking to build into contracts?

**Mr Wilson**—A reform program could cover a range of new possibilities. In addition to community based services, we could have, for example, a pool of Commonwealth officers—that is an option—or we could have arrangements for clients in particularly remote areas. We could provide them with the wherewithal to get to a financial adviser. We could cover travel costs of clients or costs for travel for that adviser—that kind of thing.

**Senator O'BRIEN**—Mr Wilson, I think you talked about discussions with the states and other stakeholders. Did those discussions with the states occur and who were the other stakeholders that you were referring to?

**Mr Wilson**—Yes, they did, Senator. Since we last spoke, we have visited financial counsellors themselves, the state agencies, the services that govern the infrastructure for those counsellors, the peak industry bodies and a range of other stakeholders. Basically, we explained the improvements being outlined in the review and discussed possible ways of meeting those needs. In particular, we talked through just how we might meet the needs of people in remote areas.

**Senator O'BRIEN**—During the last hearing, I raised the issue of the BRS review and its view that the counselling services did not fit well with the rest of the Rural Communities Program. Mr Banfield, you advised that that view was also being considered as part of a consultation with stakeholders and that the department was looking at funding arrangements for the counselling service. Are there any outcomes from the review that impact on funding or indeed who is to deliver the service in the future?

**Mr Banfield**—The answer to the first part of your question is that nothing has changed. The Rural Financial Counselling Service, with the split of responsibility some years ago between us and the Transport and Regional Services, was part of the Rural Communities Program. The counselling service now operates as a program in its own right, so there is really no change to that.

In terms of the funding for it, as I indicated I think at the last hearings, \$17.4 million will be provided over three years. In terms of the shape of the program, as Mr Wilson indicated, the government is in the latter stages of reviewing the shape of the Rural Financial Counselling Service and we would expect the government would be making some decisions about that matter over the next two or three months. We have indicated to counsellors in current consultations and discussions that we would give them reasonable notice of any changes that may or may not be made. We have indicated that changes would not occur until 1 November, that existing arrangements will apply at least until 31 October to cover the eventuality that there may be changes to the current arrangements.

**Senator O'BRIEN**—How is the counselling service provided now? Is it all in-house; is it outsourced; is it a mixture?

**Mr Banfield**—They are employed by community groups. They are not AFFA employees. They are funded to the tune of about 50 per cent by the Commonwealth, but they are actually employed by a community group. The states normally contribute about one-quarter, and the community group itself normally contributes about one-quarter, mostly in kind.

**Senator O'BRIEN**—What alternative options are there for managing the service?

**Mr Banfield**—There is a range of options, but I would not want to imply that we are focusing on any particular option at this stage. As I said, this is a matter that the government will be looking at over the next couple of months and will be making some decisions.

**Senator O'BRIEN**—Did you say that it is currently funded to the tune of \$17.4 million?

**Mr Banfield**—\$17.4 million. It is \$5.8 million a year, Senator, which includes administration costs for the department.

**Senator O'BRIEN**—How much are the administration costs for the department?

**Mr Banfield**—\$400,000 a year.

**Senator O'BRIEN**—So effectively, on the figures you gave us, there is about \$5.4 million per year—

**Mr Banfield**—That is right.

**Senator O'BRIEN**—which attracts another \$5.4 million roughly in matching funding from state and sponsoring organisations?

**Mr Banfield**—That is correct, Senator, although as I indicated some of the contributions from communities are in kind rather than in cash.

**Senator O'BRIEN**—That is fairly common in terms of accounting purposes in Commonwealth funded operations, is it?

**Mr Banfield**—It is not without precedent, Senator.

**Senator O'BRIEN**—Not without precedent, fairly common—I am not sure if that is the same thing. I want to ask some questions about marketing the AAA package, particularly the promotion of that package in the lead-up to the November 10 election. The department have advised that, despite the expenditure of millions of dollars on advertising—most of it in the lead-up to the election and much of it through the electronic media—participation in the AAA program was 'static'. That would make this promotion exercise a failure, would it not?

**Mr Banfield**—No, Senator, we would not suggest that the campaign was a failure; indeed, all the evidence we have is that it was very well targeted and very successful.

**Senator O'BRIEN**—I understood that the purpose of the exercise—or at least the claimed purpose of the exercise—was to increase the take-up of the programs in the AAA package.

**Mr Banfield**—It was also, Senator, very much about increasing the awareness of the suite of programs that is available to farmers predominantly, and it was extremely successful in that.

**Senator O'BRIEN**—It made people aware but it did not increase participation; that is what you are saying, is it?

**Mr Banfield**—At this stage there has not been the same increase in participation, Senator, but there are a variety of reasons for that. You would be aware that seasonal conditions generally have improved, so you would expect that some of the programs that we administer to provide support for farmers in difficult times probably would not be taken up to the same extent. But, certainly, there was a threefold increase in the awareness of Agriculture Advancing Australia package.

**Mr Wilson**—The evaluation was done four or five months after the campaign had been completed. We would not have expected it to show increases in participation that early in the piece. However, we would expect and hope that the increased awareness would lead to increased participation over time, as farmers either make the choices they need to make or find they need the support the AAA can offer.

**Senator O'BRIEN**—It has been suggested that it means that the programs are either poorly designed or poorly targeted. What would you say to that?

**Mr Banfield**—We would reject that assertion, Senator.

**Senator O'BRIEN**—Subject to what you see in the next few months—if I understand what you just said to us, Mr Wilson—if it continues to be flatlining, then that would mean it is poorly designed or poorly targeted, wouldn't it?

**Mr Wilson**—It could be, of course, and that is why we undertake the monitoring and evaluations we do. But, as Mr Banfield said, improving conditions as well as other factors have an impact on the uptake of programs.

**Senator O'BRIEN**—Let us go back a couple of steps. The programs have been running since 1997 and there was little or no marketing for the first few years—that is right, is it not?

**Mr Wilson**—There was marketing.

**Mr Banfield**—That is not correct, Senator. There was, in round figures, over a million dollars spent at the time of the launch of the original AAA package. I think we provided that information to the Senate.

**Senator O'BRIEN**—Sorry—at the time of the launch?

**Mr Banfield**—Yes, 1997-1998, at the time of the original package.

**Senator O'BRIEN**—So you spent a million dollars and then you discovered no-one knew about the program.

**Mr Banfield**—We launched it with a distribution of kits and other publicity. We then undertook—and I think I indicated this last time—some research and marketing by Solutions Marketing and Research to gauge the base understanding of the awareness of the programs. The response to that was that there was generally low awareness of the package, which is why we have taken a different approach with the most recent campaign and why I am pleased to say that it has been highly successful.

**Senator O'BRIEN**—In terms of?

**Mr Banfield**—In terms of awareness.

**Senator O'BRIEN**—How much has been spent promoting the AAA package so far?

**Mr Banfield**—Do you mean the original or the—

**Senator O'BRIEN**—Since the program's inception, in its various guises and forms since 1997?

**Mr Banfield**—We provided that, I think, in an answer to a question on notice. The headline figures are that in 1997-98 and 1998-99 it was about \$1.2 million. I think my adding up is correct, but bear with me.

**Senator O'BRIEN**—Is that the sum for the two years?

**Mr Banfield**—Yes. In 1999-2000 it was about \$264,000; in 2000-01 it was \$3.7-odd million; and in the first half of 2001-02 it was about \$1.2 million. So, in ballpark figures, they are the numbers.

**Senator O'BRIEN**—Okay. In the answer that you gave arising from the May hearings—and you have spoken about the \$1.2 million—why did you lump together 1997-98 and 1998-99?

**Mr Banfield**—Because the information is not readily available.

**Senator O'BRIEN**—The department cannot identify what it spent in each of those financial years on this program; is that correct?

**Mr Wilson**—With more work we may be able to do that. I would have to take that question on notice.

**Senator O'BRIEN**—The implication of your answer is that, at this stage, you cannot.

**Mr Wilson**—It is quite possible too that at the time we decided, in going back that number of years, that we would lump those years together.

**Mr Banfield**—If you like, we will take that on notice to see whether it is possible to provide a split year by year but, the information we have actually includes those two years. There is no ulterior motive, if you like, in terms of why we have done it. We have tried to respond to the Senate's questions, and that was the easiest, most readily available form we could identify.

**Senator O'BRIEN**—I understand that for the first two years there was no TV advertising.

**Mr Banfield**—That is correct.

**Senator O'BRIEN**—I am not sure what the term 'influencer campaign' means in that period. The total outlay was \$1.174 million.

**Mr Banfield**—That was working with select groups opinion leaders in the rural community to inform them of the package and the measures, and through that to influence them to spread the word.

**Senator O'BRIEN**—That was the nature of the first campaign?

**Mr Banfield**—Yes. It was basically paper driven but there was some radio. There was the distribution of a kit. There was the influencer campaign working with opinion leaders within rural communities. There was a range of other things and there were some radio ads at the time as well, as I recall, a series called 'Across the Land', which promoted some of the messages which we were trying to get out about risk management and things.

**Senator O'BRIEN**—Okay. For the sake of getting a general understanding until we get those more precise figures, there was the spending of about \$590,000 a year for the first two years and that then dropped in the next year to \$263,500. Why was there such a significant cut in the promotion budget of the program?

**Mr Banfield**—I will take on notice, if you like, any precise reason why that would occur, but you would normally expect that if you were promoting a four-year package that your promotion would be heavily front-end loaded—that you would undertake the bulk of it in the first year or so of the campaign. That is what we did in the original package and that indeed is what we have sought to do in the second package.

**Senator O'BRIEN**—So since 1997, the department has spent about \$6.4 million promoting this package?

**Mr Banfield**—It is a bit more than that because I indicated that \$6 million was budgeted for the most recent promotion campaign and there was \$0.9-odd million in terms of departmental expenses as well as that. When you tot it all up, it is a little bit more than that.

**Senator O'BRIEN**—What should I revise my \$6.4 million figure up to?

**Mr Banfield**—Your arithmetic is probably better than mine, but to the total you have got you probably need to add another \$0.9 million for departmental expenses.

**Senator O'BRIEN**—Let us call it \$6½ million.

**Mr Wonder**—We will confirm that number.

**Senator O'BRIEN**—From the period June 2000 to the end of last year—about 18 months—you spent in the vicinity of \$5 million of the total funds promoting the program.

**Mr Banfield**—That is correct. And, as I said, when the communication campaign was announced it was to be a \$6 million campaign. If you add up what we have spent on that campaign, it probably adds up to about \$6 million, in line with what we indicated: \$3.74 million in 2000-01, another \$1.2 million—that is about \$4.9 million, nearly \$5 million—plus the best part of \$1 million in terms of departmental expenses, Internet and a range of other things. So we have spent the budget that we were allocated.

**Senator O'BRIEN**—I would appreciate it if you could tell me today when key aspects of this promotional campaign actually commenced. We are talking about the period June 2000 and onwards.

**Mr Banfield**—The campaign was focused around the period April 2001 to July 2001. The funds were appropriated for us in the May 2000 budget and between those times we went through an exhaustive process of market testing, developing the campaign, selecting the consultants et cetera.

**Senator O'BRIEN**—When did the market testing and focus testing take place?

**Mr Banfield**—We sought tenders in July 2001, I think it was, for tenders from consultants to undertake some of the market research work for us. That work was actually concluded in the last quarter of 2001.

**Senator O'BRIEN**—So it was concluded some time between three and six months after—

**Mr Banfield**—Between July to the end of last year.

**Senator O'BRIEN**—Who did the work?

**Mr Banfield**—The market research was undertaken by Woolcott. I am out by a year there: I think it is the year 2000, not 2001.

**Mr Wonder**—Mr Banfield's answers were referring to 2001.

**Mr Banfield**—It was completed in July 2000.

**Senator O'BRIEN**—You would be market testing after you had run the program.

**Mr Banfield**—Yes, that is right.

**Mr Wilson**—The market testing took place in early 2001.

**Senator O'BRIEN**—We have got a complete contradiction now.

**Mr Banfield**—The market testing took place between July and the end of 2000.

**Senator O'BRIEN**—So in the last six months of the year 2000 was the market testing and market research, including focus testing.

**Mr Banfield**—Yes. Focus testing actually took place into 2001 as well. We got concepts; we invited agencies to pitch the basis of the campaign. We did a short-listing process, we

market tested the various models that were provided to us and we obviously selected the best one.

**Senator O'BRIEN**—So the market research focus testing, benchmarking and evaluation was all done by Woolcott?

**Mr Banfield**—Woolcott did the market testing, yes.

**Senator O'BRIEN**—Was there any evaluation? Did they do an evaluation as well for you, or did someone else do that?

**Mr Banfield**—How do you mean 'evaluation'?

**Senator O'BRIEN**—You have done your focus testing and the like. Did they pull it all together, or did they do the whole research and advising package on the basis of your campaign, essentially?

**Mr Banfield**—They did some initial market research, which gave us some very clear indicators as to the way we should go about undertaking the campaign—the kinds of themes and approach to it. When we got the short list of tenderers to undertake the actual campaign, Woolcott actually market tested each of those short listed concepts and advised us as to how they went down with selected focus groups.

**Senator O'BRIEN**—I think, Mr Banfield, you told us in May last year that the cost of that work was around \$250,000. However, the actual figure appears to total about \$335,000 if you add together your answer for expenditure 2000-01 and expenditure 2001-02—six months.

**Mr Banfield**—According to my figures, it cost us about \$280,000 in 2000-01 and another \$55,000 in 2001-02.

**Senator O'BRIEN**—That is \$85,000 more than your May estimate, which is a big difference. Why are the numbers so different from the amount you estimated?

**Mr Banfield**—I would have to take that question on notice to give you the precise details but, as I said, we did market test each of the concepts that were provided to us to assess their acceptability to our constituency.

**Senator O'BRIEN**—So it was not envisaged that you would market test concepts when you first made an estimate? How did you arrive at the \$250,000? I am trying to understand why you had a blow-out of over 30 per cent.

**Mr Banfield**—I look at it similarly. If you want the detail of how we estimated the \$250,000 for the market testing to start with, I will take that on notice because I do not have the detail with me.

**Senator O'BRIEN**—In May last year, Mr Banfield, you told us there had been surveys and research done in relation to this package over the years, and you used the phrase 'in years gone by'. You said that as part of the original package Solutions Marketing and Research was commissioned to provide some benchmarking data. Where can that be found in the expenditure data you have given us?

**Mr Banfield**—Sorry, Senator, I missed that.

**Senator O'BRIEN**—Where do I find reference to the original benchmarking by Solutions Marketing and Research in the expenditure data that you have given us?

**Mr Wilson**—That is under 'Indigenous PR Consultancy', as I understand it. Solutions Marketing and Research did that work.

**Mr Banfield**—Senator, again I will check, but my understanding is that the work we do for Solutions Marketing and Research is more in the nature of evaluation rather than communication. It is baseline data and there is a two-yearly update in terms of understanding. Again, I will check, but I do not think it is factored into the numbers I have given you.

**Senator O'BRIEN**—So there is an amount in addition to the numbers?

**Mr Banfield**—Yes. That is my recollection, subject to double-checking.

**Senator O'BRIEN**—Are you saying that this expenditure was not originally in relation to this program, that it has been adapted to it? Is that what you are saying?

**Mr Banfield**—No. What I am saying is that, at the time of the original AAA package, we decided that we would undertake two yearly surveys of awareness against a range of indicators, and Solutions Marketing and Research have undertaken to provide us with some bench-line data. They did a survey in 1998 and one in 2000. They are due to do another survey at the end of this year, but that is not in the nature of communications, so it would not be factored into the budget. But, again, I would like to check to make sure that that is right.

**Senator O'BRIEN**—So it is not part of the promotion budget for the AAA program?

**Mr Banfield**—No. They assess against a range of indicators, Senator: strategic planning, natural resource management, financial self-reliance, market competitiveness, capacity for change and adoption of innovation, so there is a range of indicators that are assessed every two years.

**Senator O'BRIEN**—I thought it might be part of the influencer campaign, but it is in addition to that, is it?

**Mr Banfield**—I will have to check the details and come back to you.

**Senator O'BRIEN**—I am particularly interested in when the TV, print and radio commercials commenced and when they stopped. You told us that TV ads were to run from 22 April until the end of July.

**Mr Banfield**—Until 4 August.

**Senator O'BRIEN**—Last May, you said—

**Mr Banfield**—What page are you on, Senator?

**Senator O'BRIEN**—Page 38. When Senator Forshaw asked, 'How long do you expect the campaign to go on for?' Mr Banfield, you said, 'Till the end of July.'

**Mr Banfield**—What I am indicating is that it concluded on 4 August, so we were out by four days.

**Senator O'BRIEN**—Well, be suitably admonished for that!

**Senator FORSHAW**—I am here to see to that!

**Senator O'BRIEN**—But the budget for the period July-December last year has funding of \$475,000 for placement of TV, print and radio ads. What was the basis, then, of that additional expenditure, given your almost accurate advice, Mr Banfield, that the advertising would finish at the end of July?

**Mr Banfield**—Senator, the budget was prepared as the best endeavour at the time. There was some variation between the actuals and the budget, and that applied in relation to not just

the cost of the TV time but also some of the other elements. But the total of the package was tailored to fit within the \$6 million cap that we were given by the government.

**Senator O'BRIEN**—So did the \$475,000 worth of placements take place within the time frame that you were talking about, that is, April to 4 August?

**Mr Banfield**—All of the television advertisements appeared between 22 April and 4 August.

**Senator O'BRIEN**—I presume all of that \$475,000 was spent between 1 July and 4 August.

**Mr Banfield**—The bulk of it would have been, on the basis that TV advertising is much more expensive. While \$475,000 was budgeted, the actual expenditure was \$606,000. Again, I think we have previously provided this advice to the Senate.

**Senator O'BRIEN**—I am sorry?

**Mr Banfield**—The actual expenditure was \$606,000. That included TV, print and radio ads, so that is an amalgam of the three.

**Senator O'BRIEN**—So the budgeted figure was \$475,000 but the actual figure was \$606,000?

**Mr Banfield**—Yes.

**Senator O'BRIEN**—Let us go back to the previous budgeted figure and the actual figure for the 2001 period. You had a budgeted amount of \$1.589 million for that period. What was the actual expenditure for 2000-2001?

**Mr Banfield**—The budget, Senator, was \$1.8 million and we actually spent \$1.589 million.

**Senator O'BRIEN**—Sorry. Does that mean that part of the advertising campaign was deferred until later in the period?

**Mr Banfield**—No, Senator. I do not think it is attributed to that. I think it is just that the campaign took place, as I said, between April and July and it is a splitting of when the dollars went out the door—\$1.6 went out the door in 2000-01 and \$600,000 went out from 1 July. I don't think it is any more than that.

**Senator O'BRIEN**—So from the beginning of April you commenced to spend on the placement of television, print and radio advertisements. I am presuming the spending is attributable to actual costs incurred in that period.

**Mr Banfield**—Yes.

**Senator O'BRIEN**—If the bill is in 2000-01, the service was provided in 2000-01?

**Mr Banfield**—I am not sure. I do not have to hand what the payment schedule was. I will check if you like, but I think it was simply a matter that the campaign was designed from April to 4 August and there was an agreed payment schedule. We paid, and it just happened to coincide with the end of the financial year.

**Senator O'BRIEN**—Was it a consistent campaign or did it have a peak in the middle or at the end?

**Mr Banfield**—No, it was not a consistent campaign. There was a series of themes. My memory is being tested here, Senator, but the early part of the campaign related to a concen-

tration on AAA as a package—words to the effect that there is a package that might be available to help.

**Senator O'BRIEN**—With a big green box.

**Mr Banfield**—With a big green box; that is right. Then, as we got into the mature campaign, the campaign focused more on the program elements. So the weight of the campaign as it went through started to focus on FarmBis or those kinds of program elements.

**Senator O'BRIEN**—Was that a response to market testing or was it a planned approach?

**Mr Banfield**—It was certainly a planned approach and it was informed by the best advice we had at the time on the way to do it. The original ads were about raising awareness of AAA, then as it went on it was about saying in a little more detail what is actually in AAA. That was the theory.

**Senator O'BRIEN**—What are we looking at—a bit under \$20,000 a day over the last 35 days of the campaign and something less over the first 90-something days?

**Mr Banfield**—In terms of the intensity, I would need to take that on notice because I suspect the numbers you are quoting relate to when the dollars went out the door rather than necessarily when the actual ads went on. My recollection is that at the start of the campaign there was more intensive placement of ads and they were progressively phased down also.

**Senator O'BRIEN**—So the department has a schedule of ad placements?

**Mr Banfield**—Yes. This was undertaken for us by Mitchell Media.

**Senator O'BRIEN**—That will break down the costs later?

**Mr Banfield**—I am sure that will be available, Senator.

**Senator O'BRIEN**—You will supply that to the committee, will you?

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

**Senator O'BRIEN**—What was the decision making process that led to the placement schedule? Was a decision taken at the start about a placement schedule or was there an ongoing process of reviewing month by month, week by week or over whatever period how placements would be run?

**Mr Banfield**—No. At the start of the campaign, as I said, all our effort and energy was in terms of devising the most effective images in the campaign. In terms of the actual placement of the ads, we were advised by our media consultants on the best strategy in terms of maximising its impact. Mitchell Media, for example, was very involved in that process in not only deciding which television stations we would run the ads on but how it would be done.

**Senator O'BRIEN**—So Mitchell Media made decisions or recommendations?

**Mr Banfield**—Mitchell Media makes recommendations. All decisions are approved by the Ministerial Committee on Government Communication.

**Senator O'BRIEN**—Was that via AFFA or did Mitchell Media go directly to the government committee?

**Mr Banfield**—No. The normal routine is that AFFA would present before the MCGC and that they would also be advised by Mitchell Media and, as necessary, any of the other consultants so that they are fully informed.

**Senator O'BRIEN**—‘They’ being the committee or AFFA?

**Mr Banfield**—The committee. AFFA appears before the committee.

**Senator O'BRIEN**—So there was a recommendation from Mitchell Media, AFFA took it to the committee and the committee made a decision?

**Mr Banfield**—No. We were consulted in it, but it is way outside of our area of expertise. The advice was provided to the committee by Mitchell Media.

**Senator O'BRIEN**—So there was no departmental recommendation?

**Mr Banfield**—In terms of the placements and things, not to my knowledge. As I say, it is way outside of our expertise.

**Senator O'BRIEN**—Mr Banfield, you told us that as of May last year there had been a marked increase in interest in the program through web site hits, through Centrelink and through state agencies. So as at May there appeared to have been a good response to the campaign in terms of recognition. Why then was it justified in spending the amount of money spent in additional placements? The outcome—recognition—was there in May.

**Mr Banfield**—We designed and delivered a targeted campaign for a period of time that was based on the best advice we could gain about how long that campaign should run and how it should be structured. That is precisely what we did. You are quite right: we had positive indications in the early days that we were being successful, but that is no reason to stop. I would have thought it was encouraging. But we saw the campaign through.

**Senator O'BRIEN**—That is yet to be seen. You are saying now that there has been an improvement in recognition, but that is about all. Isn't it arguable that that improvement in recognition had been achieved in May-June?

**Mr Banfield**—I could not say that. As I say, we designed a campaign for a certain number of weeks and then we proceeded to implement it.

**Senator O'BRIEN**—Was there market testing of the success of the campaign during the campaign?

**Mr Banfield**—Yes, there was. Woolcott did some initial evaluations.

**Senator O'BRIEN**—Did the structure of the campaign change as a result of that market testing?

**Mr Banfield**—To my knowledge, no, because we were encouraged by the initial results that we were given.

**Senator O'BRIEN**—I am interested to see why you would necessarily keep spending on a campaign that may have achieved the only objective that was going to be achieved, and that is recognition of the scheme very early. You then continued to spend another \$1 million or \$1½ million.

**Mr Banfield**—Ads, particularly television ads, are booked in advance.

**Senator O'BRIEN**—Yes, but you can pull them as well. That is the reality. Let us not pretend that you can make a booking and cannot change that. I am experienced in that myself.

**Mr Banfield**—I am not.

**Senator O'BRIEN**—Your advisers did not tell you that; is that what you are saying?

**Mr Banfield**—No, I am not saying that at all. I am saying the best advice we had was that a 12-week campaign or whatever would be the best—that it should not be longer than that—and that is the campaign that was designed and delivered.

**Senator O'BRIEN**—So the period was determined, the expenditure was determined and the structure was determined; nothing changed over the campaign?

**Mr Banfield**—To my knowledge, no, Senator. As I say, we did do market testing to see how the campaign was running. The advice was that it was quite successful.

**Senator O'BRIEN**—What was the budget expenditure for television, radio and print ad development of \$55,000 for?

**Mr Banfield**—Which year are you on, Senator?

**Senator O'BRIEN**—Sorry, 2001-02—\$55,000 at the head of the column.

**Mr Banfield**—I would have to take that on notice, but I presume that relates to the payments in relation to the design and delivery of the ads. Ads were designed and produced during the campaign. It relates to that.

**Senator O'BRIEN**—I am trying to understand when work was commissioned, when it was done and when it was paid for. From your previous answers, the implication of what you are saying is that that might have been done before and paid for after 30 June.

**Mr Banfield**—That is my best guess.

**Senator O'BRIEN**—Can we get a breakdown of when the work was commissioned, done and paid for?

**Mr Banfield**—Yes; we will take that on notice.

**Senator O'BRIEN**—That might affect all of these figures somewhat.

**Mr Banfield**—Yes. We did actually produce some ads during the campaign. As I recall, one designed for the fishing industry was produced after some of the earlier ads. They were not all done in one hit but within a short space of time.

**Senator O'BRIEN**—Was that about learning to box, was it? Were the decisions on expenditure all taken prior to the commencement of the campaign by the Ministerial Committee on Government Communication or was that an ongoing process?

**Mr Banfield**—It is an ongoing process. Obviously, we were required to develop a draft proposal as to how the thing was going to be communicated. As part of that process we also developed draft budgets for consideration. That was refined as we finetuned and developed the campaign material.

**Senator O'BRIEN**—In terms of the expenditure from the middle of 2000 to the end of 2001, can you tell the committee when decisions were taken about the expenditure on placement of television, radio and print advertisements? There was a series of decisions. When were they taken?

**Mr Banfield**—I will take that on notice. This was an interactive process—I should make that point. We provided to the Ministerial Committee on Government Communication our suggestions as to how we might run the campaign. We had an exchange with the committee. We would then come back and we would refine the proposals et cetera. So it was an interactive process. As to when the formal decision was taken to actually place the ads, again I will take

that on notice, but quite clearly it was some time before 22 April. It was back in the early part of the year, probably in March.

**Senator O'BRIEN**—The decision on placement was made prior to the commencement of the whole placement program; is that what you are saying?

**Mr Banfield**—The decision on placement was made before the campaign started: that is what I am saying.

**Senator O'BRIEN**—What role did the Ministerial Committee on Government Communication have in the campaign from the commencement of placement?

**Mr Banfield**—I will take that on notice, but my recollection is that the committee monitored how the campaign was going, based on the interim advice we were getting from Woolcott Research. I am not aware that it was anything more than that. I do not think that the campaign changed, because all the indications were that it was a very successful campaign.

**Senator O'BRIEN**—Subject to you checking, there was no change to the placement schedule?

**Mr Banfield**—Not to my knowledge, but I will check that.

**Senator O'BRIEN**—Could you confirm that there was no adjustment of the campaign and that it was all predetermined.

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

**Senator O'BRIEN**—Were all of the changes to production schedules factored into the program prior to the commencement of the placement of the advertisements? Was there provision for response and for changes in the ads to focus on particular areas, such as the fishing area that you mentioned?

**Mr Banfield**—Yes. I can recall that the committee wanted an ad specifically designed for the fishing industry because, under the FarmBis program, it extends to the wild catch fishing sector. The committee asked us to develop an ad to take that into account.

**Senator O'BRIEN**—Did that occur during the placement campaign or before it?

**Mr Banfield**—No, the decision to do that was undertaken before the campaign started. Subject to checking, my understanding is that the ad was developed after the campaign had started, but it was right at the very start of the campaign. There was a production process that we had to go through.

**Senator O'BRIEN**—You were going to give us a breakdown of decision making about production, such as when the costs are received and paid.

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

**Senator O'BRIEN**—Can you tell me what the outcome was of the market research benchmarking and evaluation that you referred to in the budgeted expenditure for 2001-02 in your previous answer?

**Mr Banfield**—The bench-line research?

**Senator O'BRIEN**—‘Market research—benchmarking and evaluation’: it is the last line in the answer on notice. Can you tell us what the outcome of that research was?

**Mr Banfield**—I can give you a snapshot of that. The awareness of AAA as a package went up from 22 per cent to 62 per cent of primary producers. The awareness of individual program components also increased.

**Senator O'BRIEN**—Is there a report from Woolcott?

**Mr Banfield**—Yes, there is.

**Senator O'BRIEN**—Can you supply the committee with a copy of the report?

**Mr Banfield**—I will take that on notice. I obviously need to consult with the minister about that.

**Senator O'BRIEN**—Did the consultant explain the static participation outcome, given the market research and testing that underpinned the campaign?

**Mr Banfield**—I will take that on notice. It was a reasonably comprehensive report, and I do not have the details with me.

**Senator O'BRIEN**—Is all the evaluation work on this promotion program complete now?

**Mr Banfield**—Of the communication campaign?

**Senator O'BRIEN**—Yes.

**Mr Banfield**—I will come back to you if the answer is no, but my recollection is that it is largely complete. We will be undertaking the bench-line research through Solutions Marketing and Research on general awareness against those sorts of indicators, but that is not formally part of the AAA program.

**Senator O'BRIEN**—When will that occur?

**Mr Banfield**—We do it every two years. We did one at the end of 1998 and we did one in 2000, so we are due to do another one at the end of this year or thereabouts.

**Senator O'BRIEN**—Given the expenditure on this program, I suggest that it is in the public interest that the evaluation be very much a public document. I understand you have undertaken to take on notice the supply of that to the committee. I now go to the consultancies that were part of the campaign. What do the mainstream PR consultancies do?

**Mr Banfield**—Cox Inall were the selected consultants. They do a variety of things. They are a Sydney based company. They developed case studies. There is a video that they prepared of some of the messages we were trying to convey. They undertook amongst industry leaders an awareness campaign to encourage industry leaders to influence others and to make known the benefits of the programs that were about. A women's campaign was developed. A series of what we have called 'success seminars' were devised to showcase particular success stories based around people who had made good use of the programs that were available. So it was a broad menu of initiatives that Cox Inall undertook.

**Senator O'BRIEN**—How do you explain the basis for the two different amounts: \$171,000 in 2000-01 and then \$230,000 for 2001-02?

**Mr Banfield**—Where are you, Senator? You have lost me.

**Senator O'BRIEN**—On the second page of your answer on notice under the heading 'Expenditure on AAA communication 2000-2001' you have expenditure on mainstream PR consultancy at \$171,463 and then under the heading 'Budgeted expenditure for AAA communications 2001-2 (six months)' you have expenditure on mainstream PR consultancy at \$230,000.

**Mr Banfield**—You are confusing me with numbers.

**Senator O'BRIEN**—They are your numbers.

**Mr Banfield**—Yes. Could you just bear with me a second and I will regroup. The budget for that—Mr Wilson will correct me if I am misusing the numbers—in 2000-01 was about \$309,000 and actual expenditure was about \$170,000, so there was an underspend there, which was offset, if you like, by higher expenditure in 2001-02—\$259,000 as against \$230,000. Again, I would need to take on notice the detail of all of that. But, as I said earlier, I suspect that has got more to do with 30 June and when the payments were made than the actual delivery of the services. But I will take that on notice.

**Senator O'BRIEN**—If you could advise us when the services were provided that attracted the money, it may explain the variation across the budget deadline at 30 June.

**Mr Banfield**—Yes.

**Senator O'BRIEN**—What about the NESB PR consultancy? Is that the name of the company that won the consultancy?

**Mr Banfield**—No.

**Mr Wilson**—It is EMD Consultants.

**Senator O'BRIEN**—What did that company actually do?

**Mr Banfield**—There is a range of things. Again, you are getting into such a level of detail that I will probably need to come back to you on notice on this. They basically helped us target the campaign so that it was acceptable to quite a number of different ethnic groups. I know, for example, that a lot of our material was actually translated into quite a number of languages. There was a different approach in terms of, say, some of the Vietnamese market gardeners, not only in the translation of the documentation but also as to how you would target the campaign to be effective to different ethnic groups.

**Senator O'BRIEN**—And the indigenous PR consultants? I thought that was the group that did the two-yearly review process. Do they have another process?

**Mr Wilson**—I am sorry, I made a mistake there, Senator. The consultancy for the indigenous PR consultancy was Cultural Partners in association with Gavin Jones, who provided advice and networked with the Aboriginal community.

**Senator O'BRIEN**—I take it that was to assist in targeting issues relevant to the indigenous community.

**Mr Wilson**—Yes, it was.

**Senator O'BRIEN**—Cox Inall—is that an Australian company or an overseas company?

**Mr Banfield**—My recollection is that it is an Australian company. You might recall Neil Inall, who is very well known in rural circles. He was one of the principals of the company. He is not so active now. There are two partners.

**Mr Wonder**—Tim Cox and Neil Inall.

**Mr Banfield**—Tim Cox and Neil Inall. They are based in Sydney.

**Senator O'BRIEN**—Cultural—can I get the full name of that?

**Mr Wilson**—Cultural Partners Australia.

**Senator O'BRIEN**—Who are the principals in that?

**Mr Wilson**—I will take that on notice. I do not know the details of that company.

**Senator O'BRIEN**—In all of the expenditure data there is only one reference to a direct mail campaign in 2000-01 at a cost of \$140,000. At the last hearing you advised us that you were looking at two options for a direct mail database. Which option did you take?

**Mr Wilson**—We chose the Solutions database, in the event.

**Senator O'BRIEN**—Were there only two occasions on which you direct-mailed farmers about the AAA program—one in 1997 and one last year?

**Mr Banfield**—Again, I will take that on notice and come back to you if it is not the case, but that is my recollection. We did a direct mail to all farmers for the original AAA and a direct mail this time. What I would say, though, is that the direct mail this time is vastly different from what was undertaken last time. It was really in the nature of a flyer—very little information.

**Senator O'BRIEN**—This time?

**Mr Banfield**—Yes.

**Senator O'BRIEN**—Was there a covering letter from the minister?

**Mr Banfield**—No, there was not. I have a copy here. It was just a little fold-out, in very broad terms, to inform the constituency about it. There was no covering letter from the minister. There was an address for people to write to or to contact, which was an AFFA address. There is a photo of the minister on there but there is no ministerial—

**Senator O'BRIEN**—Was that direct mail?

**Mr Banfield**—Direct mail, Senator.

**Senator O'BRIEN**—So it went in an addressed envelope?

**Mr Banfield**—Yes.

**Senator O'BRIEN**—All that was in the envelope was a 'three-fold'?

**Mr Banfield**—That and a complement slip, to inform the recipients about whom to contact if they wanted more information.

**Senator O'BRIEN**—Whose complement slip was it?

**Mr Banfield**—I do not have a copy of that with me, but it was just a note to say that if you want more details, contact X and Y. It was the AAA communications area in AFFA. You look puzzled, Senator, but all the advice we had was that bombarding farmers with weighty tomes through the mail essentially is very ineffective.

**Senator O'BRIEN**—I am wondering why you would use direct mail to send a three-fold. You are not targeting information to a person; you are targeting general information which you could distribute much more cheaply than direct mail in an addressed envelope.

**Mr Banfield**—Again, the research that we have done shows that it is very important that mail is actually addressed to the people concerned rather than 'To whom it may concern', which has much less impact. The other point I would make is—and I have said this a few times—that this was all part of an integrated campaign, so there was the direct mail, the television, the radio, the print all coming together at this one time.

**Senator O'BRIEN**—Could you supply the committee with a copy of what was in the envelope?

**Mr Banfield**—I am happy to do that, Senator.

**Senator O'BRIEN**—Thanks. I take it the advice from Woolcott was that a conventional direct mail campaign was not recommended; is that correct?

**Mr Banfield**—The advice we have is that a direct mail campaign by itself, without anything else, is much less effective. Direct mail campaigns can work if you target them correctly and they are used in conjunction with a range of other mediums: TV, radio, press et cetera.

**Senator O'BRIEN**—Just going back to the schedule of placements, have you undertaken to provide that?

**Mr Banfield**—Yes.

**Senator O'BRIEN**—I want to ask some questions about the Farm Innovation Program—

**Mr Wonder**—Sorry, Senator, we mentioned earlier that that is in program G.

**Senator O'BRIEN**—That is right. What about Farm Help?

**Mr Banfield**—That is with us.

**Senator O'BRIEN**—Following the last hearings I was provided with a breakdown of Farm Help recipients by state and year. Is it possible to bring that schedule up to date?

**Mr Banfield**—Yes, we have some numbers here but it might be better if we took that on notice so that we can provide it to you in writing.

**Senator O'BRIEN**—Has there been a significant jump in the numbers seeking assistance?

**Mr Banfield**—In total, as at 31 December, there were 772 recipients of Farm Help. The cumulative total since 1 December 1997 is 6,115 recipients. In terms of re-establishment grants, the cumulative total from 1 December 1997 is 712. The 2001-02 expenditure to 31 December was \$5.1 million. The expenditure in 2000-01 was \$17 million.

**Senator McLUCAS**—Can you tell me which primary industries can access the Farm Help program?

**Mr Banfield**—There is a definition in the Rural Adjustment Act—I do not have the precise details here—which says that you have to be a farmer. There is a definition of a farmer in terms of commitment to the land and the length of time that you have been farming. There are some rules about the proportion of your income that has to be derived from, and the labour that has to be actually spent on, the farm. But access relates to the definition of a farmer.

**Senator McLUCAS**—So you would have to be a land based primary producer to access that. Is that what you are saying?

**Mr Banfield**—For Farm Help, yes, Senator.

**Senator McLUCAS**—Can you tell me then—I can see the logic in what you are saying but I think that excludes, therefore, the fishing industry from accessing Farm Help—what is the rationale or the logic behind the exclusion of the wild caught fishing industry?

**Mr Banfield**—My recollection is—and I will come back to you on notice if this is not the case—that aquaculture qualifies as farming under the definition of the act. The issue relates to wild catch fishing, and the rationale simply is that this is much more problematic in terms of the risks or the certainty of catch. It is not like, for example, planting a paddock of wheat; there are other factors at play. We have moved to extend some of the AAA programs to

include the wild catch fishing sector. FarmBis, for example, is now covered under the FarmBis program. So we are moving in that direction, but we are not totally there yet.

**Mr Wonder**—To add to Mr Banfield's answer, I think that over the years the nature of the programs that have been made available to land based industries has changed. As Mr Banfield says, with so much emphasis nowadays on knowledge, skills and expertise, the judgment has been made to make that available to fisheries related people as well. But, in respect of the style of program whereby people are given an opportunity to effectively leave the industry or consider their circumstances, over the years successive governments have looked at the need and availability of funding for wild capture fisheries on a separate basis. Indeed, there has been funding made available on a separate basis for wild capture fisheries.

**Senator McLUCAS**—That is usually in the scheme of some sort of exit package or a structural adjustment or something like that. The issue I am particularly interested in is the impact of the changes to the east coast prawn trawl fishery and the impact that that has had on a whole range of fishers based in Queensland. There is also the inability of those fishers to access the support that would usually be made available to primary producers and their frustration with that. I suppose I am looking for a rationale. Of the risk you talk about, Mr Banfield, yes, it is risky growing wheat, but I do not know that it is more risky fishing for prawns.

**Mr Banfield**—No, it probably was not a very elegant description. But the definition of a farmer relates to someone who actually tills the land or, in the case of aquaculture, actually manages a particular area—which is not the case with wild catch fishing.

**Senator McLUCAS**—If you have another rationale as to why fishers are excluded from that program, then I would appreciate that, but I will put that question on notice.

**Mr Wonder**—I will certainly follow that through. I will also alert colleagues from the department—who are in a related part of the program on fisheries related matters—to your particular interest. If they have anything to add in relation to the east coast prawn trawl fishery, then I will ask them to make the time available.

**Senator McLUCAS**—Thank you, Mr Wonder.

**Senator O'BRIEN**—As at last May, funding for the Agricultural Development Partnerships Program was \$26.4 million over four years. At the last hearings, there were no guidelines—the guidelines were in the process of being developed. Has that happened now?

**Mr Wilson**—I can answer that, Senator. We actually have them in draft form, ready to go out to the states. We have had consultations with the states; I think we alluded to that as well in our last answer. We have got feedback from the states on, broadly, the types of things they are looking for in the guidelines, and they have been prepared.

**Senator O'BRIEN**—When were the drafts completed?

**Mr Wilson**—I would say this week, actually.

**Senator O'BRIEN**—Have they actually gone to the states yet?

**Mr Wilson**—No.

**Senator O'BRIEN**—Is it intended that they will?

**Mr Wilson**—Yes; they are sitting on my desk.

**Senator O'BRIEN**—Is a timetable established for remitting them to the states, or do they have to be approved by someone?

**Mr Wilson**—Yes, they would have to be. We would like to get feedback from the states on the written version of these, and then get clearance from our minister.

**Senator O'BRIEN**—Which will happen first? Will you get clearance from the minister before you send them out?

**Mr Wilson**—No, we are putting them out as a draft to the states initially, and we will then put something to the minister after we receive feedback from that.

**Senator O'BRIEN**—Is that a bit back to front, as it were? You are emitting the Commonwealth's draft but it has not actually been approved by the minister responsible for it?

**Mr Wilson**—It is an officials' draft and we are preparing those in consultation with state officials.

**Senator O'BRIEN**—So it is a draft with no status.

**Mr Wilson**—That is right.

**Senator O'BRIEN**—And the states will be largely responsible for administration of this program?

**Mr Wilson**—At this stage that is how we see it, Senator: it is in much the same model as a number of other programs have used in the past, such as the RAS program and the Rural Partnership Program.

**Mr Banfield**—There is a big community involvement, Senator, so what Mr Wilson says is correct. The states will be fifty-fifty funders and active participants but a lot of the drive for these will come out of the communities themselves.

**Senator O'BRIEN**—When you say 'drive', is that for the administration of it? My question was about administration.

**Mr Banfield**—In terms of the design and delivery as well.

**Senator O'BRIEN**—And administration? I am trying to understand where the drivers in the community come into administering the program.

**Mr Banfield**—In working with us to design the elements of the program and in monitoring the uptake and the availability of the components. Obviously we, the Commonwealth—and the states also—will have our own accountability arrangements. But for a lot of these programs, including the old Rural Partnership Program, there was a heavy community component to the design and delivery.

**Senator O'BRIEN**—Is that a new approach?

**Mr Banfield**—No. It has certainly been around for some years and it is integral to the rural partnership.

**Senator O'BRIEN**—Historically, these sorts of programs have had a large state administration component.

**Mr Banfield**—I am not denying that the states and the Commonwealth do not have administration components of them in terms of expenditure as well. Frankly, they are quite expensive to administer because there is a lot of involvement and consultation at the ground level. But a lot of the drive actually comes from the communities themselves. They normally set up a committee to manage them.

**Senator O'BRIEN**—Mr Banfield, you specify that the fishing industry in regions may be able to attract funding through this program. Has there been any approach from that industry for assistance through this program?

**Mr Banfield**—I do not have the details to hand, but, just confirming a comment Mr Wonder made earlier in relation to the ADP program, our minister wrote to state ministers in July advising them of the nature of the program. He also raised the matter at ARMCANZ in August last year. We have undertaken some official discussions and consultations but, as things currently stand, we have only had responses from two or three states.

**Senator O'BRIEN**—Has there been any approach from the fishing industry for assistance?

**Mr Banfield**—I not aware of any.

**Mr Wilson**—I can add to that, Senator. The Northern Territory government have suggested to us that one possibility they may put forward involves the fishing industry.

**Senator O'BRIEN**—Lest I am thought only to be referring to wild caught fishery, has there been any approach from the aquaculture industries?

**Mr Wilson**—Not from industries, Senator.

**Senator O'BRIEN**—Has there been any approach from industry sectors?

**Mr Wilson**—No. The proposals coming forward from the states—and, as Mr Banfield said, only a couple of states have responded to date at officials level—tend to be geographic in nature and not necessarily industry in nature at this point.

**Senator O'BRIEN**—What are they responding to at the moment? The guidelines haven't yet hit them; they have not got the official draft of the guidelines.

**Mr Wilson**—When the minister wrote in July he invited state governments to come back to him with suggestions and ideas on the program, and their thoughts on the program, and on any areas that came immediately to mind to ministers that might be included in the program. We have since, as Mr Banfield said, consulted with state officials and asked them to come back to us with those possible suggestions.

**Senator O'BRIEN**—And that is before there were any guidelines for the program?

**Mr Wilson**—Yes. We have a model, of course, in the Rural Partnership Program and that gives us a fair guide as to the types of proposals we would be putting forward. We did discuss guidelines with state officials, so we all left each meeting with some idea of the types of things we would be talking about.

**Senator O'BRIEN**—In terms of these programs, would it be appropriate for an industry that had particular difficulty or was going through a difficult time to seek to approach the Commonwealth about assistance under this program or would that be more appropriate in some other area?

**Mr Banfield**—In principle, Senator, there are no hard and fast rules other than the fact that we are requiring fifty-fifty matching funding from the states. So any proposals that come forward obviously would need to have the support of the relevant state government.

**Senator O'BRIEN**—Would it be relevant or irrelevant that the industry was going through a difficult time at the moment?

**Mr Banfield**—It would be relevant, I would have thought, particularly if there is a structural adjustment dimension to it.

**Senator O'BRIEN**—Have the Tasmanian salmon industry made any contact with the department about this area?

**Mr Banfield**—About the ADP specifically—not to my knowledge.

**Senator O'BRIEN**—I take it they have made contact in relation to some other program.

**Mr Banfield**—I cannot answer that, but with us specifically in terms of ADP, I think the answer is nil.

**Mr Wilson**—That is right.

**Senator O'BRIEN**—I think you told us at the last hearing, Mr Wilson, that the sorts of things that might attract funding are promotion of new technologies and best practice, infrastructure assessment, economic market analysis and encouragement of quality assurance.

**Mr Wilson**—That is right, Senator.

**Senator O'BRIEN**—If they are examples, there would be more flexibility than that, wouldn't there?

**Mr Wilson**—They are examples. They are the types of things we ran by our state colleagues and there was broad agreement to those kinds of activities.

**Senator O'BRIEN**—At a non-binding officer level?

**Mr Wilson**—That is right.

**Senator O'BRIEN**—I take it that those are the sorts of rules that are in the non-binding guidelines that have been drafted today.

**Mr Wilson**—That is right. The distinction there is that these activities relate more to regional and industry-wide adjustment rather than on farm or enterprise adjustment which some previous programs focused on.

**Senator O'BRIEN**—'Adjustment' is a broad term. What would be encompassed in the term 'adjustment'?

**Mr Wilson**—One of the things the state has specifically asked us about is whether we could we come back to them with a definition of 'adjustment'. To tell you the truth, we have not done any work on that just yet.

**Senator O'BRIEN**—The jury is out on what 'adjustment' means.

**Mr Wilson**—Yes, it is. I think we probably generally have agreement with the states on what we mean by 'adjustment', but we all agree that it is probably worth while putting some effort into that together.

**Mr Banfield**—But as a general comment, we would be expecting that the regions or the communities would need to undergo some change to current operations. That is what we would normally mean by 'adjustment': that there is a need to facilitate some process of change.

**Senator O'BRIEN**—Often it is synonymous with some people getting out of an industry and being assisted to do so. That is one concept.

**Mr Banfield**—But it could be changing enterprise mix or a whole range of other things, which would be 'adjustment', without necessarily exiting.

**Senator O'BRIEN**—Has a funding profile been developed for this program?

**Mr Wilson**—For the states or over time, Senator?

**Senator O'BRIEN**—Both.

**Mr Wilson**—Over time we have a funding profile that was approved in the budget process. In terms of the states—no, we have not. Obviously, we would be cognisant of state needs, but it does depend to a large extent on the merits of the cases put forward.

**Senator O'BRIEN**—As at last May the four-year funding profile for the Commonwealth was \$26.4 million, so one assumes you are looking at a spend of over \$50 million over four years, but there is no state breakdown at this stage. So it is unlikely there is going to be a state breakdown before this coming budget.

**Mr Wilson**—It depends on the responses we get from the states. If over the next period we receive some fairly clear responses from the states as to where their preferences are, and that is broadly agreed, it is possible we would be working towards some sort of profile during this financial year. I suggest to you that we probably would not be at that point at the end of this financial year.

**Mr Banfield**—This would be a needs based program as well. It is worth making the point that, whilst obviously we would be cognisant of, in broad terms, the interests of all the states, we would be seeking to target the money at those regions or industries which are in most need and where we could have the most impact.

**Senator O'BRIEN**—So it is a spend but at this stage it is entirely theoretical—there is no real basis for the dollars. It is just we will make the dollars available and we might spend them.

**Mr Banfield**—I wouldn't quite put it that way. The government has allocated a certain amount of funds, we are seeking—because it is fifty-fifty funding—to work with the states to identify the priority areas or to implement it. So that is the stage we are at. It is not theoretical, I wouldn't say at all.

**Senator O'BRIEN**—In terms of decision making about the allocation of funding, given there is intended to be a fifty-fifty contribution, how will a decision be made as to whether a particular area of expenditure will be approved? Is it a fifty-fifty decision making process that is going to take place?

**Mr Banfield**—We do not have any formal rules in terms of that but the logic of the question would mean yes—if the states are funding 50 per cent and the Commonwealth is funding 50 per cent, then the relevant Commonwealth and state ministers both have to be satisfied that that is a wise investment.

**Mr Wonder**—The process would be along these lines, as Mr Banfield mentioned. If this is community group driven to some extent, there would be development of a proposal. We would envisage that with that sort of arrangement—I do not know whether the guidelines explicitly say this or not—the Commonwealth and the state would both participate in that process even if it is more of an observer type role than anything else. We would be cognisant of the proposal as it unfolded, rather than be told about it at the end. We would also be looking through the development of that program as to whether or not we actually were going to be given a proposal that was going to receive state support. So at the end of the day if something came forward and it did not have state support, that would be a pretty ordinary outcome. We would need to try and manage the process so that we do not disappoint the

community by being in a position to say yes as the proposal formally came forward and when at the same time the state government said no. That would be a pretty undesirable situation.

**Senator O'BRIEN**—It is not envisaged that each project would be ticked by both the Commonwealth and the state?

**Mr Wonder**—I think it is envisaged, as I understand it, that every project would have both Commonwealth and state government support. Indeed, what I am saying is that if we got ourselves in the situation where it did not have state government support then we would be left asking ourselves, 'Why would this proceed?'

**Senator O'BRIEN**—So that will effectively be a state or federal veto on particular projects?

**Mr Wonder**—Effectively, yes. If there wasn't a partnership there, then you have to ask whether it is going anywhere.

**Senator O'BRIEN**—At the last hearing we had a discussion about whether if the program was slow to get going there could be a compression of funding into a shorter time frame. We now see on page 48 of the additional PBS that the budget estimate for funding of this area has dropped from \$3.2 million to \$0.7 million. Does that mean there will be compression over the four years or that the four-year period will be extended?

**Mr Banfield**—I cannot really answer that at this time. But, as you rightly point out, \$2.5 million has been reassigned to other priorities for this year, for the reasons we have indicated about the lack of responses from some of the states and the delay in finalising the actual regions and particular projects. The other point I would make is that—

**Senator O'BRIEN**—Hang on, you are categorising it as delay from the states, but you actually have not sent out the draft guidelines yet. They may equally categorise the delay as being on the Commonwealth's part.

**Mr Banfield**—That is true, but we have not actually been overwhelmed by state responses. As I indicated to you, we have got two or three responses from the states, and for good reasons over the last few months things have slowed down a bit. Clearly, it would not be possible to spend that amount of money in this financial year. It is entirely a matter for the government about whether additional funds are allocated to ADPs in the out years. Presumably, the government would make that decision on the basis of how the program was actually operating at the time.

**Senator O'BRIEN**—Where are all the 12 projects that operate under the Rural Partnership Program up to? They were run for the life of their funding allocation, weren't they?

**Mr Banfield**—We have got some information on that. Would it be more helpful if we took that on notice and gave you an update? There are 12 of them.

**Senator O'BRIEN**—Yes, that is fine. You might be able to tell me now or you might want to respond on notice whether any of those have made bids for funding extensions from that program to the new program.

**Mr Wilson**—To the ADP?

**Senator O'BRIEN**—Yes.

**Mr Wilson**—No, none as yet. Again, as Mr Banfield has said, if that were to occur, it would occur through the state governments.

**Senator O'BRIEN**—Will you give me details of when they intend to conclude? Would they all have been intended to conclude by now, or shortly?

**Mr Wilson**—Yes. I would say the bulk are coming up for conclusion in the next 12 months.

**Senator O'BRIEN**—How are these Rural Partnership Program projects to be evaluated?

**Mr Wilson**—There is an evaluation of the Rural Partnership Program itself, and each of the individual programs includes an evaluation component towards the end of the program's life.

**Senator O'BRIEN**—What work has been done in terms of evaluating the program?

**Mr Banfield**—PricewaterhouseCoopers undertook a mid-term review back in 2000. I do not have too much by way of detail with me, but basically they thought that the RPP was a sound model for the management and delivery of government programs. There was endorsement of the positive impact that the RPPs were having on communities. But I think at that time it was too early in terms of some of the particular RPPs to make a judgment about the effectiveness at the individual level.

**Senator O'BRIEN**—So there has been no evaluation since?

**Mr Banfield**—Not to my knowledge.

**Senator O'BRIEN**—There has been no evaluation of individual projects?

**Mr Wilson**—There is an evaluation process with the individual projects as they run. There is some benchmarking and some continuing evaluation of the individual programs.

**Senator O'BRIEN**—What bearing, if any, have these evaluations had on the design of this new program?

**Mr Wilson**—Quite a substantial bearing. I think we might have reported last time that we took account of the Pricewaterhouse consultancy in drawing up the new program. Some of the comments that we have taken on board are related to networking, integrating with other programs in the area, communicating better with participants, and operating on a more regional and more industry wide basis than on-farm. Those recommendations came forward in the PWC report, and we have taken them on board with the ADP.

**Senator O'BRIEN**—Is it essentially intended to be the same program with minor modification?

**Mr Wilson**—No, I do not believe so, Senator. It is a different program. Another fundamental difference, as well as the ones that I have just related—and they are fundamental—is that ADP could relate to an industry rather than a geographic area.

**Senator O'BRIEN**—Do you mean across states or within a state?

**Mr Wilson**—It could be across states.

**Senator O'BRIEN**—For a program to get up in those circumstances would there need to be an agreement with a number of state governments?

**Mr Wilson**—That is right. With the RPPs we already have that in some cases. Sunraysia RPP, for example, involved both the Victorian and New South Wales governments.

**Senator O'BRIEN**—Is there any barrier to that with RPP?

**Mr Wilson**—No.

**Senator O'BRIEN**—So why is it new?

**Mr Wonder**—It is the industry rather than the geographic region that Mr Wilson is alluding to. In the case of Sunraysia, yes it goes across borders because of the particular geographic characteristics, but in this instance I think Mr Wilson is saying that it could be for an agricultural industry that might be in WA and Queensland.

**Senator O'BRIEN**—Because of low prices, there might be an adjustment package for grape growers across different states, with the support of state governments and the Commonwealth; is that the sort of model that might be looked at?

**Mr Wonder**—If it got that far down the track.

**Senator O'BRIEN**—It is hypothetical.

**Mr Wilson**—If it related to adjustment issues.

**Senator O'BRIEN**—I do not have any more questions on ADP. I will move to drought exceptional circumstances. What drought exceptional circumstances declarations are in place at the moment and how long do they have to run?

**Mr Banfield**—There are only a couple. There are exceptional circumstances in place in zones C and D in Western Australia. They were declared in August 2001, so they will continue until 2003. Exceptional circumstances were declared in another area of south-eastern WA in February.

**Senator O'BRIEN**—February 2001?

**Mr Banfield**—An area in the south-east of Western Australia was declared in February 2001. As I indicated, zones C and D were also declared back in August. There is an area in Queensland that was declared also in August in the Darling Downs. There are also a couple of areas in Tasmania, as you will be aware, where exceptional circumstances have been declared and they are midway through their two-year period. We are currently assessing an application from Western Australia in relation to the wider WA wheat belt.

**Senator O'BRIEN**—So that is not in place at the moment; it is the subject of an application by the state.

**Mr Banfield**—No. An application is under consideration for the WA wheat belt.

**Senator O'BRIEN**—When was that received?

**Mr Banfield**—That was received back in October.

**Senator O'BRIEN**—Mr Banfield, you have provided us with a table at the previous hearing on drought exceptional circumstances. Have you updated that table?

**Mr Banfield**—The figures?

**Senator O'BRIEN**—Yes.

**Mr Banfield**—We can update those, if you like, Senator.

**Senator O'BRIEN**—I would appreciate it if you could, thanks.

**Mr Banfield**—As at 31 December there were a total of 1,525 recipients of the ECRP split as follows: 931 in Queensland, 131 in Victoria, 405 in Western Australia and 58 in Tasmania. The expenditure in 2001-02 to 31 December was \$10.2 million. In terms of the interest rate subsidy component of EC, a total of 419 applications had been approved as at 31 December: 181 in Queensland, 84 in Victoria, 145 in Western Australia and nine in Tasmania.

**Senator O'BRIEN**—Thanks for that. At the last hearings I referred to a commitment by the Leader of the National Party, Mr Anderson, to review response times to farmers following a DEC application. I think that was at page 55 of the *Hansard*. Mr Banfield, you advised that the government, the states and the National Rural Advisory Council were looking at drought exceptional circumstances to try and improve its effectiveness and efficiency. I understand this matter was the subject of discussion at the March 2001 ARMCANZ meeting and that there has been a subcommittee of officials working on the issue, which was to report back to ARMCANZ last August and in fact did. But there is still no decision or agreed amendments to the current system, is that correct?

**Mr Banfield**—No, that is not correct, Senator. It is fair to say that the EC reform process has not been completed, but ARMCANZ and now the Primary Industries Ministerial Council have actually made a couple of significant decisions. The first is that Commonwealth and state ministers have decided that in some circumstances predictive modelling can be considered rather than necessarily waiting until the end of the year to find out whether the crop which was not planted had actually failed. So where it is clear that there is a failure, then predictive modelling is able to be considered. The second area relates to a buffer zone around exceptional circumstances areas.

**Senator O'BRIEN**—Lines on maps?

**Mr Banfield**—Lines on maps have been a perennial problem. Ministers have agreed that, in certain circumstances, there can be a buffer zone around EC areas where farmers can be given the opportunity to demonstrate that they have suffered from the same rare and severe event. Other work in relation to EC is ongoing, and this matter is on the agenda for the April meeting of the Primary Industries Ministerial Council.

**Senator O'BRIEN**—So those two areas are agreed areas—they will not be revisited?

**Mr Banfield**—No. There will probably be some operationalising of those, but in principle ministers have signed off on predictive modelling in certain circumstances and also the notion of a buffer zone to minimise the harshness of a line on the map.

**Senator O'BRIEN**—Did you say that is an April meeting?

**Mr Banfield**—Yes.

**Senator O'BRIEN**—I thought it had been put back to May.

**Mr Banfield**—Mr Wonder has corrected me; it is now in May, apparently.

**Senator O'BRIEN**—So the first of those two changes would go to the issue of speeding up response times?

**Mr Banfield**—Certainly, the predictive modelling would, but there have been other efforts as well. You will recall that the Prime Minister actually provided *ex gratia* support to the Western Australian wheat belt area, so those farmers in the region—

**Senator O'BRIEN**—It is good to have those processed during an election period. There seems to be a history of drought exceptional circumstances being expedited in election periods.

**Mr Banfield**—When the Prime Minister was in Western Australia—back in July I think it was—he indicated that, for applications that had been lodged but were awaiting consideration, *ex gratia* payments would occur. That has happened in a couple of areas in Western Australia and also in south-east Queensland. We are also looking at other ways through this

Commonwealth and state group to expedite the consideration of applications including, importantly, the notion of discouraging applications from communities unless they have got a prima facie case. Part of the process of reform would be a more active process of engagement with communities early on in the piece to explain to them what the requirements for EC were and to share our data with them. If there is a prima facie case, obviously that would proceed. But, if there is not a prima facie case, we would hope, together with the states, to discourage applications and the resulting frustration that—

**Senator O'BRIEN**—Do the states lodge the applications?

**Mr Banfield**—Under the current arrangements, in most cases they do. It is possible for an industry to lodge, though.

**Senator O'BRIEN**—Are there limited circumstances which would allow an industry to lodge or is there a general provision which allows an industry to lodge, even though a state government perhaps does not agree or has not acted on the matter?

**Mr Banfield**—You are testing my memory, but in principle I think under the rules it is possible for industry associations to actually lodge applications. That has not occurred in the years that I have been associated with it. Far and away the norm is that the applications are lodged by the state.

**Senator O'BRIEN**—Is the only application before the Commonwealth at the moment—

**Mr Banfield**—The WA wheat belt.

**Senator O'BRIEN**—And that was lodged in October?

**Mr Banfield**—Yes.

**Senator O'BRIEN**—What has happened with that application?

**Mr Banfield**—There was a visit by NRAC back in December. There has been some ongoing consultation and data that has been sought. The application has been split into two because the data in one area was at a more advanced stage than it was in the other. We expect that advice will go to the minister on the northern area shortly.

**Senator O'BRIEN**—So you would expect that a decision would be made by the May-June estimates?

**Mr Banfield**—By May?

**Senator O'BRIEN**—Yes.

**Mr Banfield**—I would expect so. But, again, that—

**Senator O'BRIEN**—Would that be on both areas or just on what I think you categorised as the northern part of the claim area?

**Mr Banfield**—As I say, one of the areas—the northern area—is at a more advanced stage than the southern area. I would expect that NRAC would finalise its recommendation over the next few weeks and that the southern area would follow shortly thereafter.

**Senator O'BRIEN**—What role does the predictive modelling method have in these assessments, if any?

**Mr Banfield**—Predictive modelling, as I indicated earlier, simply is that if, for example, farmers have not planted wheat, then it is reasonable to assume that they are not going to get a crop.

**Senator O'BRIEN**—That is reasonable.

**Mr Banfield**—The down side of it though is that if you with the best of intentions predict a particular outcome for a wheat crop or anything else too early in the season, circumstances can conspire against you and actually the outcome is nowhere near as bad as people might reasonably have presumed. So it is a question of NRAC and ministers being confident when they use predictive modelling that it is unlikely that there will be a change in circumstances. Western Australia is a classic case in point, where the prognosis at the start of the year for the wheat belt was much worse than what it actually was. In aggregate, they had a third or fourth highest wheat crop.

**Senator O'BRIEN**—The Commonwealth flood assistance package was discussed at the last estimates hearings. Can you give us an update on how much money has been allocated to assist people in central and northern New South Wales and southern Queensland.

**Dr Samson**—I can give you an update on the expenditure pattern against that program. These figures are as of 29 January this year. You will recall that there were several components of the program, so I will run through them component by component. In terms of the income support component, there were a total of 3,900 claims lodged. Of those, 3,142 have been granted. We estimate that the expenditure against the full program will be \$19.7 million against that income support component. In terms of the interest rate subsidy, 2,700 claims have been lodged, of which 2,245 have been successful. We estimate that the full expenditure against that component will be \$64.1 million. In terms of the replanting grant component there were 3,250 claims; 2,889 have been granted. The total expenditure against that component will be \$133.7 million. In addition, you will be aware there was a fodder pasture grant. Would you like the figures for that now?

**Senator O'BRIEN**—Yes.

**Dr Samson**—For that grant, 730 claims were lodged; 712 were successful. The total expenditure anticipated is \$10 million. If you sum all of the expenditures for those components against the total program, we are estimating an expenditure of \$227.5 million.

**Senator O'BRIEN**—What was the budgeted allocation in each of those areas?

**Dr Samson**—I do not actually have the budget allocation broken down against those particular areas. Against the program as a whole, though—Senator, you may recall we discussed this at the last estimates hearings—the total anticipated spend was \$140 million, so there has been a significant increase against the estimates.

**Senator O'BRIEN**—Are you able to get us a breakdown of where it was intended to be spent as against where it has been spent?

**Dr Samson**—We will take that on notice.

**Senator O'BRIEN**—In terms of income support, can you tell us how many claims were from central and northern New South Wales and how many from southern Queensland?

**Dr Samson**—I do not have that breakdown of the figures with me. We will take that on notice.

**Senator O'BRIEN**—Could you give us the details about the success rate of the applications as well, and where the money was actually spent.

**Dr Samson**—Yes.

**Senator O'BRIEN**—Could we get the same breakdown for interest rate, replanting and fodder and pasture. Fodder is for dairy only, isn't it?

**Dr Samson**—Correct.

**Senator O'BRIEN**—So that will only be northern New South Wales.

**Dr Samson**—Correct.

**Senator O'BRIEN**—And was all this administered by Transport and Regional Services, or only some of it?

**Dr Samson**—The program we have talked about was all administered by AFFA.

**Senator O'BRIEN**—Was the whole of the \$227.5 million administered by AFFA?

**Dr Samson**—Correct.

**Senator O'BRIEN**—And there was an additional program administered by Transport.

**Dr Samson**—That is correct. That was for small and medium sized businesses to meet the cost of flood repairs.

**Senator O'BRIEN**—One of the additional programs mentioned in the PBS is the Douglas Shire Ethanol Project. On page 25 of the additional PBS, under the heading 'Explanation', you refer to this project as 'part of a \$34 million program'. Can you give us a breakdown of the funding for the program—what its component parts are and how much money is going into the Douglas Shire project?

**Dr Samson**—As you correctly say, Senator, the total value of the project is approximately \$34 million. Of that, just over \$2.35 million comes from AFFA and there is a \$5 million component from the GGAP, so the total Commonwealth contribution to that program is \$7.35 million. The private sector—and that, I think, comprises principally the Mossman Central Mill and private farm forestry interests—is putting up just over \$25.3 million.

**Senator O'BRIEN**—So there is \$2.35 million from AFFA; \$5 million from—

**Dr Samson**—GGAP.

**Mr Wonder**—That is the Greenhouse Gas Abatement Program in the Australian Greenhouse Office, which comes under the Environment Australia portfolio, Senator.

**Dr Samson**—I apologise for not explaining, Senator.

**Senator O'BRIEN**—I am slowly catching up with the acronyms.

**Dr Samson**—Just over \$25.3 million is being contributed by the Mossman Mill and forestry interests. With respect to other contributions, there is \$150,000 from the Queensland government, \$250,000 from the Douglas Shire Council and \$1.2 million from CSIRO.

**Senator O'BRIEN**—What is CSIRO's interest in it? Is this part of a research project that they are running?

**Dr Samson**—I assume that to be the case. I don't know the detail of their involvement. We can provide that information, if you like, Senator.

**Senator O'BRIEN**—What ethanol output is expected?

**Dr Samson**—I am not sure that I have a figure with me. We will provide that.

**Senator O'BRIEN**—I am presuming that there are plans for plants.

**Dr Samson**—I am sorry; I thought you meant the actual quantity.

**Senator O'BRIEN**—I assume that there is a plant plan which has a capacity.

**Dr Samson**—Yes. I don't have the figure with me. We will provide it.

**Senator O'BRIEN**—In terms of the funding commitment, is that all to be expended in this financial year—the \$2.35 million for AFFA?

**Dr Samson**—That is my understanding of AFFA's component.

**Senator O'BRIEN**—Will it be expended in this year or will it be up for consideration in the current budgetary process?

**Dr Samson**—I would have to take that on notice. Perhaps this is another way of answering the question: certainly, with respect to the progress to date of the project, in most aspects of the project it is ahead of schedule. So my expectation would be that the expenditure would be incurred.

**Mr Wonder**—The revised estimate for the program is on page 48 of what we were looking at before: Douglas Shire Ethanol Project—\$2.35 million.

**Senator O'BRIEN**—So it is expected to be spent this year?

**Dr Samson**—Yes. So the program does seem to be ahead of schedule against most indicators.

**Senator O'BRIEN**—Is there any expected expenditure in the out years?

**Dr Samson**—Not as far as I am aware, Senator—not as far as AFFA is concerned.

**Senator O'BRIEN**—Therefore there is no spending profile for it for future years.

**Dr Samson**—No.

**Senator O'BRIEN**—When did the department start work on its role in this particular project?

**Dr Samson**—I would have to take that on notice. I do not have a time line with me.

**Senator O'BRIEN**—What work did the department do?

**Dr Samson**—I would have to take that on notice as well.

**Senator O'BRIEN**—Has the department made an assessment of the viability of the project?

**Dr Samson**—Again, we will provide the detail of precisely what the department has done, the sequence of events and the time lines.

**Senator O'BRIEN**—Do you know anything about the process that was followed before the funding was committed?

**Dr Samson**—We will detail that for you and provide it.

**Senator O'BRIEN**—If you could supply that information—

**Dr Samson**—Yes.

**Senator O'BRIEN**—I would also like to know whether there were consultants involved in any of the work; if so, who they were and what kind—

**Dr Samson**—I can detail for you now who the consultants to the project are.

**Senator O'BRIEN**—We will get what we can now.

**Dr Samson**—The consultants to the project are the Queensland Environment Protection Authority and the Department of State Development. The Sustainable Ecosystems Division of CSIRO has also provided consultancy services. They are the two main consultants.

**Senator O'BRIEN**—Are those organisations making a contribution by providing that consultancy work? You have mentioned that each of them has made a contribution to the project. I am just wondering whether their contribution is the consultancy work they are providing.

**Dr Samson**—Whether the consultancy is a contribution in kind rather than cash?

**Senator O'BRIEN**—Yes.

**Dr Samson**—Again, we will provide that information.

**Senator O'BRIEN**—I understand the project will produce both ethanol and liquid fertiliser. How many jobs, direct and indirect, will be created by this suite of investments?

**Dr Samson**—I am advised that the expectation is that 144 jobs will be created.

**Senator O'BRIEN**—Is that direct or direct and indirect?

**Dr Samson**—That distinction has not been made. We will clarify that for you.

**Senator O'BRIEN**—In terms of the downstream job generation from the investment, including investment of taxpayers' funds, who will own the 3,000 hectares on which the trees are to be planted and who will actually own the trees?

**Dr Samson**—Again, we will look into that and provide that information for you.

**Senator O'BRIEN**—You were giving us a greenhouse gas emission reduction contribution figure. Could you start that again for us?

**Dr Samson**—The expected abatement is 1.078 megatons of CO<sub>2</sub> and that is expected to occur between 2008 and 2012.

**Senator O'BRIEN**—Is there a prediction on the quantum reduction in consumption of fossil fuels?

**Dr Samson**—Not that I am aware of.

**Senator O'BRIEN**—Could you get that for us?

**Dr Samson**—We will look into that and get that for you.

**Senator O'BRIEN**—In terms of the performance indicators, the funding is to be provided in accordance with the proponent meeting agreed milestone commitments and targets, which is all going to be achieved in this financial year, I take it?

**Dr Samson**—Yes.

**Senator O'BRIEN**—Who is the proponent? Who comprises the proponent of the project?

**Dr Samson**—I will have to get that information for you, Senator.

**Senator O'BRIEN**—Can you get us details of milestone commitments and targets as well?

**Dr Samson**—Yes.

**Senator O'BRIEN**—The second point under this heading is the 'quality of advice provided to minister and other relevant agencies on the issue'. I asked earlier about when the department started to work on the project. It would be useful for the committee if you could give us a schedule of the advice that has been provided to date.

**Dr Samson**—Certainly.

**Senator O'BRIEN**—Another agency that you are dealing with in relation to this matter is Environment Australia; is that correct?

**Dr Samson**—That is correct.

**Senator O'BRIEN**—What about any other Commonwealth agencies?

**Dr Samson**—Environment Australia and the CSIRO would be the two Commonwealth agencies that we deal with on this.

**Senator O'BRIEN**—Is AFFA providing information or advice to these agencies, or is it the reverse in relation to this matter? Is there two-way shared information?

**Dr Samson**—I would assume it is a shared process, Senator.

**Senator O'BRIEN**—Has a timetable for the provision of information been established?

**Dr Samson**—I am not aware of that. We will check that and provide you with the information.

**Senator O'BRIEN**—I have questions on the Eden Regional Adjustment Package.

**Mr Wonder**—The officers who would be able to respond to those questions would be from Fisheries and Forestry, which will be dealt with later today. It is towards the end of our program, at K.

**Senator O'BRIEN**—So anything to do with the Eden Regional Adjustment Package should be dealt with under Fisheries and Forestry?

**Mr Wonder**—Yes.

**CHAIR**—Do you wish to proceed to agricultural industry, Senator O'Brien?

**Senator O'BRIEN**—I have a couple more questions before I get to that. The Australian Seeds Authority: when will this new authority be operational? How will it be funded and what is its annual budget likely to be?

**Dr Samson**—We expect that the new Seeds Authority will be fully operational early in the next financial year—so, hopefully, in July. That is the expectation. Since the minister formally announced that the Australian Seeds Authority would be established—I think the minister made the announcement on 17 December—work is now taking place between AFFA, the Grains Council of Australia and the Seeds Industry Association of Australia to try and work out in detail the constitution, the composition of the board and the budget of the new entity. That is taking place at the moment.

**Senator O'BRIEN**—So we are likely to see something more about that in the budget?

**Dr Samson**—Yes.

**Senator O'BRIEN**—On multiperil crop insurance: during the last election the minister, Mr Truss, committed the government to the ongoing assessment of this insurance option for farmers. Can you tell me what form that commitment will take?

**Mr Banfield**—Senator, I am not personally aware of any commitment that Minister Truss might have made in the context of the election campaign, but—subject to checking with the minister—the approach that the minister has taken on multiperil crop insurance is that he wanted to establish once and for all whether it was possible to develop a viable scheme. It was for that reason that the Commonwealth funded work to ascertain the viability of multiperil

crop insurance. As you are aware from previous hearings, the advice that we have received back is that multiperil crop insurance is not likely to be commercially viable without significant government subsidies. To my knowledge, the minister had indicated that as far as he was concerned he was not proposing to initiate further work but that, if anyone else could come up with a proposal which might be workable and commercially viable, he would of course be happy to look at it.

**Senator O'BRIEN**—So no work is planned on that by AFFA?

**Mr Banfield**—Subject to any further instructions from the minister, no. As I say, my understanding—and I am not aware of any statement he might have made during the campaign—is that he had satisfied himself that it was not commercially viable but if someone can demonstrate to him that that is not the case, then he would be happy to look at the model and the proposal advanced.

**Senator O'BRIEN**—Certainly I would not expect that you would speculate on what the minister might have said during an election campaign. But, from the point of view of the evidence you have previously given and the correspondence you have supplied, clearly the book was as near to closed as it could possibly be on multiperil crop insurance.

**Mr Banfield**—Yes, unless someone else could come up with a model which could demonstrate to the minister that it would work without substantial ongoing government subvention.

**Senator O'BRIEN**—And you are reporting the minister's view?

**Mr Banfield**—I have had no update from the minister since before the election. If there is any update on all of that, then that is unbeknownst to me.

**Senator O'BRIEN**—You supplied us with a copy of a letter from Minister Truss to Mr Amery, the Minister for Agriculture, Land and Water Conservation at that time in the New South Wales government, in which Minister Truss said that the federal government is not attracted to a scheme that would rely on continuing government assistance, and it is not reasonable for taxpayers to fund a scheme that has high costs and risks which cannot be adequately quantified.

**Mr Banfield**—Yes.

**Senator O'BRIEN**—Thank you for that. I come now to the Wheat Export Authority. At the last hearings we were discussing a review process that followed a decision by the minister that the single desk would stay and the Wheat Export Authority would set up a group to look at the options for approving administrative arrangements. The minister requested that that review group report back to him. I note that new consent arrangements were introduced in November last year. When did the group report back to the minister?

**Dr Samson**—We have with us Mr Taylor, who is the CEO of the Wheat Export Authority. It may assist the committee if Mr Taylor comes to the table.

**Mr G. Taylor**—I could not give you exact dates at this stage, but the review team involved in looking at the revised export consent arrangements reported back to the minister during August 2001.

**Senator O'BRIEN**—You will get us the precise date, will you?

**Mr G. Taylor**—We will take that on notice and get you exact dates.

**Senator O'BRIEN**—Thank you. What was the nature of the report?

**Mr G. Taylor**—The report looked at options for the revision of the export consent arrangements, taking into account the issues raised by the minister in his response to the NCP review. The report contained recommendations regarding the implementation of amended arrangements which catered for long-term export consents, and also provided increased flexibility for exporters—greater certainty. Also, one of the outcomes was a greater alignment between the tonnages consented by the Wheat Export Authority and the actual exports undertaken by exporters.

**Senator O'BRIEN**—Can we get details of what the consent arrangements are and how they work, and how they have operated to date?

**Mr G. Taylor**—Certainly. Would you like me to go through that now, or would you like more response?

**Senator O'BRIEN**—I am not sure how voluminous it is.

**Dr Samson**—It is fairly detailed.

**Mr G. Taylor**—It can be quite detailed.

**Senator O'BRIEN**—If you could supply that in documentary form, perhaps, that would be useful.

**Mr G. Taylor**—Certainly.

**Senator O'BRIEN**—Would that contain a list of the bodies and groups that have been consulted by the Wheat Export Authority?

**Mr G. Taylor**—We can include that for you, Senator, yes.

**Senator O'BRIEN**—As I recall, there was no formal consultative process, but there was an informal process. Who was informally consulted?

**Mr G. Taylor**—Consultation was conducted with the AWB International; the Grains Council of Australia; the National Agricultural Commodities Marketing Association, NACMA; the Durum Growers Association, represented by both the New South Wales and South Australian branches; and the Flour Millers Council.

**Senator O'BRIEN**—The minister indicated at the time that the new consent arrangements would be based on the licensing arrangements outlined in the review. How will those new arrangements facilitate the development of new and niche markets for Australian grain?

**Mr G. Taylor**—The new arrangements have quite specific guideline criteria applying to niche markets. The niche markets are that part of the export trade which is eligible for a long-term consent by the Wheat Export Authority. Therefore, niche traders are eligible for consideration for 12-month export consent. The Wheat Export Authority's guidelines, which remain the basis of its decision making, build into those guidelines the criteria that allow for the development of markets that are complementary to AWB International and the management of its single desk export arrangement.

**Senator O'BRIEN**—I am not sure if you have already agreed to supply us with the criteria but, if not, can you do that.

**Mr G. Taylor**—We certainly can do that, yes.

**Senator O'BRIEN**—At the last hearings we also discussed the development of performance indicators for the 2004 review of the AWB. As of last May, that work was under

way. Can the committee be updated and provided with some detail of exactly what criteria will be set to measure the performance of the AWB in two years time.

**Mr G. Taylor**—It can be quite a detailed discussion. I can give you a brief run-through and provide a more detailed written submission to you.

**Senator O'BRIEN**—That would be good.

**Mr G. Taylor**—The performance indicators for assessing the performance of AWB International have been agreed upon. The performance indicators for 2004 form part of the ongoing performance monitoring activities of the Wheat Export Authority. What that means is that the annual performance monitoring outcomes will feed into the 2004 report, which will be provided to government. The framework for assessing the performance of AWB International, which I have included in the brief to you, includes indicators dealing with the manner in which the wheat export arrangements have operated; the pooling operations of AWB International; the pricing performance of AWB International; supply chain management; the operating environment that exists; and also grower services, products and benefits. They are the key performance indicators underpinning the performance review 2004 report.

**Senator O'BRIEN**—They all sound fairly straightforward. From what you have just said, you would have expected all of those things to be reviewed.

**Mr G. Taylor**—Yes.

**Senator O'BRIEN**—I will now move on to dairy deregulation. Firstly, can the officers give us an indication of the state of the dairy industry on a state by state basis?

**Mr Sutton**—Are you asking for a summary of the industry situation?

**Senator O'BRIEN**—Yes, summarise what is happening at present in each state. There has been a lot of media comment about problems in particular states and no problems or fewer problems in other states. So perhaps the department's view of the industry on a state by state basis would be interesting for this discussion.

**Mr Sutton**—I can only make the most general comment. As you would be aware, there is increasing specialisation within the department. ABARE traditionally provides briefing on industry situation market outlook, and you would be able to ask them questions later in the program. But, by way of a very general statement of the level that the agricultural industry's output is involved, it is clear to say that the dairy industry has gone through a fairly significant change last year—world prices were high for most dairy products. Given that the Australian dairy industry is essentially export oriented, that meant substantial increases in the price for milk flowing to export oriented processing facilities because of that growth in demand. It also meant that there was pressure in the domestic market milk supply—that is fresh milk supply—that led to a bidding up of purchase prices in all states, considerably alleviating the impacts on market milk dominant producers in Queensland, NSW and Western Australia. So to an extent there was a happy coincidence of a strong market situation which lifted the average prices—given that there is now only essentially a single price for farmgate milk—into the low 30c per litre.

The outlook for the next year is somewhat more difficult, given that there have been significant downturns in major export markets in Europe in particular, which is affecting dairy products in all markets. The industry's projection is that there will be a downturn in prices paid for Australian manufactured products when the next set of major contracts are due for

renegotiation at the end of June. This is unfortunately expected to flow through in terms of lower prices to farmers. It is conjecture on my behalf, but our industry would not disagree with announcements made by the New Zealand industry in the last week that a decline of around 17 per cent is in prospect later on in this calendar year. So that will have flow-on effects: the average farmgate milk price will be lower, but it will not be at the level that was prevailing immediately prior to deregulation. The prices will not fall to the 23c mark. I would suggest it would be somewhere around 27c. Given the nature of the dairy market in Australia now, as I said, essentially export market dominated domestic milk prices will fall into line or will be heavily influenced by those export prices. That is all I can say by way of general comment. If you would like more detailed comment, the experts in ABARE may be able to make other comments.

**Senator O'BRIEN**—Dr Fisher usually refers us to the next outlook conference.

**Mr Sutton**—Senator O'Brien, I would offer up the latest dairy focus book put out by the ADC, which has projections in it.

**Dr Fisher**—First of all, yes, Senator, I would love you to come to the next outlook conference. It is on 5 to 7 March, just to remind you of the date. In terms of the performance of the Australian dairy industry on a state by state basis, we will have some updated information at the outlook conference, but at this stage we do have some preliminary numbers on farm cash income performance on a state by state basis.

If we take New South Wales, for example, as Mr Sutton has already indicated, there has been some improvement in prices between 2000-01 and 2001-02. As a consequence of that, if we take New South Wales, the average farm cash income in New South Wales in 2000-01 was around \$55,959. We estimate that that number will increase to \$68,281 in 2001-02. So there has been some improvement in New South Wales. In Victoria, the corresponding numbers are \$91,400 and \$107,000. In Queensland, the corresponding numbers are \$35,700 going up to \$39,844 in 2001-02. That pattern is consistent across the other states—some small improvement. That is principally as a consequence, as Mr Sutton has already said, of a move in the average farmgate price, up to an estimated 30.2c in 2001-02, from 29c in 2000-01. In addition to that, there has been some increase in volumes of production as well across most of the states.

**Senator O'BRIEN**—So has production grown in each state?

**Dr Fisher**—We will have better information on that once we have compiled the numbers for Outlook 2002.

**Senator O'BRIEN**—It was a good try anyway. Do we have any information on the number of exits by state?

**Mr Sutton**—Yes, we do. As you would be aware, there was a high level task force established to monitor the effects of deregulation. I will read through the decline in figures, based on information from each of the states: New South Wales, 16 per cent; Tasmania, seven per cent; Queensland, 16 per cent; WA, 12 per cent; South Australia, 17 per cent; and Victoria, 1.6 per cent. I would stress that, while there have been exits and regional redistributions of milk volumes by production, overall production has increased in the last year, while the number of cows has remained the same. In terms of the dairy exit package, under the Commonwealth's Dairy Structural Adjustment Package some 189 farmers applied for the exit entitlement, and 104 have been granted that payment. Obviously that does not indicate the numbers that left. Many farmers received a high payment under the Dairy

Structural Adjustment Package, and they chose to retire or leave the industry on the basis of that payment rather than the exit payment.

**Senator O'BRIEN**—Has the time for applications for an exit package expired?

**Mr Sutton**—It expired on 30 January this year.

**Senator O'BRIEN**—Do you know how many applications have been made seeking a review of Dairy Adjustment Authority decisions—

**Mr Sutton**—In terms of the initial package, the major Dairy Structural Adjustment Package, there are only 34 appeals outstanding.

**Senator O'BRIEN**—That is those outstanding. Does that mean some have been—

**Mr Sutton**—The number that are still unresolved is 34.

**Senator O'BRIEN**—How many were made?

**Mr Sutton**—Notices of decision were issued to 30,494 individuals. Of those, decisions have been made in relation to 99.93 per cent—virtually all, as I said. There are no farm business assessments still outstanding, and 34 appeals still outstanding. In terms of the additional market milk payment in early 2001, as you may recall, notices of decision have been taken on \$109 million worth of entitlements. Payments have commenced in 7,393 entities, and that is not to be confused with the 30,494 individuals. The number of appeals outstanding in relation to the additional market milk payments is 95.

**Senator O'BRIEN**—Can you get us information on how many applications have sought a review of the DAA decision? How many applications have gone to the AAT, and how many reviews have been resolved in favour of the applicant?

**Mr Sutton**—Yes.

**Senator O'BRIEN**—Can you give the committee an update on the administrative costs of this program, both for DAA and AFFA?

**Mr Sutton**—Yes. Is your question in relation to AFFA costs or the total administrative costs?

**Senator O'BRIEN**—DAA and AFFA.

**Mr Sutton**—AFFA costs to date are \$1.148 million, rounding to the nearest thousand. DAA costs to date are \$16.9 million. I think you were advised at the last estimates that this was about \$12 million in the previous year, now totalling \$16.9 million cumulatively.

You will also be aware from earlier hearings that the budget for administrative costs was indicatively two per cent—a total of \$38.8 million. Clearly the actual costs are well under that. That was just a basic provision. Actual delivery costs are a fraction of the two per cent initially allocated.

**Senator O'BRIEN**—Can you provide the committee with the legal costs associated with the administration of this scheme generally, on one hand, and the legal costs of dealing with appeals by farmers, farm entities or whatever against the decisions of the DAA in particular? I am looking for two separate figures.

**Mr Sutton**—We may have some figures provided to us by the DAA in terms of the legal and appeal costs. Can we come back to you on that question, Senator?

**Senator O'BRIEN**—Certainly.

**Mr Sutton**—I will give you the precise figure for the department's legal costs later, but it looks as if it is about \$260,000. Most of those legal costs would be in relation to shaping the legislation and regulations.

**Senator O'BRIEN**—Can you give the committee an update on the part of the package that went to farmers who found themselves in 'extraordinary circumstances' but were denied assistance under the criteria set for this program, or who received little assistance because of those criteria. I understand that was to be managed by the Dairy Adjustment Authority.

**Mr Sutton**—Yes, that is right. The discretionary payment right, as you say, was meant to catch those people who were denied the initial entitlement because of personal problems, health issues and the like. The DAA conducted a search of its records to detect those people who fell into that category themselves. In addition, it has received requests for information kits from some 491 people. In total, of those assessed 441 have been assessed for a discretionary payment. Of these, 235 have been granted a discretionary payment right and 206 were found to be ineligible. There were no referrals to the minister. As you know, the scheme is quite comprehensive in terms of setting out eligibility criteria, and the DAA was comfortable to take decisions itself. The face value of the approved discretionary payment rights is \$6.355 million. Of this, \$347,966 were awards under the section 9 component, which is the fall in lease income test. Only 12 entities were eligible for that entitlement.

**Senator O'BRIEN**—So there were only 12 applications from lessors? Or only 12 succeeded?

**Mr Sutton**—There were 12 that could meet the test: a 50 per cent reliance on dairy income, and a 20 per cent reduction in that lease income.

**Senator O'BRIEN**—Do you know how many applications from lessors there were that failed?

**Mr Sutton**—There were 114 applicants in total.

**Proceedings suspended from 1.01 p.m. to 2.04 p.m.**

**CHAIR**—Good afternoon. We are continuing with agricultural industries. Senator O'Brien, do you have any more questions?

**Senator O'BRIEN**—I do have some more questions and I understand that Senator McLucas has some on this subject as well. Before lunch I asked questions about applications for review by lessors. I was given information that there are 114 applications, 12 of which had been approved. Have any lessees applied under the scheme and what have been the outcomes?

**Mr Sutton**—Lessees have separate entitlements under DSAP and the additional market milk payment schemes, so they are probably not finding themselves in the same situation. Presumably if there were lessees who sought discretionary payment rights they would be amongst the 235 that have been granted a DPR or, alternatively, have been rejected as part of the 206 found to be ineligible.

**Senator O'BRIEN**—Can you clarify that for us?

**Mr Sutton**—There was a special provision in the additional market milk payments for discretionary payments to be made and a specific test for lessors. If you remember, I mentioned before the break that they had to meet essentially two criteria: firstly, they have to be 50 per cent reliant in terms of income stream—that is, in relation to normal taxation office rules, and secondly, they have to be able to demonstrate a 20 per cent loss in lease income as a result of

deregulation. That was a specific provision inserted to meet the call by lessors. Lessees have a right as a participant in the dairy industry under the other two schemes: additional market milk payments and the structural adjustment program.

**Senator O'BRIEN**—Could you check that to see if there are any appeals from lessees?

**Mr Sutton**—We will.

**Senator O'BRIEN**—Of the applications that have failed under the general rules and were reconsidered under the special rules only 12 got up?

**Mr Sutton**—Yes, the lessors.

**Senator O'BRIEN**—Mr Roseby told us in May last year about the DAA plan to follow up applicants who had had their claim rejected. He also mentioned that there may be some farmers who did not even bother to apply as they thought they could not meet the criteria. I am interested in how many farmers might have been in the category who did not apply at all and who have been picked up through this separate process, and how many might still be out there who could meet this separate test but have not applied. Have you any information on those matters?

**Mr Sutton**—It would be next to impossible to get a factual situation. The reality is that there were public statements made about the discretionary payment right. The DAA did a search, as you have noted. In addition to that, the DAA have advised us that 491 information kits were sent out to people who thought they may have had an entitlement, but whether there were others who did not bother to seek the information on the eligibility criteria, it is impossible to gauge. I think what is important is that the DAA made an effort to ensure that people were aware of the availability of this discretionary payment right and, indeed, sent out very large numbers of information kits about the eligibility for it. That is all I could say in terms of whether there are others out there who did not apply or were not aware that they were entitled.

**Senator O'BRIEN**—When was the deadline for applications for the extraordinary circumstances program?

**Mr Sutton**—I think it is basically open-ended. Sorry, if I could correct that—

**Mr Williamson**—The deadline for an application was six months from the time the scheme was tabled in the Senate, from my memory.

**Senator O'BRIEN**—It isn't very long. How much before?

**Mr Williamson**—I really have to check the exact date, though.

**Senator O'BRIEN**—Let us know.

**Mr Sutton**—The Dairy Produce Legislation Amendment (Supplementary Assistance) Act 2001 received royal assent on 20 July 2001, six months ago, so presumably the deadline would be about now.

**Mr Williamson**—We will give you the actual date.

**Senator O'BRIEN**—What happened to the high-level task force chaired by Tim Roseby, set up after the March 2001 ARMCANZ meeting?

**Mr Sutton**—It completed its work, submitted a report to the ARMCANZ ministerial committee meeting, and a final report is expected to be lodged for the record at the next primary industries ministerial committee meeting, which is set down for the next few weeks.

**Mr Wonder**—In May.

**Mr Sutton**—But we can provide you with the interim report which gives a good summary of the report back from each of the states as well as the Commonwealth's assessment of the situation.

**Senator O'BRIEN**—Can you provide an update on the Dairy Regional Assistance Program? Is all the funding through this scheme now spent?

**Mr Sutton**—No, it is still outstanding. Mr Williamson might add to my comments. As I have mentioned before, it is not administered by this portfolio, but the information is readily available on the web site of the former Department of Employment and Workplace Relations and Small Business. After the election that function switched to Transport and Regional Services. I am not sure whether they have it up on their web site yet, but it still is on the DEWRSB site at the moment. As of February 2002, a total of 185 projects have been funded, worth \$34.46 million. If you are interested in the state distribution, I can give that to you: New South Wales, 41 projects worth \$11.73 million; Queensland, 78 projects worth \$13.56 million; South Australia, 14 projects worth \$1.48 million; Tasmania, five projects worth \$1.37 million; Victoria, 39 projects worth \$4.47 million; WA, eight projects worth \$1.84 million. As I said, there is a total of 185 projects, worth \$34.46 million. There is a very detailed breakdown of each project on the web. We have hard copies, if you want that material.

**Senator O'BRIEN**—It might be useful to put them on the record. In terms of the adjustment scheme, can the committee be provided with details on the total payout for manufactured milk and market milk by state?

**Mr Sutton**—We will check our brief to see whether we have it today; if not, we will certainly supply it.

**Senator O'BRIEN**—Going back to the issue of lessors and lessees, has there been any difference in the assessment of lessors in quota states as against non-quota states?

**Mr Sutton**—No, the eligibility criteria are national. There is no discrimination between the states. The same test is applied uniformly.

**Senator O'BRIEN**—Is it the same case for lessees?

**Mr Sutton**—Yes. The lessees' situation is affected by the nature of the market milk regulations in each state. Some states had pooling arrangements, others did not, and that clearly affected the entitlements of people, depending on how the criteria applied to them.

**Senator O'BRIEN**—In the case of lessees, it is a very significant factor, isn't it, in the quota states?

**Mr Williamson**—Under the scheme, there are two broad sections of eligibility criteria. Section 8 deals with exceptional events and anomalous circumstances that contributed to either receiving no DSAP payment or having a DSAP payment reduced. That is a general criterion that applies equally to all dairy farmers who would have received a DSAP entitlement or would have been eligible for a DSAP entitlement if they had not had this event. There is a more specific section under the scheme, though, which is section 9 and which only relates to lessors of land. It specifically, as Mr Sutton said, has this eligibility criteria that require them to have been at least 50 per cent dependent on the lease income and to have suffered a 20 per cent fall in lease income. Lessors of quota cannot apply under that section of the scheme. They must apply more generally because, as you would appreciate, all lessors of quota would have suffered a 100 per cent drop in their income, but they were paid adjustment

payments more generally through the scheme through a higher rate of the market milk entitlement.

**Senator O'BRIEN**—So in those circumstances the lessee would have done better—is that what you are saying?

**Mr Williamson**—The lessee of quota?

**Senator O'BRIEN**—Yes.

**Mr Williamson**—Generally, the lessee of quota would have received a lesser payment than the lessor of quota in the quota states because of the way the market milk entitlement is structured versus the manufacturing milk entitlement, and because the farm in the main produced mainly market milk. DSAP was very much slanted towards helping market milk producers adjust as opposed to helping manufacturing milk producers adjust.

**Senator O'BRIEN**—What work has the department done to be sure that the details of the package were properly known and that there was not significant confusion over entitlement? What was needed to be done? Why did people get certain amounts?

**Mr Sutton**—Senator, the delivery was through the Dairy Adjustment Authority and they had very comprehensive public relations arrangements in place. In terms of dissemination of information, there were at least eight or nine newsletters that I am aware of, plus at every opportunity they were providing information to industry meetings. So there was certainly a lot of information around, including on the Web. The dairy industry is a compact industry with good connections and daily contact with manufacturers. It is almost inconceivable that a dairy farmer would not know how to get information on entitlements. There was also extensive correspondence with the department—we alone handled 550 letters, I think, last year from dairy farmers, out of 13,000 farms. There was a lot of information.

**Senator O'BRIEN**—So there has been no market research? It is a \$1.8 billion package give or take \$1 million or \$2 million, isn't it? It is not an inconsiderable amount.

**Mr Sutton**—Yes, but there is a requirement that a review of the Dairy Structural Adjustment Package be undertaken by the DAA, I think it is in the next six months, in terms of the need for changes to the scheme and in particular the continuation of the Dairy Adjustment Authority. So there will be assessments. ABARE undertook an assessment of the impact of deregulation—that was a major obligation on the Commonwealth. That was completed and that report is available. But in terms of the effectiveness of the overall package, there will be a review but it has not been commissioned yet. There are still appeal processes and other processes that need to conclude in terms of the supplementary package, and the assessment will be done when it is finished.

**Mr Williamson**—The other consideration is that when the DAA established the implementation of the Dairy Structural Adjustment Package, they put together a full register of all the dairy farms in Australia. They did that through the dairy companies, then we cross-referenced that through the old Commonwealth Domestic Market Support Scheme. We had a full population of farms, and from the very outset they wrote to every single farm on that register and continued to keep them up to date with, as Mr Sutton said, about seven newsletters. So there has been a continual process of information going out to all farms—not a general publicity campaign, but a specifically targeted farmer information process.

**Senator O'BRIEN**—Mr Banfield has been telling us about the steps that were taken with the AAA package and that the advice was that to direct mail alone, for example, was not suc-

cessful. I was just doing a mental comparison between the approach to this not inconsiderable package and the approach to the AAA package. I am wondering what work the government had done to be sure that the message got out there. What you are saying is that there has been no market assessment and no market research.

**Mr Sutton**—Mr Williamson explained to you that every dairy farmer in Australia was contacted, so that is the target for this dairy industry adjustment package. Who else would we have needed to get the message to?

**Senator O'BRIEN**—I do not suggest it was a question of who else but a question of how effective the test that you would have sought to undertake might have been.

**Mr Sutton**—They were all entitled in terms of the basic adjustment package, so they all received an entitlement. It is a matter of whether they were satisfied with the accuracy of their calculated entitlement—I guess that is what you are getting to. There are appeal processes there as well as consultation processes to resolve those disputes. Of course you will never get a program where eligibility is not disputed by some, and a handful are still outstanding, but there was a full entitlement for everyone in the dairy industry.

**Senator O'BRIEN**—That is not quite true. Obviously some people have failed.

**Mr Sutton**—The failure is related to people who sought to have themselves reclassified to a higher entitlement.

**Senator O'BRIEN**—Whether they were in the dairy industry or not.

**Senator McLUCAS**—I have just got two specific questions. Mr Sutton, you were talking earlier about the exit program. You said that there were 85 people who applied but were refused. Have you done any analysis of the reasons for the refusal of their applications under the exit program?

**Mr Sutton**—We do not administer the exit program, but Greg might have some information on the reasons.

**Mr Williamson**—I understand the main reason was that they had not been farmers for two years. Under the dairy exit program, as well under the farm help program, you have to have been a farmer for at least two years to be eligible. That is the major reason as I understand it.

**Senator McLUCAS**—Have you done any further analysis?

**Mr Sutton**—It is not our program; it is administered by Centrelink. There is eligibility criteria for it, which is quite strict and reflects the fact that it is a social welfare safety belt in terms of assisting people who had minimal entitlement under the dairy structural adjustment program. It is quite difficult to get the entitlement and it is a maximum of \$45,000. We can pass your question on to Centrelink and provide an analysis of why there were failures, but, I am sorry, we do not have that information, as we do not administer it.

**Senator McLUCAS**—I would appreciate it if you could provide it. If the gentleman from ABARE is available now for my second question, that would be really handy. This will probably also go on notice. I was interested in the statistics about the farm cash income state by state, but I was wondering if you had any details by region, especially in Queensland, where we have quite discrete regions.

**Dr Fisher**—The next update of our information will be available at Outlook 2002. We are currently working on whether we will be able to disaggregate to below state level. Our ability to do that depends on our sample coverage region by region. Unfortunately, in some areas we

are unable to release reliable information at a regional level because we just do not have the sample coverage. The information that will be available that is reliable will be publicly available at Outlook time.

**CHAIR**—Senator Forshaw, I understand you have some questions on wool. Will they involve Dr Fisher from ABARE or can he go from the table?

**Senator FORSHAW**—I want an official from ABARE.

**CHAIR**—Thanks, Dr Fisher. Are there further questions on commodities? Senator Forshaw, you have some questions on wool, I understand.

**Senator FORSHAW**—My questions relate specifically to the winding up of the International Wool Secretariat. I am sure that Mr Wonder, Mr Sutton and others would recall that we have discussed the events surrounding the privatisation of AWRAP and so on on a couple of occasions at previous committees. My recollection is that the International Wool Secretariat has essentially ceased to function. We were told in September that they still owned some properties—I think one in India and one somewhere else—but for all intents and purposes it was in the process of being wound up. Is that correct?

**Mr Sutton**—I understand that is still the situation, yes.

**Senator FORSHAW**—Are you aware of litigation that is currently under way involving Cape Wools South Africa and KPMG?

**Mr Sutton**—Yes.

**Senator FORSHAW**—And that that litigation is, if I can summarise it, where Cape Wools is claiming that KPMG had a conflict of interest in that whilst they had an association with AWRAP they were also the international valuer. Is that your understanding?

**Mr Sutton**—I do not know where your questioning is heading. Obviously you are aware that there is litigation under way.

**Senator FORSHAW**—Just trust me. Answer the question, and we will get there.

**CHAIR**—Now there is an optimistic statement, Senator Forshaw!

**Mr Sutton**—We are aware that it is in the media that there is litigation.

**Senator FORSHAW**—You are not worried about where my questions are heading, are you, Mr Sutton?

**Mr Sutton**—Cape Wools is seeking to recover damages from KPMG.

**Senator FORSHAW**—Yes, that is correct. The Commonwealth has been joined to that action?

**Mr Sutton**—KPMG has sought to enjoin the Commonwealth, yes.

**Senator FORSHAW**—But hasn't the court determined that the Commonwealth should be joined to the litigation?

**Mr Sutton**—The Australian Government Solicitor is representing the Commonwealth's interests in this litigation, and the Commonwealth will be seeking to have any involvement by the Commonwealth struck out. The main connection by which the Commonwealth is potentially implicated is an argument by KPMG that the ownership of all assets and liabilities of the former AWRAP were not successfully passed on to the new company. That is not, in fact, the case. The legislation specifically provided for the liabilities to pass to the new

company, AWS, by the minister's certification in late December 2000. That is the Commonwealth's position. I am afraid there is not much more I can say other than we expect that that litigation will not involve the Commonwealth; it is a commercial civil action between Cape Wools and KPMG.

**Senator FORSHAW**—You expect that there will be no potential liability arising out of that litigation.

**Mr Sutton**—I cannot make any comment on potential liabilities.

**Senator FORSHAW**—You just said—

**Mr Sutton**—I said that I expected that the Commonwealth would be successful in having the Commonwealth's involvement in that enjoining action struck out by dint of the fact that people would realise that there was a legal successor to AWRAP, which is AWS. That is who the dispute is with, not with the Commonwealth.

**Senator FORSHAW**—Yes, but the action—at least as I understand it—relates to activities that preceded the winding up of AWRAP, including, for instance, the whole process which was the basis of the dispute, about the value to be attributed to AWRAP.

**Mr Sutton**—Indeed that was a responsibility of AWRAP, not the Commonwealth. The Commonwealth does not assume responsibilities of statutory authorities.

**Senator FORSHAW**—Could I take it from your answer that you are saying that there is no possibility that the Commonwealth could be liable for any financial liability arising out of this action?

**Mr Sutton**—I cannot comment. We have consulted the Australian Government Solicitor's office, and basically we have been advised not to make any observation about the potential liability or outcomes in relation to this litigation.

**Senator FORSHAW**—You are telling me that you are acting on legal advice not to answer questions, such as the one I have just asked you, about whether or not there could be a liability to the Commonwealth.

**Mr Sutton**—That is correct.

**Senator FORSHAW**—But it is a matter which has been considered, no doubt, by the department.

**Mr Sutton**—As I said, the Commonwealth is defending itself through the Australian Government Solicitor in the Victorian Supreme Court.

**Senator FORSHAW**—What is the current status of IWS? Do these properties overseas still exist? Have they been sold, do you know?

**Mr Sutton**—I would not be sure. IWS still exists, but it is a subsidiary of the Woolmark Company, which is now privately owned; it is not a Commonwealth asset.

**Senator FORSHAW**—Is IWS still trading or not?

**Mr Sutton**—I think it is merely on the books because it has property in its name as a subsidiary of the Woolmark Company, which, as I said, the Commonwealth no longer has any connection to.

**Senator FORSHAW**—The fact that you may not have a connection to it—and I take that for the purposes of this question—does not necessarily mean that the Commonwealth does not have an interest in it. One of the issues that was being examined in this whole exercise

was the winding up of the IWS and the privatisation of AWRAP. The Commonwealth had an interest in that process. The fact is that AWS has now been established. If we still have the IWS in existence and it is still trading in some form or other, isn't that a matter of some interest to the department and the Commonwealth?

**Mr Sutton**—No, it is not, because of—as I mentioned to you before—the declaration by the minister in assigning assets upon privatisation of AWRAP, which includes all its subsidiaries, including the Woolmark Company and its subsidiary, the International Wool Secretariat. All assets and liabilities passed in total to the Australian Wool Services group of companies, and they were distributed within that structure. That was by ministerial declaration. There was also a settlement of the Cape Wools dispute, so far as that privatisation occurred in the last week of December 2000. As part of that settlement, a value was agreed upon between AWS and Cape Wools for the Woolmark assets. The dispute, therefore, is not at question in terms of where any subsequent dispute about the evaluation process lies.

**Senator FORSHAW**—The what process, sorry?

**Mr Sutton**—The evaluation issue which is at the core of the legal action, that any responsibility lies with the AWS company.

**Senator FORSHAW**—I raised that earlier but I was going to come back to it. My questions at this point were about the IWS, this unincorporated body that we were told was being wound up, that for all intents and purposes it was dormant but that it still had some physical assets. But, at least as I have been advised, it actually has been continuing to trade. Are you aware of whether it has or it has not been doing so?

**Mr Sutton**—I have not indicated that it is continuing to trade. I said it resides on the books because there are assets in that company's name. The reality is that the South African participants have withdrawn and the previous participants, the Uruguayans and New Zealand, had previously withdrawn, so the only participants in that IWS unincorporated joint venture are the Australian parties. There were some residual rights still outstanding to the South Africans, in terms of recovery of a share of the assets when they are disposed of. They may already have been disposed of without that being drawn to our attention.

**Senator FORSHAW**—Let me refer you to a letter that I received from Mr Gorrie, the acting secretary of the department, in response to a letter I wrote to the minister late last year:

AWS advises that the IWS still exists as a legal entity, although its activities have effectively been wound up. IWS was incorporated on 30 June 1997 and with the privatisation of the former AWRAP on 1 January 2001 AWS holds the residual interest in the IWS.

It then goes on:

One entity in the IWS structure continues to trade. Wool Development International (WDI) is a UK registered company and is still operating in accordance with the agreement of the former members of the IWS.

That would have included Australia, wouldn't it, or the relevant statutory companies?

**Mr Sutton**—I presume it is solely the Australian equity that would remain in that group, but I do not know—perhaps the Woolmark company has developed other operating partnership arrangements that use that as a vehicle. I do not know. It is no longer a government business, Senator.

**Senator FORSHAW**—That is a matter for debate, Mr Sutton, which I will not take up with you at the moment. I have got some specific questions, which I will put on notice, which

relate to that issue. I would appreciate it if you could answer those and, in the course of doing so, give us an up-to-date picture of just what is the current situation with the International Wool Secretariat and relationships with it, either with the government—and you say there are not any—and/or with the former companies, such as AWRAP and indeed AWS.

To come back to the issue of the valuation: were you aware, or was the department aware, that KPMG was a strategic adviser to AWRAP at the same time as it was undertaking the role of an independent valuer of the Woolmark company?

**Mr Sutton**—The answer is no.

**Senator FORSHAW**—No?

**Mr Sutton**—Definitely no, but I have to foreshadow that, depending on the nature of the questions, I may not be able to answer them.

**Senator FORSHAW**—When did you find out that they were—

**Mr Sutton**—When this legal action commenced.

**Senator FORSHAW**—I am sorry if I am going back over some previous questions but we all thought this issue had been sorted out. It appears not to have been—or at least parts of it have not. Did the government agree with the original KPMG valuation that the value of the Woolmark was nil?

**Mr Sutton**—What do you mean by the original valuation?

**Senator FORSHAW**—My recollection was that KPMG initially put a valuation of zero on the Woolmark. We had that dispute. We were told that it was somewhere between zero and—

**Mr Sutton**—We now hear through this litigation an allegation that there was an earlier valuation. I have said to you that we were not aware of that valuation. I am aware of the first formal valuation that was provided by KPMG to the two participants, Cape Wools and AWRAP, and I think it was between zero and \$10 million.

**Senator FORSHAW**—So it was not zero. Are you telling me that it was never zero?

**Mr Sutton**—From memory, I thought it was zero to \$10 million; it was a range.

**CHAIR**—Senator Forshaw, some of those questions may come under the A-G's estimates, I would have thought. I am just wondering whether Mr Sutton would be able to send any across to A-G's if in fact they traverse territory—

**Senator FORSHAW**—That is something that the department can no doubt determine themselves. If they are not in a position to answer them, they have the ability to seek other information, no doubt.

**CHAIR**—They do not—

**Senator FORSHAW**—I had not thought of your suggestion, Madam Chair, but it is a good one. I might take it up.

**CHAIR**—That is kind of you, Senator Forshaw. I am just wondering whether Mr Sutton would automatically send them across to A-G's; that was the purpose of my question.

**Senator FORSHAW**—My worry there is that A-G's might tell us that they are involved in litigation and they cannot possibly answer these questions because of client confidentiality—namely, the department. That was basically all I had. I will put the other questions on notice. I

am sure Mr Sutton will endeavour to answer the questions and if necessary seek advice from wherever.

**CHAIR**—In his usual professional way. Are there any further questions on agricultural industry?

**Senator O'BRIEN**—Going back to the dairy issue, Mr Sutton, thank you for the material you have provided to us. I see that the King Island milk UHT plant received \$457,828 as a contribution to infrastructure costs for the construction of a UHT milk processing and packaging plant on King Island. Was the department aware that there was an extreme difficulty in supplying milk to the plant because all the dairy farmers were contracted to King Island Dairies when this grant was made?

**Mr Sutton**—Yes, we did see the news report of that.

**Senator O'BRIEN**—But were you aware at the time? That is the question.

**Mr Sutton**—No, we were not, because we do not provide advice during the consideration of the projects. The Dairy RAP program is, as I have indicated previously, run by the Department of Transport and Regional Services. It relies on advice from local area consultative committees. They do not come near us. I guess there were commercial considerations involved in this situation—

**Senator O'BRIEN**—You could put it that way!

**Mr Sutton**—that this project has found itself in. But I could not make any comment other than noticing the outcome. I am not sure how it has evolved since then—whether in fact there is milk supplied to this UHT plant.

**Senator O'BRIEN**—The last I heard was that there were proposed Federal Court proceedings to seek to establish that there was some anticompetitive behaviour by King Island Dairies, but in the absence of that it is alleged that there is no milk available to the plant.

**Mr Sutton**—That may well be the case. All we know is that the market situation for King Island dairy farmers has changed somewhat. The commercial success of King Island Dairies has obviously meant a higher demand for its products than perhaps had been in prospect when the UHT project was being developed as a proposal. Presumably, all of the milk is supplied to this plant for processing and sale by that company and there is no milk available at competitive prices to farmers to supply the UHT facility, which is obviously selling milk products into a different market.

**Senator O'BRIEN**—I understand that the price issue is not relevant, that all of the dairy farmers on King Island are in fact contracted to supply their milk to King Island Dairies, full stop.

**Mr Sutton**—Yes.

**Senator O'BRIEN**—You have told us—perhaps we are going over points that you cannot answer—that the decision making process on this application involved no consultation with AFFA?

**Mr Sutton**—That is correct.

**Senator O'BRIEN**—To the extent that you may have been able to assist, they did not seek that assistance. This might be fertile ground for future estimates. During the last hearings I

asked some questions about the review of the wool levy exemptions. This matter was to be resolved by the end of March or the beginning of April last year. How is it going?

**Mr Sutton**—This is the third review of the fellmongered wool tax exemption. There was a comprehensive analysis done, as you are aware—I think we have spoken in this committee previously. Towards the end of 2000 that review was completed by the department. The report was passed to the minister in April 2001. The minister has consulted other ministers, but we have not yet been advised of the outcome of that consideration.

**Senator O'BRIEN**—So when you told us in May 2001 that the report was with the minister and that the minister was 'at an advanced point in terms of his decision but he has not made that decision yet'—

**Mr Sutton**—Which page are you referring to?

**Senator O'BRIEN**—Page 77.

**Senator O'BRIEN**—'But he has not made that decision yet' was the continuation of what you said.

**Mr Sutton**—That is the case.

**Senator O'BRIEN**—We are now nearly nine months down the track and there has been no progress?

**Mr Sutton**—The matter is still before ministers. We are not aware—

**Senator O'BRIEN**—Before the minister?

**Mr Sutton**—Before the minister and other ministers. It was referred to other ministers.

**Senator O'BRIEN**—When was it referred to other ministers?

**Mr Sutton**—I am not sure exactly when that happened. It is in the hands of the minister's office. Information that we have is that it was passed to other ministers on 20 July. But clearly this report follows—

**Senator O'BRIEN**—So it was 20 July 2001?

**Mr Sutton**—Yes.

**Senator O'BRIEN**—To which minister does it refer?

**Mr Sutton**—It is not in my hands. We did not do the consultation.

**Senator O'BRIEN**—Can you get that information supplied on notice?

**Mr Sutton**—Only if the minister chooses to reveal, yes.

**Senator O'BRIEN**—At this stage it is in the hands of your minister and has been for nine months. From your answers, I take it that you do not know to which other ministers the matter has been referred.

**Mr Sutton**—No, I cannot say definitively.

**Senator O'BRIEN**—What issues exist for other ministers to consider?

**Mr Sutton**—The government's levy principles require a number of tests to be met. One is market failure, another is whether the potential levy payers are accepting the purpose of the new levy and the burden of that new levy. I guess it is fair to say that the previous two reviews have come down fairly clearly indicating that those tests were not met. I think you could draw your own conclusions from that as to whether the latest review would have found differently

There are others, other than fellmongers, involved in producing non-shorn wool—biological wool harvesters and those who harvest wool from dead animals, from plucking. So the issue might be whether it was cost-effective to impose a new levy on perhaps a small part of the industry. The costs of collection may be not sufficient to warrant imposition of that levy on a minority of the prospective new levy payers.

**Senator O'BRIEN**—You make it sound like a fairly straightforward decision, Mr Sutton, but it has taken nine months.

**Mr Sutton**—These decisions are never straightforward, Senator, as you would know. It is a very sensitive decision, depending on where you sit in the industry.

**Senator O'BRIEN**—So it is tough for the minister to make a decision, because one way or the other he will offend an interest group in the industry?

**Mr Sutton**—There are conflicts of interest, yes.

**Senator O'BRIEN**—So the matter has been referred to other ministers to share the heat, as it were?

**Mr Sutton**—Yes. I could not make a conjecture as to whether the minister is about to make a decision or has already made a decision and has not relayed it to us.

**Senator O'BRIEN**—Can you inquire of the minister and find out when he does intend to make a decision on this, and advise the committee?

**Mr Sutton**—We will, yes.

**Senator O'BRIEN**—Thank you. I want to go on to beef—I am not beefing about that. What is happening with the EU high quality beef quota issue?

**Mr Sutton**—Nothing extraordinary has happened. The EU beef quota continues to be administered. As you would know, it involves 7,000 tonnes of high quality beef allocation on a shipper of record basis. That is happening. The minister foreshadowed, when he initially announced the new arrangements in 1998, I think it was, that there would be a review this year, particularly of certain elements of the arrangements, the new entrant provisions. The review has been requested of the red meat advisory committee and that is under way now. We expect to get a report back from RMAC later this year, perhaps August, in terms of possible changes to the arrangements for allocation of a quota in that trade.

**Senator O'BRIEN**—And in the interim there will be no change to the allocations?

**Mr Sutton**—That is correct, unless there are new entrant decisions which are currently in process whereby, of the 7,000 tonnes of annual quota, some 400 tonnes is set aside for new entrants. Those who apply and are eligible would be granted tonnage from that portion, and the balance would be redistributed to the original holders of the 7,000-tonne quota.

**Senator O'BRIEN**—Could you remind the committee what criteria are applied to new entrant applicants?

**Mr Sutton**—There are eligibility criteria, which I do not have in front of me. I am not that familiar with it, but it does require plants to have licensed facilities to meet the requirements of that trade. That requires a fairly expensive investment in capital equipment and a certification process, so it is not something that is available to any exporter. If a new entrant—defined as someone who has not previously been in that trade and is not currently associated with a company that is in the trade to that market—can meet the eligibility criteria, the

minister will allocate a portion of that 400 tonnes, up to a maximum, I think, of 72 tonnes. So that is the eligibility.

**Senator O'BRIEN**—On the US beef quota, I understand that although historically we have never filled our quota, this year we have not only filled our quota but we are seeking a quota from South American producers who could not supply because of foot-and-mouth concerns.

**Mr Sutton**—Yes. In essence, what has happened is that for the first time Australia has hit the quota, the TRQ, limit of 378,214 tonnes for this year. Only some 15,000 tonnes had to be put in store and held over until January, which was a surprise. I think the industry expected that the oversupply into the US market would be much higher than that, and the difficulties for the industry much worse than eventually materialised. As the government contribution to try to relieve pressure on the industry, the minister has made several approaches to the US administration with a view to firstly seeking an extension or an increase in our quota, our TRQ limit. We were unsuccessful in the first approach, but the minister is continuing to press on that point. An alternative arrangement which has been put to US administration is for some of the unused US quota currently held by other countries to be reallocated to Australia, to enable us this year to, hopefully, stay within a higher limit.

**Senator O'BRIEN**—Didn't the Uruguayans ask us, not too long ago, for a similar dispensation which we refused?

**Mr Sutton**—Yes, that is the case.

**Senator O'BRIEN**—So that was refused at Australia's end at a ministerial level?

**Mr Sutton**—I think the Australian refusal to accept a similar request from other countries was based on commercial input as much as any government decision. Our industry took a view on disallowing an application by other countries for use of that unused quota.

**Senator O'BRIEN**—I think that was in circumstances, as I understand it, where the US advised Uruguay that if we agreed they would permit it.

**Mr Sutton**—I was not around. I have no basis for making a comment on that.

**Senator O'BRIEN**—Could you please check and clarify that matter for us. Thanks for that. This is on another subject: can you tell me what work the department has done in relation to the impact of the lack of water for the rice industry? Whilst there may have been recent rains, I am interested to see what options the department might have looked at, or briefing you might have prepared on the issue of water and rice.

**Dr Samson**—I think the first thing I need to point out, in relation to AFFA, is that the responsibility for water management issues lies in the natural resource management area of the department, not with industry development. I am, in very broad terms, certainly aware of the issue, but for a detailed response you may wish to direct questions later in the program.

**Senator O'BRIEN**—So you suggest that I raise matters relating to rice and water later in the program. Is that what you are saying?

**Dr Samson**—Yes. I have an understanding, from the rice industry's perspective, of what the problem was. The responsibility for all the issues surrounding the allocation of water which would have been part of the industry's preferred solution, is somewhere else in the department.

**Senator O'BRIEN**—Most of my questions relate to water and rice, which seems to be towards the end of the program. I will take them up then. Has the department any idea of what the 2001-02 sugar crop is looking like, in terms of production?

**Dr Samson**—The best estimate at the moment for sugar production is an expected increase of about 12 per cent on last year, which is an increase from 4.1 to 4.6 kilotonnes.

**Senator O'BRIEN**—The sugar industry infrastructure program was to be reviewed by November last year. What happened?

**Dr Samson**—The review of that program was undertaken and has recently been completed. It was not actually finalised, in terms of the consultant's report being received in November, but the consultant's report has very recently been received in the department and it has only just been made available to the minister's office.

**Senator O'BRIEN**—Can you tell the committee what the outcome of the review was?

**Dr Samson**—Noting that the document has only just been made available to the minister's office, in summary, the review confirmed several of the issues that we have talked about in previous estimates. Overall, the report concludes that the projects in question did deliver tangible benefits at the individual project level and that there were also benefits to the sugar industry as a whole. As we have reflected at previous estimates, the report, from recollection, does address the issue of the importance of the environmental aspects of these projects, the approval process that is required and the effect that that approval process has had on some of the time lines in the projects. From memory, there is the suggestion that in future, if similar projects are to be undertaken, they will have a greater focus on addressing those environmental aspects at the early stages of the project, in order to better map out and deal with the impact of the environmental decision making process.

The report also makes the observation that, at the time this program and many of the individual projects commenced, it was against a very different reporting and monitoring framework in terms of outputs and key performance indicators. As we have become more sophisticated in these sorts of issues, we have somewhat overtaken the original design of the projects in that regard. Those were the broad observations made in the report.

**Senator O'BRIEN**—Last time we discussed this matter there were 11 projects in Queensland, eight of which have been completed. Can you give the committee an update on where all the projects are up to? If there are still outstanding projects, why are they outstanding?

**Dr Samson**—In the broad, we are in the same situation—there are still eight that have been completed. The other three projects are still moving towards completion but have not yet done so.

**Senator O'BRIEN**—Why not? Is that just their normal time line or is there some special reason why they have not been completed?

**Dr Samson**—With respect to the Murray Valley infrastructure Riversdale water management project, another \$1.1 million of Commonwealth funds is required for that project. Basically, the delays have been caused by adverse weather conditions, I am advised. The remaining \$0.6 million relates to the Herbert River Valley water management project. The delay in that relates back to the environmental assessment process. The final outstanding project is the Russell Mulgrave Rivers water management project. There are three subprojects

there. Two have been completed; the final subproject, again, is well advanced and simply awaiting the environmental assessment approval.

**Senator O'BRIEN**—Can you give the committee an update on what has happened with the South Johnstone Mill? Has the Commonwealth been paid back the money that it lent to the mill?

**Dr Samson**—Last time we discussed this issue, Senator, we were at the point where one of the key elements in the process was that the receiver of South Johnstone Mill had at that stage just invited tenders for a property, Warrami, to the south of the mill. The outcome of that process would have had a major impact on that whole issue. Tenders have closed; the receiver has not publicly made an announcement as to whether there has been a successful tender and, if so, what price has been realised and therefore whether the outstanding debt has been cleared or not. We are expecting that announcement to occur in a matter of weeks, if not days, but the receiver has not publicly made that statement yet. In the absence of that decision being made, the arrangements, with one modification that I will flag for you, have remained the same—that five per cent of growers' payments have been deducted at source.

As you know, when the mill went into receivership, Bundaberg Sugar acquired some of the assets of South Johnstone Mill and also undertook to continue the arrangement whereby they deducted the five per cent payments and on-forwarded them to the cane growers organisation for further payment to the Commonwealth. The modification that has occurred is that, pending the outcome of the receivers' decision, Bundaberg Sugar did become somewhat, I think it is fair to say, uneasy about continuing to collect those payments, particularly as a small number of growers had started to question the legality of the process. What AFFA agreed to do, in order to facilitate the ongoing collection, is that those funds have been paid into a trust account pending the resolution of the receivers' work, and we would then expect the money to flow. There is, as we speak, just over half a million dollars in that trust account. My expectation is that that will be freed from the trust account and flow back to the Commonwealth shortly.

**Senator O'BRIEN**—How much is the Commonwealth owed at the moment?

**Dr Samson**—The original amount that the Commonwealth paid out was fractionally under \$2.6 million. As I recall from the last estimates, we had received back about \$85,000 of that amount. There is another \$550,000 in the trust account, so there is still in the order of \$2 million outstanding.

**Senator O'BRIEN**—What would you expect to receive from the property sale that you have mentioned?

**Dr Samson**—The crucial figure with respect to the property sale is the amount that South Johnstone Mill continues to owe to its principal banker. If the sale of the Warrami property realises significantly more than that amount, the additional amount will discharge the debt to the Commonwealth. I am not privy to the exact amount that the mill owes to its banker but it is somewhere in the vicinity of \$9½ million. If, for the sake of argument, the property were to realise \$11 million to \$11½ million, that would probably discharge all the debt, including that to the Commonwealth, but at this point in time we do not know the outcome of that process.

**Senator O'BRIEN**—Given that that answer was somewhat hypothetical, if it realises less than the banks are owed, will there be no reduction in the Commonwealth debt?

**Dr Samson**—Not from the sale of that property. The Commonwealth debt would continue to be reduced by the mechanism we have previously identified—the five per cent deduction.

**Senator O'BRIEN**—But there appear to be some problems with that continuing, if I understood you correctly.

**Dr Samson**—There are, inevitably, a small number of growers who originally signed on to that arrangement who are seeking to have the legality of the arrangement questioned. The vast majority of growers who previously supplied cane to South Johnstone Mill continue to honour that debt.

**Senator O'BRIEN**—I did have some more questions about wool but I am not sure what Senator Forshaw has put on notice. I will find out and perhaps add to those questions.

**Senator McLUCAS**—With respect to the future projects you were talking about and the need for environmental issues to be focused on, can you expand on that? What sort of environmental issues do you propose would need to be focused on?

**Dr Samson**—Without having the report that I referred to in front of me, I will have to generalise. At the time the sugar infrastructure program projects commenced—and some of those commencement dates are some considerable time ago—the environmental approval process was not as sophisticated, or perhaps as rigorous, as it is now. Consequently, the original project plans and the time lines associated with them have proved to be unrealistic when mapped against the environmental approval assessment process.

I would imagine this is not something that is unique to the sugar industry; it is obviously incumbent on project proponents to have a clear understanding of what the environmental assessment process is, and a clear understanding of the impact of that process on the time lines of the project. The essence in regard to learning from the sugar program exercise was to focus in on that at an early stage in order to get a much clearer and more realistic understanding of the time lines of the project. That was the core of what they were saying. That is the core of what was said in the report.

**Senator McLUCAS**—Would it be true to say that some of these outstanding projects have been delayed because of the increased knowledge about environmental outcomes?

**Dr Samson**—That is exactly the situation, Senator, yes.

**Senator McLUCAS**—In the new methodology is there also an inclusion of a need for social outcomes to be a part of infrastructure planning?

**Dr Samson**—Certainly, at the Commonwealth government level, there has been for some time an increased focus on, in essence, the triple bottom line—the social, economic and environmental aspects of any proposal. We are always quite conscious of that.

**Senator McLUCAS**—And it is included in your new methodologies for assessment?

**Dr Samson**—There is not a new methodology per se. In relation to these sugar projects, with the benefit of hindsight, the consultant is saying that if we had applied the same rigour and knowledge as we do now to these projects five or six years ago when they were being designed, we would have designed them somewhat more realistically in terms of the time lines. I think that is what is being said.

**Senator O'BRIEN**—I have some questions regarding cotton, particularly about the assistance for Namoi Cotton Growers, announced by the Deputy Prime Minister on 8 June last year. Mr Anderson offered \$40 million over 10 years from existing programs. Can you take me through the programs from which that money was to be drawn as part of the offer?

**Mr Wonder**—Senator, I think you are referring to the work done between the Commonwealth and New South Wales in relation to ground water usage on the Namoi. Is that the project you are referring to?

**Senator O'BRIEN**—I do not think there was a project prior to the offer. There may be one now.

**Mr Wonder**—I think I am right in saying that the amount you mentioned was an amount being considered at that time. It was included in the discussion following this report that was prepared jointly by a task force consisting of the Commonwealth and New South Wales governments, and I think industry as well, in relation to how the ground water problem for the Namoi, which was obviously being used for cotton irrigation, might be resolved and deployed in the future. I think I am right in saying that the total amount that was identified in that report was in excess of \$100 million for the issues that needed to be addressed. As you pointed out, Mr Anderson at the time indicated that the Commonwealth stood ready to look at how it might meet its share of any solution that came forward.

I could not point to any particular program in the AFFA portfolio where those funds have been earmarked to contribute to this project, although conceivably, whatever way the project goes in the future, there are several that potentially could be involved. The particular one that would come into focus would be the National Action Plan for Salinity and Water Quality. Possibly there are other programs as well. But at this point in time there is no firm proposal to take forward because the Commonwealth and New South Wales governments and industry have not taken the project that was mentioned in the report any further forward at this point in time.

**Senator O'BRIEN**—So in answer to question on notice No. 3618, where it says that any Commonwealth funding will be from existing programs, does that mean funding will be by means of access to the actual programs themselves?

**Mr Wonder**—That means that the government has not indicated any intention to provide additional funding at this point in time for that particular project. As I indicated there are, however, some existing programs where these issues could be considered. The reason I mentioned explicitly the National Action Plan on Salinity and Water Quality is that the region concerned falls into one of the priority regions under the national action plan. Also, ground water issues are amongst the issues that are to be addressed under the national action plan. For those two reasons it is potentially a program that could contribute. I would not want to say too much on that, Senator, because it is not something that has been discussed with New South Wales—in terms of the deployment of the national action plan—and nor have we engaged industry on the matter. But that would be the most obvious candidate with respect to AFFA programs that might contribute to this in the future.

**Senator O'BRIEN**—Ten years seems a long time for a package that is to be built on an existing set of programs. I do not think many of the programs are currently scheduled to last the 10 years, are they?

**Mr Wonder**—What is the reference to the 10 years, Senator?

**Senator O'BRIEN**—I thought that is what the Deputy Prime Minister said, that there would be \$40 million over 10 years from existing programs.

**Mr Wonder**—I am not aware of that, Senator.

**Senator O'BRIEN**—So you are not aware that the Deputy Prime Minister put it in a 10-year context?

**Mr Wonder**—No, I am not aware of that. I am not saying that he has not, Senator; I am just not aware of it. There is not a program in our estimates, if I can put it in those terms, that explicitly addresses this project. Under the National Action Plan for Salinity and Water Quality, I think that the Prime Minister and the premiers agreed in November 2000 that \$198 million out of the \$700 million would be made available to New South Wales under the national action plan. An amount of \$198 million is identified as being for New South Wales, and that is to be matched by a further \$198 million from New South Wales. So effectively there is nearly \$400 million that is on the table.

**Senator O'BRIEN**—Can New South Wales match it from existing programs?

**Mr Wonder**—No.

**Senator O'BRIEN**—But the Commonwealth can use existing programs?

**Mr Wonder**—No.

**Senator O'BRIEN**—Your answer says, 'Any Commonwealth funding will be from existing programs.'

**Mr Wonder**—Let us be clear. What I am saying is that whatever moneys the Commonwealth puts in to the national action plan—and in the case of New South Wales it is \$198 million—those moneys are existing but they are new moneys, and they are moneys that are being rolled out by the Commonwealth in the context of the Commonwealth's announcement. There is a matching requirement for New South Wales to also put new and additional dollars in to match that \$198 million.

**Senator O'BRIEN**—Let me get this straight. Unless the money all comes from the \$700 million that the Prime Minister committed, was it two years ago—

**Mr Wonder**—November 2000.

**Senator O'BRIEN**—Nearly 18 months ago. Unless all of the \$40 million of this Commonwealth money comes from that program, then some of it will come from other existing programs.

**Mr Wonder**—I can answer that question in part. I can tell you that in our estimates the most likely and obvious program that I could think of that would be able to assist in this regard would be the National Action Plan for Salinity and Water Quality. In so far as whether—

**Senator O'BRIEN**—Wasn't that supposed to be a program where the states would proffer proposals and they would be considered by the Commonwealth?

**Mr Wonder**—We can talk about it in detail under the Natural Resource Management Program, but I am across the programs so I am happy to talk about it here.

**Senator O'BRIEN**—Sure.

**Mr Wonder**—The essence of it is that the Commonwealth and the states have agreed, through the COAG meeting that I referred to earlier, to have a program that has contributions from the Commonwealth of \$700 million and matching contributions from the states of \$700 million. Ultimately that money would be applied to regional and catchment plans developed by communities, accredited and the like by the Commonwealth and the states, and then rolled out by way of both the Commonwealth and the states making contributions to those plans. In

the case of New South Wales, of the \$700 million that the Commonwealth had indicated it would make available for the national action plan, there was some \$198 million that would be made available identified against New South Wales.

**Senator O'BRIEN**—Haven't the states been supplying under that program details of proposals that they wish considered? Wasn't that the intention when the protocols were first agreed?

**Mr Wonder**—They have in the sense that, as the program is being rolled out, the steps have been that a bilateral agreement has been signed with each state. I might add that that has not been concluded with New South Wales at this point.

**Senator O'BRIEN**—There are a lot more questions about that which we will deal with in that other area.

**Mr Wonder**—Yes, sure. As I said, the model is a signing of a bilateral agreement. After the signing of that bilateral agreement—such as in the case of South Australia, for example—there was the identification of priority projects ahead but consistent with these regional catchment community plans.

**Senator O'BRIEN**—It may be entirely appropriate to seek to fund this out of existing programs. It just seems to me to be running the risk of being called hypocritical by the states if you say to them, 'You can't fund your commitments under this program out of existing programs,' but when the Deputy Prime Minister pre-empted discussion and flags a proposal, he can use existing programs to fund it.

**Mr Wonder**—We seem to be getting hung up on this existing programs point. What I am saying is that—

**Senator O'BRIEN**—Isn't the Commonwealth hung up on it?

**Mr Wonder**—The Commonwealth is saying that we are putting \$700 million new and additional dollars on the table to address pressing salinity and water quality problems. All we are saying is that we are prepared to enter into projects with state governments and communities on the basis that those funds are matched by state governments. They are new and additional dollars, not some roll-out of dollars that might have existed from already developed programs and the like.

**Senator O'BRIEN**—If it was not the Commonwealth's intention to fund this proposal of the Deputy Prime Minister's out of the national action plan, why couldn't you say that in your answer to my question on notice—

**Mr Wonder**—I did not say—sorry, Senator—that it is the Commonwealth's intention to fund it out of the national action plan.

**Senator O'BRIEN**—That is fine. I want to be absolutely clear because the answer to the question on notice says:

In relation to this \$40 million Commonwealth funding, any Commonwealth funding will be from existing programs.

'Programs'—plural not singular. I was wondering, if the National Action Plan for Salinity and Water Quality was a program in mind, why you did not say that. Now you are saying: it is not the program in mind but it is an option. Is that what you are saying?

**Mr Wonder**—The latter.

**Senator O'BRIEN**—We have not specified that that is the program, but it is an option to take the money from that program.

**Mr Wonder**—Yes.

**Senator O'BRIEN**—It is equally an option to take it from other programs.

**Mr Wonder**—Yes, but they would be in other portfolios that I cannot answer questions about. It may well be that—

**Senator O'BRIEN**—Do you know what they are?

**Mr Wonder**—No, I do not. It is something that could be directed to the Department of Transport and Regional Services, which may be able to address what their minister was referring to by way of other programs. I am indicating, though, that I could imagine that the National Action Plan for Salinity and Water Quality would be something that would be considered for this purpose.

**Senator O'BRIEN**—Did AFFA make any assessment of the New South Wales government offer of \$15 million over three years towards Mr Anderson's plan?

**Mr Wonder**—I do not know what \$15 million you are referring to, Senator.

**Senator O'BRIEN**—I understood that the New South Wales government offered \$15 million to Mr Anderson's Namoi Valley plan.

**Mr Wonder**—I am not aware of that. It is something that you would need to take up with his department.

**Senator O'BRIEN**—Does that mean that, if that offer was made, there was no assessment of the offer by AFFA?

**Mr Wonder**—That is correct.

**Senator O'BRIEN**—I assume this is the regional services portfolio you are talking about, is it?

**Mr Wonder**—Yes, I am referring to the Deputy Prime Minister's department: Transport and Regional Services.

**Senator O'BRIEN**—I will ask Regional Services to see if they know about it; I assume it does not relate to Transport.

**Senator McLUCAS**—There are just a couple of questions I want to pursue generally about structural adjustment packages, to start off with. When the department or the government makes a decision to develop a structural adjustment package or an industry assistance package of some sort, are there general guidelines that indicate to the department whether or not that industry is an appropriate one to become involved with in this way?

**Mr Banfield**—I might open the batting on that, Senator, and my colleagues will come in, I am sure, with other specific comments. There are two dimensions to your question. The first relates to the generic issue of structural adjustment. The government, through the AAA—Agriculture Advancing Australia—package, has a range of programs which are broadly available to producers to provide support and to producers who are suffering the consequences of structural adjustment. They are broadly available. Farm help was one, and we talked about that this morning; exceptional circumstances is another which helps. It is not specifically structural adjustment, but it is designed to help farmers who are going through a difficult period because of an extreme event. That is at the generic level.

There is also a range of packages which have been developed for specific circumstances and specific industries. My colleagues might want to talk in more detail about those, for example the sugar package, the assistance that was provided for floods, and the dairy deregulation package. Packages of that kind are very much developed on the basis of horses for courses.

**Senator McLUCAS**—So there is no generic assessment of whether one industry is more needy than another industry, so that we should be putting our efforts here and not there?

**Mr Banfield**—The generic programs I have mentioned are widely available to all industries. They are not industry specific at all.

**Senator McLUCAS**—I am talking about the latter.

**Mr Banfield**—They are there as a safety net, and where the government decides that specific packages are required for specific industries, or indeed for specific regions, then tailor-made packages are designed and implemented for those.

**Senator McLUCAS**—And they are government directed, essentially? I think that is what you are saying.

**Mr Sutton**—Yes, but I guess it is fair to say that the department is conscious of the need to develop consistent principles in terms of structural adjustment, whether it is induced by a radically changed market situation or by some other factor. There is a conscious effort to ensure that money is provided to industries in ways which actually encourage the individuals and sectors to invest in the change, rather than just to support income so that people get through an initial crisis and basically the next time there is a downturn the same issue is there again. We do try and make sure nowadays that when investment is made in adjustment it is effective.

**Senator McLUCAS**—You say there are consistent principles. Is there a document that the department uses as a guideline?

**Mr Sutton**—No, I do not think it is fair to say that there is something written. But Mr Wonder has convened a meeting in recent months where he has started the process of trying to identify how we might develop principles which would guide future structural adjustment packages. But, clearly, a package designed for assisting the lamb industry to meet the radically changed market outlook with the US imposition of quotas is quite different from one for the dairy industry, facing the adjustment from changes to state arrangements.

**Mr Wonder**—I would be fair to say, though, that each of these industry specific packages has have guidelines that go with its particular assistance provision. I guess the point, in terms of the question you are asking, is that they certainly have much in common in terms of the way they address the various problems of industry, but equally they have some diversity about them that reflects the particular circumstances of the industry that we are addressing.

**Senator McLUCAS**—Certainly it is the step prior to that, the step where the government and the department make a decision to engage in some sort of industry package. I am trying to understand whether there is an opportunity to compare potential success of one industry with another. It may be your meeting might come to some of those principles.

**Mr Wonder**—Mr Banfield commented earlier on the Agricultural Developmental Partnerships Program, which does give an opportunity to assess alternative opportunities. I guess the point really is that when, for argument's sake, we are addressing dairy, sugar or whatever it is not a general call amongst industry inviting proposals and having us assess their competing

merits. That is not how we go about the business. It reflects the pressing need and urgency of a situation that we address at the time. I am saying to you that there is a set of guidelines for each of those interventions that we make and that we do carefully think about the experiences of our previous programs when we design any guidelines for a new program.

**Senator McLUCAS**—The tobacco industry in North Queensland, I am sure you are aware, has been in decline for over 10 years with loss of producers and loss of production. I understand they have received no federal financial assistance, industry assistance or structural adjustment support over that period of time; is that correct?

**Dr Samson**—Over that period of time the principal form of government assistance that the tobacco industry in Queensland has received has been state government assistance.

**Senator McLUCAS**—Do you know the quantum that the state government has contributed?

**Dr Samson**—From memory I cannot recall. We will provide that information to you.

**Senator McLUCAS**—But I understand from what you are saying that the federal contribution to the industry based in the Mareeba-Dimboola Irrigation Area has been nothing.

**Dr Samson**—As direct financial support to the tobacco growers there has been nothing.

**Senator McLUCAS**—Do you know how many tobacco farmers there are currently in the MDIA?

**Dr Samson**—There are 150 and there are six outlying growers in southern Queensland. The total for Queensland is 156.

**Senator McLUCAS**—I understand that prior to May 2000 that British-American Tobacco Australia, BATA, provided a document that I understand is called 'The future strategy paper' to the government. Is that your understanding as well?

**Dr Samson**—The title of the document does not ring a bell. I will have to check it. It may be that it is a document I know by another title.

**Senator McLUCAS**—Certainly, I do not know that that is the name of the document but it certainly is a document that was trying to do some forward planning.

**Dr Samson**—I have seen it more in terms of correspondence rather than a document, but I am aware that about that time BATA did make both the government and tobacco growers aware of what their future strategy in terms of purchase, quantity and price was going to be. That may well be the document that you refer to.

**Senator McLUCAS**—Can you tell us what BATA was proposing in that document?

**Dr Samson**—Again we would have to take the detail on notice. In the broad the document flagged that in terms of, from memory, both quantity and price per kilogram BATA was proposing to decrease significantly its investment in north Queensland.

**Senator McLUCAS**—Are you aware that Minister Anderson discussed that paper with the Queensland Tobacco and Marketing Board in May of 2000.

**Dr Samson**—I am aware the Deputy Prime Minister had meetings with representatives of the marketing board.

**Senator McLUCAS**—And Mr Roseby and you attended a meeting with industry representatives in June of that year as well.

**Dr Samson**—That is correct.

**Senator McLUCAS**—Do you recall what was proposed in relation to the future of the tobacco industry in the MDIA at that time?

**Dr Samson**—There were from recollection two meetings of that group that Mr Roseby chaired; I was only present at the first meeting. We had both Commonwealth and state government representatives there and representatives of the Victorian and Queensland tobacco growing industries, because tobacco is also grown in Victoria—

**Senator McLUCAS**—I think you might be confusing that meeting with the Tobacco Industry Task Force, which was somewhat later.

**Dr Samson**—I am indeed confusing it with that. Could you just run the first meeting by me again?

**Senator McLUCAS**—I understand that the meeting on 5 May was held at the Atherton International Club and was a meeting between the minister and the Queensland Tobacco and Marketing Board. Then subsequently there was a meeting in Canberra that was convened by Minister Anderson at which industry people from the MDIA, Minister Truss and various AFFA representatives were present.

**Dr Samson**—Sorry, Senator, I am now aware of the meeting you are referring to. Again representatives of Victorian growers were present at that meeting from recollection. I would have to check my notes. I have not been present at a meeting with the Deputy Prime Minister with Queensland growers without Victorian growers being present.

**Senator McLUCAS**—I understand that that meeting was on 19 June.

**Dr Samson**—Clearly I will have to check my notes. There have been several meetings on this topic. All those meetings, whether they were with simply the Queensland growers and/or the Victorian growers, were opportunities for them to express to the government how they saw the foreshadowed change of strategy of both tobacco manufacturers impacting on the industry. There was an opportunity at some of those meetings for the government to seek clarification from the manufacturers as to what their intentions were. All those what I would define as preliminary meetings were really exchanges of views and opportunities for people to put their views on the table.

**Senator McLUCAS**—Do you recollect at that meeting on 19 June that Minister Anderson and Minister Truss indicated that they would talk with BATA and if the outcome of those discussions was unsuccessful they would propose a buy-out package similar to the dairy industry?

**Dr Samson**—Again without having my notes available, my recollection was that both ministers undertook to have further consultations—separately I think—with the two manufacturers and to use their best endeavours to see if the manufacturers could be persuaded to maintain a viable level of support for those industries. What was said was that if that proved to not be the case then the government would look at any proposals that the growers came forward with. Indeed, subsequently the principal outcome of the task force meetings that I referred to earlier that Mr Roseby chaired was agreement that the growers chose to separately in terms of Victoria and Queensland put forward submissions to the government seeking assistance.

**Senator McLUCAS**—So you do not recall Minister Anderson or Minister Truss saying that, if the outcome of the discussions with BATA was unsuccessful, they would propose a buy-out package similar to the dairy industry?

**Dr Samson**—No, I do not recall that.

**Senator McLUCAS**—Do you recollect Minister Anderson using the term ‘a handsome buy-out’?

**Dr Samson**—I am afraid my memory is not that good, Senator. The tenor of the conversation was that both Minister Truss and Minister Anderson were quite sympathetic to the predicament that the tobacco growers thought they were in. One of the undertakings given by the ministers to the tobacco growers was that they would talk to manufacturers and seek absolute clarification of what the manufacturers’ positions were and seek if necessary to try and improve those positions. If that were not successful then the government would look sympathetically at any submissions that came forward from the growers along the lines of possible assistance packaging. I have no recollection of any comparison being made to the dairy package.

**Senator McLUCAS**—So then the task force was formed.

**Dr Samson**—Correct.

**Senator McLUCAS**—I think you have explained the intent of that task force. Is it in your view correct to say that all of the stakeholders who are part of this industry were represented on the task force?

**Dr Samson**—That would be my assessment, yes.

**Senator McLUCAS**—I understand that BATA expressed a willingness at the first task force meeting to maintain purchase volume and price at least in the short term if the conditions set out in BATA’s letter to the Commonwealth were met.

**Dr Samson**—Yes.

**Senator McLUCAS**—Can you tell me what those conditions were?

**Dr Samson**—From recollection there were four conditions that the manufacturer proposed to the government. I will have to check and, if what I am about to say proves to be incorrect or not complete, I will get back to you. One of the conditions was that BATA was seeking a variation in the way that the industry pays its excise to the government. I think at the moment the excise payment from the manufacturers is made to the government on a weekly basis and they wanted that changed to a monthly basis—in effect they held on to their cash longer. Given the quantities involved, it was not an insignificant issue in their mind.

In essence they were seeking—and these are my words, not theirs—an indemnity from the government to any future class action prosecutions that may be brought against the industry. The third element they were focusing on was some undertakings from the government to increase the government’s efforts to stamp out the illegal tobacco trade, the chop chop trade as it is colloquially referred to. I have to say there was a fourth, and that one has escaped me. The response to all of them was no effectively. Although on the issue of the government increasing its efforts to cut out chop chop the manufacturers did acknowledge that the government had gone a long way to tightening up on that anyway.

**Senator McLUCAS**—So essentially BATA said, ‘If you agree to our position, we will continue our purchase in the MDIA. If you don’t, then everything is up for grabs.’

**Dr Samson**—I have remembered the fourth condition and it was that they sought the government to decouple from indexation the tobacco excise.

**Senator McLUCAS**—Did they talk about the reduction of price to import parity in that context?

**Dr Samson**—That is always something that comes into and out of the discussion. Without refreshing my memory of a record of the meeting I could not say that that was specifically addressed. One of the issues that are always talked about is the issue of quality, and that was certainly one of the reasons that BATA have always indicated a desire to decrease the amount of leaf purchased from Queensland, that in their view the quality has not always been of the required standard. The Queensland growers would refute that.

**Senator McLUCAS**—Yes, I am sure. At that meeting, I understand, the manufacturers suggested that the growing sector—this is in the MDIA—may drop to a long-term number of 92 growers. Do you remember that discussion?

**Dr Samson**—Figures were fairly constantly bandied about, to and fro, as to what was a sustainable number of growers in relation to any specific amount of leaf that was to be purchased. Ninety does not particularly ring a bell but I would not—

**Senator McLUCAS**—I just thought it was quite surprising that we would come across a number such as 92, and not 90 or 100. It would take a fair bit of analysis, to my mind, to come up with a number like that.

**Dr Samson**—It would indeed. I imagine it is some complicated algorithm that divides a historical, and now redundant, quota system into what people would perceive as a desirable quantity of tobacco to grow.

**Senator McLUCAS**—At that meeting, I understand, growers made the comment very clearly that they wanted to maintain a viable industry in the area but they would seriously have to look at an exit program.

**Dr Samson**—That was their view, yes.

**Senator McLUCAS**—I understood that the meeting actually agreed that that would be a way forward.

**Dr Samson**—An exit package program was always one of several options that were canvassed, yes.

**Senator McLUCAS**—I understand that later in the year, 31 October, Queensland growers met with various MPs and senators, Mr Roseby and other AFFA people—I do not know that you were present at that meeting—

**Dr Samson**—I may have been. There are a lot of meetings.

**Senator McLUCAS**—So you may have to take this on notice. I understand that that is the meeting where Minister Anderson suggested that he could not agree to the BATA proposal, and therefore the only solution was a buy-out of the industry.

**Dr Samson**—I have to say that the frequency of meetings makes it very difficult, without the papers before me, to say categorically at what meeting certain things happened. It may help if I just, in the broad, map out my recollection of the key steps in this process.

**Senator McLUCAS**—Yes, that would be useful.

**Dr Samson**—Then you may want to come back and ask the questions. Following the task force meetings that Mr Roseby had, it was agreed that the two sets of growers would go away independently and prepare submissions that they would present to government. It was AFFA's preference that the growers as a whole went away and prepared a single submission; that was not acceptable to the growers. So, subsequently, a submission from the Victorian growers was presented to government, as was a submission from the Queensland growers. AFFA, obviously, was instrumental in looking at those submissions and making assessments of them and assessments of the requests made—in those submissions—of government. The government considered those submissions at length, because they were indeed lengthy and complex submissions, and came to the view that it was not necessary for the government to provide exit programs for tobacco growers, either in Victoria or in Queensland.

The basis for that decision in Victoria, which I know is understandably of less interest to you, was partly due to the interventions of Minister Truss and Minister Anderson. Tobacco manufacturers BATA and Philip Morris—and Philip Morris is the second largest manufacturer in Australia—actually agreed, as far as the Victorian growers were concerned, to maintain quantity and, in fact, improve price slightly. So the Victorian growers ended up in a better contractual position with the manufacturers than they had been in for some years. Clearly there was a totally viable industry in Victoria and, therefore, no need whatsoever for any sort of Commonwealth intervention in terms of exit strategy.

In Queensland, the government again decided that there was no need for a buy-out package—for largely two reasons. One is again following the intervention of Minister Truss and Minister Anderson. The tobacco manufacturers did improve their offer of quantity of leaf to be purchased from Queensland. This improved offer to Queensland growers, whilst not maintaining the previous level, was nevertheless a reasonable level to continue the industry. Also the government believed that there was considerable potential under the government's Sustainable Regions Program for tobacco growers to possibly diversify and to certainly benefit from that stronger regions program that Minister Anderson had announced around that time. So the manufacturers were prepared to buy a significant quantity of well over two million kilograms of tobacco from Queensland and pay a reasonable price for it. On top of that, there was the new government Sustainable Regions Program that also offered an alternative source of income—hopefully to people who are currently tobacco growers.

**Senator McLUCAS**—Dr Samson, you are aware that there have been discussions between the Mareeba Shire Council, the Queensland Tobacco and Marketing Board, and Minister Anderson's and Minister Truss's offices about that issue of there being a broader regional concern of the whole of the Atherton Tablelands, and a more direct concern about the tobacco industry. Whilst the direct concern about the tobacco industry is part of a bigger picture, I understand there was general agreement, though, that these concerns were two separate issues and they needed to be dealt with separately. Thus the Mareeba Shire Council took on the responsibility of applying for the stronger regions money.

**Dr Samson**—I was actually present at a meeting with the Deputy Prime Minister, the Mareeba Shire Council and representatives of the tobacco growers, where quite the opposite impression was given—that it is part of a holistic attempt on the part of the government to assist that region and, as an integral part of that process, the issue of tobacco growing should be addressed. In fact, I think the chairman of the tobacco growers co-op was invited to be part of the mayoral group that is looking at the stronger regions package.

**Senator McLUCAS**—Given the time, I may have to put some of these questions on notice, but I understand that early in January 2001 there was a meeting between the Queensland Tobacco and Marketing Board, you, Mr Kelly and KPMG, who had been contracted by QTM to develop their submission to government.

**Dr Samson**—Correct.

**Senator McLUCAS**—So AFFA was very much part of the development of the terms of reference, the methodology and the structure of that document before it came to the government?

**Dr Samson**—In the sense that our advice was sought, as it was indeed by the Victorian growers, as to AFFA's opinion about what areas of the industry the government would be looking to get information about and the best way to make the submission to government comprehensive so that when government received it it was not deficient in any crucial way. We were very much offering an opinion on what might usefully be the format and content in terms of headings. We were not in any way giving any guidance as to the arguments that the industry would want to put forward.

**Senator McLUCAS**—Finally, you have made the comment that, through intervention by ministers Truss and Anderson, both Philip Morris and BATA were encouraged to increase their purchase out of the MDIA. That is up from zero to one million kilograms each. Given that the average production of that area is about five million kilograms, do you consider that that is a viable industry for that region?

**Dr Samson**—The issue there, to some extent, is what are the base figures that you work from. In fact, the industry has been viable, and comfortably so, at production levels of 3½ million. The five million that you refer to is actually a historical figure. There is a view, that some people would disagree with, that with some increases in efficiency the industry can be sustainable at lower levels. In essence, what the Queensland growers wished to do was maintain the status quo and have the same number of growers produce the same quantity and get the same price. Now there are two other options: a smaller number of growers can grow the same quantity they always have or you can have the same number of growers each of whom produces a slightly smaller quantity but, due to increased efficiencies in the process, can still have a viable industry. That is the range of options on which people have different views.

**Senator McLUCAS**—Is it correct that the offer from BATA for one million kilograms is for 2002?

**Dr Samson**—Yes.

**Senator McLUCAS**—Is there an ongoing commitment to purchase tobacco out of the MDIA past 2002?

**Dr Samson**—Again, I would have to check this, but the wording is along the lines that there is no guarantee for the same amount and the same price. I think there is a clear intention to continue to purchase tobacco from the area, but I suspect the manufacturers will enter into negotiations with the growers on an annual basis in relation to quantity and price.

**Senator McLUCAS**—Thank you very much.

**CHAIR**—Thank you very much, Senator McLucas. I think you are going to put the rest of your questions on notice. I appreciate that. Thank you very much. That completes that section of the estimates concerning agricultural industries.

**Mr Sutton**—Chair, just before you close, could I make two quick corrections to comments that I made?

**CHAIR**—Please do.

**Mr Sutton**—One was in response to a question from Senator O'Brien in relation to the extent to which AFFA is involved in consultations on dairy regional assistance projects. I am advised by Mr Williamson that indeed we are consulted at a very general level in relation to projects that come forward for consideration but clearly not at the level of making judgments about the commercial viability of these projects. We supply general information on market situations and prospects but without knowledge of the commercial realities. So I would like to correct that we do indeed offer some general comments on regional adjustment packages.

The second was in relation to Senator McLucas's comments about the dairy exit package. We have circulated a page. It was prepared by Centrelink, and I am afraid it is not easy to read. It will be easier if I circulate yet another four pages provided to us by Centrelink which will give you a more complete set of figures. I also elaborate that it is a program for which funding is provided to this department, appropriation is through this department. It is actually delivered by Centrelink but it is an AFFA program.

**CHAIR**—Thank you.

**Senator O'Brien**—Mr Sutton, could you supply, on notice, details of consultation about the King Island UHT plant insofar as AFFA is concerned? What was asked and what was answered?

**Mr Sutton**—Yes. We will check our records.

**CHAIR**—Thank you, Mr Sutton, and thank you to the relevant officers at the table. Thank you very much, Senator Troeth.

**Proceedings suspended from 4.05 p.m. to 4.20 p.m.**

**ACTING CHAIR (Senator McGauran)**—I think we can start without Senator Ian Macdonald, the minister at the table. The committee resumes at item C: food. Are there any questions?

**Senator O'Brien**—In the 2001-02 PBS on page 26 in the box marked 'Food' you had the price at \$14.756 million, the department at \$13.583 million and admin at \$4.120 million, but in the additional PBS the numbers changed to \$16.137 million, \$15.666 million and \$4.859 million respectively. Could you explain the reasons for the variation in these numbers?

**Mr Wonder**—Senator, were you just comparing then, as you were earlier, the numbers in the PBS and the additional estimates? Sorry to repeat you, but we are looking at page 26 of the original PBS and the numbers there and then page 9 of the additional estimates and the numbers under item 4 there; is that correct?

**Senator O'Brien**—That is right.

**ACTING CHAIR**—Welcome, Minister.

**Ms Clarke**—I think those changes reflect the fact that the Horticulture and Wine Branch has moved into the food business group since 1 July this year.

**Senator O'Brien**—Does that totally explain all the differences?

**Ms Clarke**—I am just trying to think of the numbers, but it is probably close to \$1.4 million.

**Mr Wonder**—Senator, as I think we indicated earlier, we will have a look and if that is not the case then we will provide you with further information.

**Senator O'BRIEN**—Thank you. If that is the case then horticulture has brought with it about \$1.1 million in appropriation for the department.

**Ms Clarke**—That would be correct. There would be the citrus market development program, which would be about \$700,000 this financial year and I think there would be something less than that in admin funds.

**Senator O'BRIEN**—The difference in admin is about \$739,000.

**Ms Clarke**—Yes, that would be about right.

**Senator O'BRIEN**—That would be explained by Horticulture.

**Ms Clarke**—Yes.

**Senator O'BRIEN**—Okay. The new food industries program has funding of \$21.7 million over five years. Is that still the case?

**Ms Clarke**—The New Industries Development Program?

**Senator O'BRIEN**—Yes.

**Ms Clarke**—There was some adjustment to the funding as a result of the savings offered up for the national food industry strategy. That would be \$0.3 million in the next three financial years, so I think a total of \$1.3 million in savings were offered up in the New Industries Development Program, but it does not impact on this financial year.

**Senator O'BRIEN**—Can you give us the out years figures on notice?

**Ms Clarke**—We certainly can.

**Senator O'BRIEN**—I want to ask some general questions about the national food strategy and then go to the specifics of the items in the additional PBS. Firstly, there is the \$3 million allocated for the national food industry strategy over two years. Where is the development of that strategy up to at the moment?

**Ms Clarke**—The development of the strategy is largely complete. It went to cabinet before Christmas. We are now in the implementation and design stage of the strategy and it will come into effect on 1 July next financial year.

**Senator O'BRIEN**—The 2002-03 financial year?

**Ms Clarke**—Yes, that is correct.

**Senator O'BRIEN**—How much of the \$3 million allocated to the strategy has been spent for this year?

**Mr Mortimer**—The funding of \$3 million was spread over two financial years. I would need to come back to you on the detail of what remains unspent in the financial year 2001-02. The funds have been spent on accommodation of staffing, consultancies, consultations et cetera.

**Senator O'BRIEN**—What consultancies have been let?

**Mr Mortimer**—There is a number—some of them are referenced in the annual report and they are visible there. There are also some others this financial year. Probably it would be best if we took that on notice to provide a comprehensive list.

**Senator O'BRIEN**—Is it fair to say that there is a comprehensive strategy which has been adopted by cabinet on this issue?

**Mr Mortimer**—The government announced the strategy on 28 September and there is a press release which is available which sets out the detail of the food industry strategy and we can make that available to you.

**Senator O'BRIEN**—That sets out the full detail of the strategy, does it?

**Mr Mortimer**—It sets out the framework of the strategy. It sets out the key elements. It lists the total expenditure and the strategy that the government agreed, the different areas of activity and program initiatives, and also the establishment of a new food industry council to assist the government in setting strategic directions for the food industry.

**Senator O'BRIEN**—How does this approach take forward the work done by Supermarket to Asia Council and various government agencies such as Austrade?

**Mr Mortimer**—The food industry strategy varies from Supermarket to Asia Council in being globally focused and actually dealing with the issue of globalisation in the food industry as a totality. The strategy has a number of elements including some relating to trade and market development, and we expect that Austrade would have a role in those parts of the strategy that deal with international food trade and the proposed market entry strategy.

**Senator O'BRIEN**—So Austrade's role is limited from what it was but still there is an involvement subject to the description you just put to it?

**Mr Mortimer**—No, I wouldn't say that Austrade's role is limited in any shape or form. Austrade will continue to do the things that it does, but Austrade will be a partner in any new activities that are initiated under those parts of the food industry strategy that relate to trade.

**Senator O'BRIEN**—So how is this framework better than the old framework?

**Mr Mortimer**—This framework is more broadly encompassing. It is not focused specifically on Asia. It takes a global perspective. It also is looking to engage Australia in new developments in international food industry through specifically dealing with innovations, science and technology, the food market entry strategy, better business environment which has initiatives for supply chain management and also environmental sustainability.

**Senator O'BRIEN**—Does that mean that the Supermarket to Asia structure was static and not able to meet the demand of a changing global market or was its limitation that it was focused on Asia too much?

**Mr Mortimer**—I will just comment. The Supermarket to Asia initiative was focused on Asia but Ms Clarke might be able to expand on that.

**Ms Clarke**—The Supermarket to Asia Council recognised that there are a number of structural changes under way in the global food industry. A good example would be a number of the European retailers who are now moving into Asian markets. It is simply not good enough now for Australian firms simply to take a position into Asia; they need to take a global position. In that sense, because of those structural changes, the council was very much of the view that there was a need to take a global perspective on the trade opportunities that needed to be pursued.

**Senator O'BRIEN**—Is there a final report on the Supermarket to Asia Council's work? Mr Mortimer, I think you told us last time that a final report on this program was due before Christmas.

**Mr Mortimer**—No, no. I was talking at that stage about the final report of the National Food Industry Advisory Committee, which report formed the basis for the national food industry strategy. That report has been done and has provided the basis for the cabinet submission on which the government took its decisions.

**Senator O'BRIEN**—Has that report been publicly released?

**Mr Mortimer**—No, it has not yet, Senator.

**Senator O'BRIEN**—Can the committee be supplied with a copy? Can you take that on notice?

**Mr Mortimer**—We will take that on notice and ask the minister's advice.

**Senator O'BRIEN**—Yes. Going to new initiatives, the first is funding for the food market development program of Australian anticipation in international food standards-setting bodies. This money is to fund a market entry strategy to provide an integrated approach to market access and trade development information. How are these matters currently addressed?

**Ms Clarke**—Austrade already has a food unit that puts a considerable amount of effort into expanding food trade, as do the state governments. One of the issues that the council and the government recognise is that there needs to be more coordination between what is happening at the Commonwealth level through Austrade and what is happening through the various state food councils. What we have done here in terms of the market development program is to provide \$1 million a year, which will be very much about funding projects which are jointly agreed between Austrade, ourselves and state governments, focused on particular priority markets.

**Senator O'BRIEN**—How is Austrade funded at the moment?

**Ms Clarke**—There is a mix of funding. Some of it is cost recovery and some of it is budget funded.

**Senator O'BRIEN**—Out of Foreign Affairs and Trade?

**Ms Clarke**—It is attached to that portfolio, yes.

**Senator O'BRIEN**—So the funding for this food market development program will now come from AFFA?

**Ms Clarke**—Yes, but it will be done in conjunction with Austrade and the states. It may be that we actually subcontract Austrade to undertake the activities that we all jointly agree.

**Senator O'BRIEN**—But, instead of the money coming from Austrade's previous sources, some will come from AFFA now?

**Ms Clarke**—Yes.

**Senator O'BRIEN**—How much?

**Ms Clarke**—The \$1 million a year to fund the market development program is currently in the AFFA portfolio. How that is to be spent will be agreed between ourselves, Austrade and the states.

**Senator O'BRIEN**—Do you know if money has been transferred from the Foreign Affairs and Trade budget to AFFA's?

**Ms Clarke**—The money was never in the foreign affairs portfolio. It is effectively new money.

**Senator O'BRIEN**—Okay. New money is coming in at AFFA: you are talking about the \$1 million now?

**Ms Clarke**—The new money is attached to the AFFA portfolio, beginning next financial year.

**Senator O'BRIEN**—To the extent that Austrade did this work before, they were funded either by user-pays principles or by Foreign Affairs and Trade?

**Ms Clarke**—Yes. Austrade has its own separate budget, and it comes within the DFAT portfolio. They will still have their money that they currently get to run their food initiatives. We see this very much as additionality.

**Senator O'BRIEN**—So these initiatives were not attended to before, and therefore the money is being provided to do this new work?

**Ms Clarke**—To do extra, yes.

**Senator O'BRIEN**—It follows then, doesn't it, that whatever methods were used to address these matters previously, they were deemed to be inadequate?

**Ms Clarke**—No. I do not think that is the case. One of the concerns particularly at the Commonwealth level—and Austrade and we share this concern—is that a number of state governments run their own export initiatives and they are not necessarily as well coordinated as they might be. I guess the view was that, if we had some additional resource, we could use that as leverage to get the states around the table with Austrade and AFFA at the Commonwealth level, to explore a number of joint initiatives. So we actually determine what the initiatives are in advance.

**Senator O'BRIEN**—Are they initiatives in food market development programs?

**Ms Clarke**—Yes.

**Senator O'BRIEN**—Which states are currently spending money in this field?

**Ms Clarke**—I think most of the states would be expending money on some form of export market development in the food sector.

**Senator O'BRIEN**—Would you expect their expenditure to diminish or this simply to build on that?

**Ms Clarke**—I think this would build on it. The states already have some money available and sometimes we are pursuing the same market, so hopefully by getting some critical mass in funding we will be able to have a more targeted national effort.

**Senator O'BRIEN**—When you say an 'integrated approach to market access', do you mean integrating the states?

**Ms Clarke**—Yes, integrated with the states.

**Senator O'BRIEN**—What are the market entry strategies that are currently in place?

**Ms Clarke**—Austrade has its own program, which it determines in conjunction with an industry advisory panel, so it has its own priorities. Supermarket to Asia is also currently pursuing some market entry strategies into particular markets in conjunction with some of the state governments.

**Senator O'BRIEN**—So Austrade has its own programs and Supermarket to Asia will be replaced with the National Food Industry Strategy. How will Austrade fit into the new approach? How do you marry their priorities with the priorities of the National Food Industry Strategy and the bringing together of the states? Will they be brought into it by virtue of additional funding and more money from the states towards Austrade or some other method?

**Ms Clarke**—I cannot say what the states will do. We do have a close working relationship with the states, as do Austrade. We have a very close working relationship with Austrade and sometimes we do some joint initiatives. This will just allow us to do more initiatives.

**Senator O'BRIEN**—Does AQIS currently play any role in this field? How will they fit into this new approach?

**Ms Clarke**—AQIS currently receive some resources under the Technical Market Access Program. There is currently an AQIS councillor in Tokyo and one in Seoul, and under the new arrangements there is some funding for an additional position in China. That has always been a key component of the food strategy into Asia.

**Senator O'BRIEN**—Can you elaborate on their role? I take it that it is to do with market access.

**Ms Clarke**—They negotiate to remove technical barriers to trade. Generally speaking, those technical barriers are prioritised through a range of industry consultative committees. In horticulture, for example, the industry will get together, determine what its priorities are and then those are fed into AQIS. They will need to be judged against what the best priorities are depending on what the opportunities are in those particular markets but they are prioritised by industry.

**Senator O'BRIEN**—You would not expect there to be change in Seoul or Tokyo but obviously there is a new post. Did you say it was in Beijing?

**Ms Clarke**—The decision as to where it is going to be has not been made yet but there will be someone put into China. I think it is an issue for Biosecurity Australia and AQIS to make a decision about whether the Seoul and Tokyo posts carry on in their current form.

**Senator O'BRIEN**—So who will control it—Biosecurity Australia or AQIS?

**Ms Clarke**—Biosecurity Australia, I think, has the lead role of managing that particular component of the strategy.

**Senator O'BRIEN**—What role will DFAT play now? How will it fit into this new approach?

**Ms Clarke**—DFAT have responsibility for market access. We, the states and industry will be working closely with DFAT to make sure that we have a more coordinated approach to market entry. It is proposed there will be a trade committee, which will have industry and government representatives on it, and that will be responsible for establishing market access priorities. DFAT will manage or provide the secretariat for that committee.

**Senator O'BRIEN**—How will the membership of that committee be determined?

**Ms Clarke**—By DFAT and in consultation with us and Austrade, I would expect. We have already had some initial discussions with them.

**Senator O'BRIEN**—What about the industry component?

**Ms Clarke**—The industry presumably will be asked to nominate some representatives. The final details and how that might happen have not been fully thought through yet.

**Senator O'BRIEN**—Do you know whether the trade committee will have a secretariat and/or resources of its own or whether it will be serviced by the department?

**Ms Clarke**—It will be serviced by the Department of Foreign Affairs and Trade. There are no new resources but that department already has resources for food trade issues.

**Senator O'BRIEN**—Will DFAT take the running, as it were, on seeing that committee up?

**Ms Clarke**—Yes. They have been consulting closely with us as they work through this process.

**Senator O'BRIEN**—Will the Supermarket to Asia Council simply be disbanded or will it be rolled into the new food industry council?

**Ms Clarke**—The current council runs until 30 June. It is likely to be disbanded. At this stage it is proposed that similar arrangements will be put in place with the national food industry council. The membership will obviously need to be renewed.

**Senator O'BRIEN**—So on 30 June the Supermarket to Asia Council will cease to exist?

**Ms Clarke**—Yes.

**Senator O'BRIEN**—And there will be other appointments, whether they be people from that or people outside that group—it will be a clean break between the two?

**Ms Clarke**—Yes, that is correct.

**Senator BUCKLAND**—What costs are involved in making that clean break from one to another, and what costs are involved in advising the industry of what you are doing?

**Ms Clarke**—There is effectively no additional cost. The Supermarket to Asia Council has a budget until 30 June. We are working closely with them in terms of the implementation arrangements so that we get their input. I guess in that sense there is close consultation with industry. The transition to the new council from 1 July will essentially be seamless.

**Senator BUCKLAND**—Presumably, though, you would have to notify the industry. There would have to be some campaign to let them know about that change.

**Ms Clarke**—The industry has been involved in this whole process through the development of the strategy. We have ongoing consultation with the industry. I think they are well aware of what is happening. There is obviously a wider issue of much broader consultation so that you reach regional Australia and some people who may not be in the loop. There will certainly be a communication strategy as part of the new National Food Industry Strategy.

**Senator O'BRIEN**—I turn to the expansion of the Technical Market Access Program. Can you tell me where we currently have AFFA councillors located and exactly how this money will be used?

**Ms Clarke**—The Technical Market Access Program is currently managed by Biosecurity Australia. It may be best to ask them those questions. I know where the councillors currently are, but that is about as far as my knowledge goes, Senator.

**Mr Wonder**—The Technical Market Access Program is described on page 17. If you wanted to get more detail than what you have already asked, I would propose that, in the market access and biosecurity segment of our program, which is the next part of the program, it would be appropriate to pursue that further there.

**Senator O'BRIEN**—I suppose I was confused because it is under the heading 'Food processing and through chain development' in the PBS.

**Mr Wonder**—That is a fair comment—it has as much to do with our presentation as anything else—but the reality is that, because it is actually a market access feature of the National Food Industry Strategy, the officers best positioned to answer any detailed questions you have about it are from our Market access and biosecurity output.

[4.46 p.m.]

**ACTING CHAIR**—We will move then to the next output, Market access and biosecurity.

**Senator O'BRIEN**—Dr Gebbie, I am not sure if you have heard the preceding session where I was asking some questions about the National Food Industry Strategy and the Technical Market Access Program. You were put in the frame, as it were—I think it was your section anyway. With respect to the expansion of the Technical Market Access Program, which is described on page 17 of the additional PBS, can the committee be advised where we currently have AFFA councillors located and exactly how this \$3.3 million over the next two financial years and \$3.4 million in 2004-05 will be used.

**Dr Hearn**—These funds that you refer to are specifically used for two overseas technical posts: one is based in Tokyo and the other is in Seoul, Korea. In broad terms the functions of these two offices are threefold. The first is to help facilitate day to day technical trading matters that arise in a typical trading environment—matters of impediments which may come up of a technical nature that would, for example, hold up shipments due to misunderstandings or even matters relating to technical aspects of labelling et cetera. The second is to help improve technical understanding—between those two countries specifically but also more broadly. Officers have an ambit to travel and address issues in other parts of Asia within their particular areas to pick up some of the more general misunderstandings that may occur of a technical nature. The third is to address matters of how we can help to get improved understanding—not so much with Japan but with some of the less developed countries in the region—on issues of capacity building, training, exchanges of technical officers and so on. So it is quite a wide range of responsibilities they hold.

**Senator O'BRIEN**—What additional facilities, services and resources will this \$10 million over the coming three financial years provide, over and above that which is currently provided?

**Dr Hearn**—As I said, it will continue the programs.

**Senator O'BRIEN**—I do not want to know about the continuation. I want to know what additional you will have.

**Dr Hearn**—One additional post is to be established, and that is a post which will be set up in Beijing, along similar lines to that which I have just described for Tokyo and Seoul. There is, I believe, a strong wish for this post to be set up for technical reasons, and commercial parties have also indicated that there is a need for this to be done. With China now a member of the WTO and all that goes with that, the requirement for this post has become even more imminent. So that will be set up very shortly and we have started procedures to establish that post.

**Senator O'BRIEN**—I am referring to page 17 of the additional estimates statement.

**Dr Hearn**—Yes, I have that in front of me.

**Senator O'BRIEN**—How much of that money will be allocated to the establishment and running of the Beijing post?

**Dr Hearn**—I will get you the precise number but I can give you a broad indication that typically a post of that nature would cost somewhere between half a million dollars and perhaps up to three-quarters of a million dollars a year. I will have to get you a more precise number than that but those are the sorts of numbers that would come out on a post like that.

**Senator O'BRIEN**—How much of the money referred to on page 17 of the additional estimates statements will go to continuation of the existing facilities in Seoul and Tokyo?

**Dr Hearn**—Similar sums would be there for the actual postings and the appointment of the officers. A lot of the variation that will come in there depends, to some extent, on how much they are required to travel and those sorts of variables. Some of that is not totally predictable here; we have to take some fairly broad indications on the basis of previous experience.

**Senator O'BRIEN**—What, historically, have those postings cost to run?

**Dr Hearn**—I can get that number for you very shortly. The other point that I have omitted to mention is that included in those numbers also is some support here for those posts—technical and professional support that is given from headquarters to the posts overseas.

**Senator O'BRIEN**—Can you give us a number for that as well?

**Dr Hearn**—I will get you those numbers.

**Senator O'BRIEN**—How much of the moneys referred to on page 17 of the additional estimates statement will go to providing resources for export market development and management?

**Dr Hearn**—Under the technical market access area, all of it goes into that. We see the technical market access as being for market development management.

**Senator O'BRIEN**—Let us take out the three overseas postings and the money that is provided to support them, which has to be spent here. We have a residual amount of money. Other than those facilities, how much of the money referred to on page 17 of the PBS goes towards resources for export market development?

**Dr Hearn**—All of it. The rest will go for that purpose.

**Senator O'BRIEN**—So, when you have devised those figures, we will be able to subtract them from the moneys referred to here and all of it will be provided for that measure—that is, providing resources for export market development and management.

**Dr Hearn**—That is correct. Yes. The numbers I have given you are very specific to the particular appointments but they have not picked up some of the other overhead costs and so on. I am talking about having the individuals in those particular locations when I refer to half a million dollars to three-quarters of a million dollars. I will reconcile those numbers for you, quite definitely, but if what you are saying is that there appears to be some disparity between those numbers then we will clear that up for you.

**Senator O'BRIEN**—I am simply trying to understand them.

**Dr Hearn**—Absolutely. But my answer to you is that all of the funds will be spent on those purposes, and we have a breakdown of how we intend to spend those funds.

**Senator O'BRIEN**—So a substantial component of this funding is to continue services that are currently provided.

**Dr Hearn**—To continue and, as I say, to enhance also—to build on experience and to enhance.

**Senator O'BRIEN**—That, of course, does not include a facility in Beijing, if and when that is established.

**Dr Hearn**—That will be established, and these funds do include that.

**Senator O'BRIEN**—When will it be established?

**Dr Hearn**—We expect to have an officer ready to go there by the middle of this year. We have started the process of advertising for suitably qualified people to apply for the position.

**Senator O'BRIEN**—What work will be done, and where will the work be done, to ensure that Australian firms are able to meet and maintain import standards established in other countries.

**Dr Hearn**—The feedback these officers have provided since they were first appointed in Seoul and Tokyo has certainly been much appreciated by exporting firms thus far. One of the advantages we have here is that they are on the spot and can give immediate feedback. That feedback is conveyed directly to Australian firms so that some of those trade impediments that emerge from misunderstandings either way—either in Australia or in the country that is regulating the imports—can be cleared up and hopefully avoided, so that we do not have hold-ups to shipments and those sorts of things which cause anxiety in the trade from time to time.

**Senator O'BRIEN**—We are talking about South Korea and Japan with those two officers. What about the rest of the world?

**Dr Hearn**—The rest of Asia?

**Senator O'BRIEN**—No: the rest of the world.

**Dr Hearn**—We do have quarantine officials posted in Washington, a quarantine official in Brussels and three agricultural policy officers seconded to Foreign Affairs and Trade in other posts—one in Brussels, one in Washington, one in Paris. That is all, I believe.

**Senator O'BRIEN**—Will some of these moneys go towards the funding for those positions?

**Dr Hearn**—No. I do not mean to mislead you on those other officers. You asked a question about the wider world. I am saying we as a department do cater for that. This program here is very specific to what we were discussing before that question, which is Seoul, Tokyo and now Beijing. Those officers do in fact have responsibility in other markets in Asia. The other officers I referred to—

**Senator O'BRIEN**—So this is an Asian focused initiative.

**Dr Hearn**—Very much so.

**Senator O'BRIEN**—So this is unconnected with the initiative on page 16 of the additional estimates statement.

**Dr Hearn**—Yes. It is a separate aspect of it. It is part of the overall Supermarket to Asia settings, but this is a separate subcomponent of it. So in that sense it is unrelated.

**Senator O'BRIEN**—But in that case Supermarket to Asia is ending. We were just told that this is about an integrated market approach which is going beyond Asia.

**Mr Wonder**—That is correct. When Ms Clarke was here answering questions for the Food output she indicated that that, as you point out, is the case. In relation to the Technical Market Access Program the officers Dr Hearn has referred to reflect the particular requirements of the judgements that have been made as to where Australia can get best value with respect to the location of those officers. He also pointed out that those officers in Beijing, when the position is established, Seoul and Tokyo are complemented by a much wider range of agricultural counsellors around the world. We believe that when you take both of those into account it will reflect the wider National Food Industry Strategy requirement that Ms Clarke referred to.

**Senator O'BRIEN**—I understand that, but I was being taken back into an Asian approach by Dr Hearn. I just wanted to understand whether this funding was to do with an Asian approach only. It appears that that is where the money is going rather than into these other posts.

**Dr Hearn**—Yes, it is.

**Mr Wonder**—In this particular aspect, that is correct.

**Senator O'BRIEN**—So it is not to be understood to be connected with the integrated food marketing strategy that we are looking at with the measure on page 16?

**Mr Wonder**—That is correct, but I just wanted to add that there would be departments or other offices overseas that Dr Hearn referred to. Any such issues relating to technical aspects of access and the like are met by either the AQIS offices that are located in those overseas locations or, alternatively, the agricultural counsellors that we have in our overseas network as well. We would argue that, at the end of the day, whatever country you care to choose, there would be potentially some aspect of technical market access that we may have to pursue. We have several ways of meeting the requirement: either, in Asian countries, through this particular initiative or through the other networks that we have, that is, the AQIS offices in other locations or agricultural counsellors that we have in other locations.

**Senator O'BRIEN**—And they come from existing recurrent funding and not this measure?

**Mr Wonder**—Yes, they do come from current funding.

**Senator O'BRIEN**—In relation to the PBS—we have this question in relation to other areas—on page 26 in the box labelled 'Market access and biosecurity' you have price at \$28.541 million, the department at \$26.174 million and administration at \$9.74 million. But in the additional PBS on page 9 the numbers are \$27.348 million, \$26.350 million and \$10.363 million. I want an explanation of the variations between those two sets of numbers?

**Mr Wonder**—We will have to take that on notice. I note that the numbers in this instance are quite close, with administration expenditure of \$10.3 million versus \$9.7 million, departmental of \$26.2 million versus \$26.3 million and the price of \$28.5 million versus \$27.3 million. We just do not have a major reason in our minds but we will reconcile it for you.

**Senator O'BRIEN**—Thank you. I am sure you can explain it all, given a chance. On the question of trade policy and, particularly, quarantine and export services, I placed a number of questions on notice regarding the work done by this department and the briefing you provided to Mr Truss in relation to the US Farm Bill which is currently before the US Senate—questions 12 to 15 for the Senate. I thought you might be able to address at least some of the issues raised in those questions now. I can draw them to your attention if you do not have

raised in those questions now. I can draw them to your attention if you do not have them handy.

**Dr Hearn**—I do have them.

**Senator O'BRIEN**—Would you like to run through them?

**Dr Hearn**—Yes, we will run through them quickly, and Dr Gebbie will perhaps also help here as well.

**Senator O'BRIEN**—I can ask them again if you like, Minister?

**Senator Ian Macdonald**—I was just inquiring as to whether they have been signed off by the minister. The answer is that they have not been so they will not be given here. The officer has said that he was going to talk generally around them, if that is of any use to you. I assume they are in the process of going through the minister's office and that you should not have long to wait.

**Senator O'BRIEN**—Their return is imminent, I would have thought.

**Dr Hearn**—They should be with you very shortly.

**Senator O'BRIEN**—So they are with the minister now?

**Dr Hearn**—Yes.

**Senator Ian Macdonald**—I am sure there is no problem with them. It is just the slight problem of you two knowing what you are talking about and the rest of the committee not knowing. As I say, it has been a sensitive issue. I think the farm bill is all over now, isn't it?

**Dr Hearn**—No, it is not over by a long chalk, but it is moving forward.

**Senator Ian Macdonald**—It is a sensitive issue and it might just be important to have the minister sign off on some of the answers before they are given here.

**Senator O'BRIEN**—Dr Hearn, perhaps you could explain for us the relevance of quarantine policy to our discussions with the United States about the US farm bill.

**Dr Hearn**—The US farm bill itself does not specifically address quarantine policy. The coverage in the US farm bill is much more about domestic support to the United States farmers, through price supports, target prices, deficiency type payments and other aspects which we consider to be very distortionary in our trade terms. But the quarantine policy with the United States is not a matter that has a big mention at all in the farm bill.

**Senator O'BRIEN**—How is quarantine policy relevant to trade policy?

**Dr Hearn**—How does it relate to trade policy?

**Senator O'BRIEN**—Yes.

**Dr Hearn**—Quarantine policy is based, under the biosecurity arrangements that we have agreed in the SPS and in our own national policies, purely on science.

**Senator O'BRIEN**—Australia and the US are signatories to the SPS agreement?

**Dr Hearn**—Correct.

**Senator O'BRIEN**—I raise that because it has been in the news that certain US officials have raised the issue of our quarantine policy in relation to trade policy and I wondered what the connection was.

**Dr Hearn**—There is no connection, other than that sometimes countries suggest to each other—and in some instances the United States has suggested—that, when they do not necessarily get the results that they want in quarantine policy, there are other motives behind it. We reject those suggestions utterly and we believe we can demonstrate that to be incorrect. It does not always stop people from saying it.

**Senator O'BRIEN**—What is the current status of the US farm bill? When is it due back before the US Senate?

**Dr Hearn**—The Senate bill and the Reps bill have both now been passed and they go to a conference of the Reps and Senate, with the administration participating. We expect that conference of the two houses to start on 25 February.

**Senator O'BRIEN**—There has been a fair amount of public comment about the importance of the measures contained within that bill to some of the commodities traded by Australia. Which are the most important commodities, as far as Australia is concerned, that are subject to additional measures under the legislation currently before the US chambers?

**Dr Hearn**—There are a number that I could mention, but the two that stand out most are sugar and dairy. We could also mention cotton and to a lesser extent soya bean. Dairy and sugar are very much the focus, but by no means the only ones. It is a very wide-ranging bill, particularly in the area of cropping, across the range of the cropping sectors.

**Senator O'BRIEN**—Do you have any idea how much sugar we would sell into the US market?

**Dr Hearn**—It is a readily available figure but I do not have it at my fingertips.

**Senator O'BRIEN**—We will pursue this in another format at another time. Could you update the committee on where the import risk assessments are for fresh chicken meat, firstly.

**Dr Hearn**—I might ask Dr Banks to answer that.

**Dr Banks**—We commenced the import risk analysis in December 1998. We released an issues paper in July 2001 and we are currently working on the full risk assessment at the moment.

**Senator O'BRIEN**—Is it routine or non-routine?

**Dr Banks**—Non-routine.

**Senator O'BRIEN**—When do you expect that process to be completed? What is the timetable for the steps from now?

**Dr Banks**—I am reluctant to provide time lines, Senator.

**Senator O'BRIEN**—Why?

**Dr Banks**—Because it is extremely difficult to estimate how long it takes. The risk analysis panel in fact have suggested that they feel it is inappropriate to give time lines. Very often the risk analyses are based on the results of research which we have to commission and that is very much out of our control. So we have learnt the hard way perhaps that it is better not to give hard and fast time lines.

**Senator O'BRIEN**—So the panel is established?

**Dr Banks**—Yes.

**Senator O'BRIEN**—Could you supply us with details of who is on the panel and what they represent on notice.

**Dr Banks**—The panel is not representative, Senator—it is based on their expertise.

**Senator O'BRIEN**—What science or specialisation they represent would have been a better way of putting it.

**Dr Banks**—Do you want that now?

**Senator O'BRIEN**—On notice will be fine, if that is convenient. So there is no deadline for their report?

**Dr Banks**—No.

**Senator O'BRIEN**—When they do report, what is the process then?

**Dr Banks**—The risk analysis panel will put out a draft import risk analysis which will go out for wide consultation both within this country and overseas. We will then receive back comments. After that, if the comments can be readily addressed we will put them into a final import risk analysis report which will then go to the Director of Quarantine for a decision.

**Senator O'BRIEN**—Is there a standard timetable for comment, from the time that the issues paper is—

**Dr Banks**—There is. It is usually two months.

**Senator O'BRIEN**—What are the provisions to vary that? Is it a matter in the hands of the Director of Quarantine as to what the period is and whether there will be extensions?

**Dr Banks**—There have been. If an industry, for example, believes that they need a little bit of extra time, while we have said that we will not necessarily hold the process up for that, in fact we have always accepted late applications.

**Senator O'BRIEN**—I do not think you have always told people you will accept late applications—whether you have or not may be a different question. The facility is there clearly, from what you are saying, for the Director of Quarantine to effectively extend the period of time for submissions.

**Dr Banks**—The new guidelines do have a set period of time, Senator. Our concern is that if we were to say that we were prepared to accept late applications then perhaps parties with a vested interest in holding the process up would be able to extend that process by putting in very late submissions. However, if an industry or another organisation is almost there and just wants an extra few days to put an extra piece of information together, then in the past we have always accepted that.

**Senator O'BRIEN**—No doubt we will revisit that. What is happening in relation to the import risk assessment process with New Zealand apples?

**Mr Stynes**—We have come down a long road already with this and we still have some distance to go, but since we last met several stages and shifts in focus have gone. We have moved ahead.

**Senator O'BRIEN**—Could you describe what has happened since the May estimates?

**Mr Stynes**—Since the Senate inquiry was initiated in November 2000 and before the Senate came down with the interim report a number of things have happened. Obviously, there were not a lot of things said during that period because we did not want to pre-empt the report in any way. It was flagged that the process would be augmented and that the comments

that were made or submitted on the draft risk assessment would go into an inventory, which would be reviewed, and that a scientific review paper would come out subsequently. Then there would be a series of workshops held with industry around Australia before a revised draft came out. Since the interim report was tabled those steps have been formalised. A risk analysis panel was formed in August 2001.

A little after that, there was an international fire blight meeting in New Zealand, which occurs every three years. We attended and we encouraged industry to send a delegation and they sent a strong delegation to that meeting. This gave both industry and us a good opportunity to meet with the scientists who have been working in this field. In the margins of that meeting we drew together quite a lot of scientists to discuss very specific issues that we are involved in and our industry participated in that as well.

Around the same time, the membership of the RAP, the risk analysis panel, was announced. Since then we have circulated an inventory of issues that came out of comments from the initial draft risk assessment. That has been a fairly major job. There were 141 submissions in that and we have received over 3,000 comments. We have drawn them together into an inventory, which has been made public. Since the inventory was published, the risk analysis panel has been formed. It met on one occasion, looked at the process, and decided to follow the process through—to consider the inventory and to then draw the main issues out of that, which will be the subject of a series of workshops with industry around Australia. Following that, there will be a scientific review paper, which will focus on all those major issues. That will be a document for discussion again with industry and it will lead into the development of a revised draft risk assessment. That is about where it is at at the moment.

**Senator O'BRIEN**—Can you give me a time line for the steps in that process?

**Mr Stynes**—The first meeting of the panel was in February. The inventory is being looked at now. There is another meeting in early April and there is an enormous amount of work to be done. It is very hard for me to make a judgment about that. It is in the hands of the risk analysis panel now and it will really depend on how their work comes together in the first couple of meetings.

**Senator O'BRIEN**—It is now a routine risk assessment process?

**Mr Stynes**—We are following the revised process that really does not distinguish between a routine and a non-routine process. In effect the model is the old routine method where there is a risk analysis panel.

**Senator O'BRIEN**—Is that a different model to the chicken meat model or is it the same?

**Mr Stynes**—I have just been corrected here: the model that we have used is for a non-routine approach. I do not know if it is different from the chicken meat or not.

**Mr Banks**—It is the same model as the chicken meat.

**Senator O'BRIEN**—I am as confused as everyone else, I think. Could you tell us what communications are occurring with the New Zealand government that led to the New Zealand agriculture minister threatening to take Australia to the World Trade Organisation if New Zealand apples were not allowed into Australia?

**Mr Stynes**—It is not easy to determine what their motivation is, but clearly they are concerned about the length of time the risk analysis has taken. It has been raised in the SPS meetings in the margins that talk about New Zealand taking us to the WTO on these issues. The prime issue, as I understand it, is the timeliness. We have an obligation under the SPS

agreement to proceed in a ‘timely’ manner, which is not defined. But, clearly, if it takes a long time—the New Zealanders would think so, as it has already been going for about 80 years—

**Senator O’BRIEN**—There have been at least two risk assessments done, both of which rejected importation of apples from New Zealand?

**Mr Stynes**—That is correct.

**Senator O’BRIEN**—And so far there has been no reference to WTO on those assessments?

**Mr Stynes**—I think it is only in this latter risk assessment that there has been talk of that. Of the previous risk assessments, the earlier one I think was pre-SPS agreement.

**Senator O’BRIEN**—What about the process of communication with the domestic industry? Obviously you have had a significant amount in relation to the New Zealand conference.

**Mr Stynes**—Yes.

**Senator O’BRIEN**—Is that ongoing in relation to the risk assessment process?

**Mr Stynes**—It certainly is. In a sense, too, following the model for the non-routine approach, the risk analysis panel has an obligation to communicate with stakeholders. They have not as yet formalised a communication strategy but it is certainly fairly clear that they are putting great emphasis on that. A report of that first meeting, brief as it was, has been circulated as a policy memorandum to all stakeholders, and there will be open discussion. There will be some more formal meetings as well, through the workshop processes, as we get further into the analysis.

**Senator O’BRIEN**—What is happening with the import risk assessment on bananas—Philippine bananas, for example?

**Mr Stynes**—Bananas is a fairly recent analysis that was started in the middle of 2000. It is proceeding under a non-routine process as well, prior to our new process. A risk analysis panel was formed in January 2001. They established three technical working groups under that risk analysis panel; those technical working groups are working in the areas of different pests and management strategies, and they will report back to the risk analysis panel in due time. The panel itself has been fairly busy over a very short time. They visited the Philippines in August, they held workshops at eight sites around Australia in October and currently the risk analysis panel’s technical working groups have been seeking extra information from the Philippines. The information that has come back from that has been fairly mixed. We have a delegation visiting there at the moment to see if they can hasten the information flow from the Philippines.

**Senator O’BRIEN**—So do we have a line of communication with the industry in the Philippines and/or the government in the Philippines to facilitate that?

**Mr Stynes**—Yes, we have.

**Senator O’BRIEN**—How does that work?

**Mr Stynes**—Biosecurity Australia has a direct link with our counterpart agency in the Philippines, and a lot of the contact with the risk analysis panel is through our embassy and post in the Philippines.

**Senator O’BRIEN**—What is the communication process with the domestic banana industry as the import risk assessment is being worked through?

**Mr Stynes**—They are across all work that is being done by the risk analysis panel. Every report that the risk analysis panel produces is copied to industry. The Banana Growers Federation and the Queensland Fruit and Vegetable Growers Association are constantly in contact with the chair of the risk analysis panel and there is very good information flow both ways. The industry has been very good and forthcoming with information that has assisted the panel as well.

**Senator O'BRIEN**—I forgot to ask Mr Banks what the process of communication with the domestic chicken industry was in the import risk assessment.

**Mr Banks**—There is the normal formal process through the IRA activities, where they have the ability to comment on any of the documents produced or on any of the information produced. There is a very regular informal line of communication as well such that if, for example, I am in Sydney, it is commonplace for me to go and have a quick update with them. That has happened on a number of occasions.

**Senator O'BRIEN**—Okay. That is with the grower organisation, obviously.

**Mr Banks**—It is with the Australian Poultry Industry Association and the chicken growers.

**Senator O'BRIEN**—Are there communications with Biosecurity from countries seeking to export products to Australia?

**Mr Banks**—There are. They tend to be more formal in nature. If we receive a written request for an update, then we provide it, but it is less of an informal relationship.

**Senator O'BRIEN**—Which are the countries with an interest?

**Mr Banks**—For chicken meat, we are looking at the USA, Thailand, Denmark, New Zealand and Malaysia at the moment.

**Senator O'BRIEN**—Thank you. Can the committee be updated on developments in the Meat Safety Enhancement Program?

**Mr Wonder**—I believe that AQIS officers would want to answer questions relating to that program. Did you have other questions relating to market access and biosecurity or is the committee finished?

**Senator O'BRIEN**—No, I just had that question.

[5.28 p.m.]

**CHAIR**—We will now move on to the next output, Product integrity, animal and plant health.

**Mr Wonder**—While the officers are changing over, I would like to make a slight correction to the record. During Senator O'Brien's questions about the Technical Market Access Program I referred to AQIS officers under that program who are overseas. Australia does have those officers overseas, but they are not AQIS officers; they are AFFA officers. They are veterinary counsellors who belong to the output that you have just considered in market access and biosecurity. They used to be known as AQIS officers.

**Senator O'BRIEN**—But none of the funding we were referring to earlier will go into this division, will it?

**Mr Wonder**—The funding issues are the same—it is just the label that I referred to was from yesteryear in respect of them being AQIS officers. They are in fact officers who belong with the market access and biosecurity output.

**Senator McLUCAS**—What is the current situation with the outbreak of red-banded mango caterpillar on Cape York Peninsula?

**Dr Roberts**—The red-banded mango caterpillar has been detected on a number of occasions on Torres Strait Islands, but fairly recently it was picked up at Somerset, which is just south of the tip of Cape York but north of Bamaga. It is in a group of mango trees in that location at Somerset, which is an old settlement area. The status is we have considered various control and eradication options on a number of occasions. The problem with red-banded mango caterpillar is we do not know its proper life cycle, and we are missing a key piece of information: can it survive where there are no mango fruit present? The belief, from some information we have from India, is that it does survive in some form between mango fruiting seasons.

So we are trying to develop a research program to answer some basic questions about the biology of the organism. There is already a research program under way in Papua New Guinea, and we are trying to provide some additional support to speed up that work, if you like, and get more comprehensive information. We are trying to develop a pheromone trapping system. That requires a bit of work by some chemists and biochemists to work out what chemicals might attract the insect, so you can put in place a trap system that allows you to efficiently detect the organism and therefore determine where it is. The problem we have encountered on Torres Strait Islands is that on occasion we have found it and then it appears to disappear. There is no belief that it has self-eradicated; we just cannot find it. So there is a great deal of uncertainty about its extent around Somerset and, indeed, on some of the Torres Strait Islands on which we have found it before.

At the moment, we are pushing down a research and development track, if you like. We are also trying to evaluate possible eradication action. There has been a suggestion that we could use some plant hormones to suppress flowering on the mangoes there, and therefore interrupt the fruiting season and hopefully reduce the chances of survival and spread of the insect. The other suggestions have included chopping down the mango trees. There are mangoes there of 100-plus years old—and there would be some angst, I would think, associated with that—but we are evaluating that option. We are working clearly quite closely with the Queensland Department of Primary Industries on this issue.

**Senator McLUCAS**—How long do you propose that research phase will take?

**Dr Roberts**—It will probably take a couple of years to get a really good handle on the biology of the organism. We expect it may take a minimum of six months to get a pheromone system developed. That is a minimum time. It requires identifying appropriate chemicals and field trialing them before you can implement. It is a relatively modest program in terms of funding: we are probably looking at well under \$100,000 for the total R&D program. We are investigating possible funding sources as well as speaking to industry about contributing to the program.

**Senator McLUCAS**—Have you done an analysis of the potential for it to move from Somerset down into the mango growing area of the Atherton Tablelands?

**Dr Roberts**—As far as we can, given a lack of knowledge of the biology. Our belief is that insects in this sort of group are not particularly strong fliers so they would require to move

from mango to mango, if you like, in terms of their spread. Certainly there are lots of mangos up at Cape York, but we are looking at a very long time scale before natural spread from mango to mango would have it come out at somewhere like Mareeba, for example. We do have a reasonable amount of time to deal with the issue. Certainly it cannot fly thousands of kilometres or be spread on the wind that distance.

**Senator Ian Macdonald**—Could they be carted in the fruit itself if the fruit was being shipped?

**Dr Roberts**—That is an issue we have considered, and there are very tight controls on movement of mangos out of that area. The QDPI operate a roadblock system at Cowan that actually checks traffic coming through. At this time of the year I think the wet has finally hit—not quiet; it has fits and starts—and there is not a lot of traffic at this time of the year up and down the Cape. The Jardine River is being looked at. All traffic has to go across the ferry crossing to go to the very north tip. Queensland is looking at having a roadblock checking system in place there.

**Senator McLUCAS**—The other thing in our favour is that they are stringy mangos at Somerset.

**Senator Ian Macdonald**—They are stringy?

**Mr Roberts**—They are common mangos.

**Senator Ian Macdonald**—They are good for chutney. The trouble is that you get all these Victorians and New South Welshmen up there who do not understand what a good mango is.

**Senator McLUCAS**—They go through Bowen on the way.

**Senator O'BRIEN**—I have some questions in the same vein as previous ones, Mr Wonder, about pages 9 and 26, explaining the difference between those two output boxes. It is box 6 in each case, and I will not repeat the numbers.

**Mr Wonder**—Dr Murray would like to provide some information.

**Dr Murray**—If you go to page 9 that you referred to and look at the administrative expenses—

**Senator O'BRIEN**—The \$20 million?

**Dr Murray**—Yes, the fire ant additional estimate figure of \$17 million. Another component of the figure relates to additional funding of \$0.323 for animal health funding. The \$2.284 million, which is a component of the \$19.6 million which makes up the difference, relates to building a national approach to animal and plant health. That explains the difference between the figure in the PBS of \$48 million and \$68 million. As far as the other item is concerned, that is the appropriation—

**Senator O'BRIEN**—There is not a lot of difference there.

**Dr Murray**—I cannot, to be honest, give you the full details other than to say it relates to an adjustment from the actuals at the end of last fiscal year and a reallocation of projects from other outputs. We can take that on notice and give you more detail.

**Senator O'BRIEN**—Thank you. What about the price—there is 50 per cent additional?

**Dr Murray**—We have to take that one on notice.

**Senator O'BRIEN**—I want to ask about residue monitoring. Am I correct in saying that the department is seeking to review this program with the aim of reducing the level of monitoring of product destined for the domestic market, for example, chickens?

**Dr Murray**—The answer is no, but certainly we are looking at the National Residue Survey in terms of examining the objectives of the program and looking at how best the program can be repositioned in the light of a range of other activities that are going on. For example, the program as you know is a voluntary program and we need to review what the voluntary nature of that program really means: which particular industries wish to participate and at what cost. There is no intention in any shape or form to say that an industry that is participating in the NRS for largely domestic monitoring purposes will be excluded. In fact, there are advantages in the NRS applying to both export and domestic monitoring.

**Senator O'BRIEN**—I would have thought there was a case for continuing or even expanding the process, not only from a health point of view with regard to domestically consumed products such as poultry—one assumes we would get a bonus in relation to export with a continuation of that program—but also from a trade point of view. If we have a substantial body of data that shows the clean status of a whole range of products, it would be very much to our advantage in terms of exports, wouldn't it?

**Dr Murray**—Exactly. The NRS has a brand mark attached to it; it is well known internationally and nationally and there are actually a lot of calls to expand the program. What we are looking at is simply to examine the points you raise. The NRS has been about for a number of years; how should it, and its stakeholders—that is, industry—reposition itself for the future? That is the whole purpose of looking at the NRS programs and activities. As you say, the data sets that have been established over the years hold us in incredibly good stead with our trading partners. It is my judgment that one way or another the expertise we have in the NRS is probably second to none in the world.

**Senator O'BRIEN**—A strong case for enhancement rather than anything else.

**Dr Murray**—If the participating industries and new industries wish to join the NRS, yes.

**Senator O'BRIEN**—How is that funded? How much does the Commonwealth contribute to that?

**Dr Murray**—The industry funds the NRS to the tune of, I think, about \$9 million this year. The Commonwealth puts in a CSO component of about \$420,000. So it is an industry-funded program in large part.

**Senator O'BRIEN**—Are there any pressures from industry to disband the residue monitoring program?

**Dr Murray**—To the best of my knowledge, the answer is that there are no pressures to expand per se but pressures to look at the NRS program, what it can do and how it can be used to enhance consumer confidence not only overseas but within Australia.

**Senator O'BRIEN**—On another subject, what is happening with exotic disease preparedness?

**Dr Murray**—Frankly, a tremendous amount is happening.

**Senator O'BRIEN**—I would hope so.

**Dr Murray**—This largely flows from the global catastrophes associated with FMD and BSE—mad cow disease—in the last few years. Starting at the level of generality, through the

COAG process the matter of a whole of government approach to preventing, managing and following up a major FMD outbreak is being examined in some detail.

As a subcomponent of that, from a primary industries perspective, a number of committees but, in particular, the national management group have provided advice to primary industries ministers on what they need to do to enhance preparedness. There is a kind of process framework in place. But what has gone on to improve what we are doing? I could go through FMD and BSE for a couple of hours, but I will maybe highlight some items.

If we look at BSE, all states have introduced legislation to prohibit the feeding of meat and bone meal and other at-risk product. Auditing is being conducted in states and territories. The Australian Quarantine and Inspection Service have paid particular attention to this issue in terms of quarantine protocols and inspection of the barrier, and most states and territories, to the best of my knowledge, have conducted training exercises—whether they be desktop exercises or particular field exercises. At the AFFA level, we have revised our AFFA emergency plan and we have trained in the order of 100 people in emergency management procedures and processes.

**Senator O'BRIEN**—Is the revised emergency plan available to be provided to the committee?

**Dr Murray**—Do you mean the AFFA one? Yes, of course. The framework of planning is planning at the general level, with each agency having its own plan and then they are linked together. There is also a great effort going in to manage a national FMD simulation exercise in September. Emergency Management Australia is actually managing and coordinating this exercise. In a sense, that will help test a variety of communications systems and also how ready we are to meet a major emergency rather than a medium sized problem.

From an international perspective—and this is an issue that often is not emphasised—we have put a lot of effort into pre-border defence. For example, Biosecurity Australia has done assessments of the risk of product coming from Europe, where FMD existed. We work very closely in the development of international standards and particularly diagnostic testing, where we use our high security laboratory as our scientific arm to refine these scientific arrangements. We have in place arrangements to import a vaccine should the worst happens. So there are a whole series of pre-border activities.

One of the more important pre-border activities is our linkages with South-East Asia, where FMD particularly is a problem. AusAID has just funded \$800,000 for three years to provide an Australian expert based in Bangkok to keep his eye on and help coordinate FMD prevention programs. What I am really trying to say is that there is a fairly strong and integrated program to improve our ability to prevent and manage both FMD and BSE; but COAG, in addition, is closely involved in this process.

**Senator O'BRIEN**—What about measures that you have put in place to assist the veterinary profession? Are there any special plans there?

**Dr Murray**—Yes: \$10,000 has been allocated to the Cattle Council and the Australian Veterinary Association to organise a meeting to look at the provision of animal health services and decide on a way forward. In fact, that workshop will be held this Thursday in Canberra. There will be about 30 or 40 there: people from universities, industries, government. On the basis of views, the government has announced that it will provide a certain amount of money, matched by industry, to take that process forward so that a report on the future of animal

health services and a means of improving those services can be put to government and industry.

A lot of other things go on at the side. For example, in the order of 180 people from Australia went to the UK during the FMD outbreak. Most of them were vets, but there were also a lot of diagnosticians and some people from the Plague Locust Commission who are used to disease management and so on. They worked in the UK and they got tremendous raps because of their initiative and leadership qualities.

The point I am trying to make, however, is that there are now close to 200 people who have had active, first-hand experience and there are a group of people ready and available to work with us should the worst happen. At AAHL we train diagnosticians, we fund diagnostic training and there is also a small fund for practitioner training. So there are many activities which, in a sense, are coordinated by Animal Health Australia but I have just given you an indication of some of them.

**Senator O'BRIEN**—Is there any work being done on our laboratory infrastructure and the assistance that it can provide in the case of exotic disease outbreak, particularly FMD?

**Dr Murray**—Animal health laboratory infrastructure is an issue that is being looked at by Animal Health Australia. In this regard, there are a number of subcomponents of what they are going on. For example, we—that is, the Commonwealth—funded AAHL to the tune of half a million dollars to relook at FMD rapid diagnostic testing and to engage in technology transfer to state laboratories. So the issue as a whole is being looked at but there are a number of activities going on to transfer technology to state laboratories.

**Senator O'BRIEN**—In terms of the plan which the Commonwealth has developed, is that matter with the states at the moment for their consideration?

**Dr Murray**—Which plan?

**Senator O'BRIEN**—The exotic disease preparedness plan.

**Dr Murray**—The broad-based animal health plan is called the Ausvetplan and the Ausvetplan for foot-and-mouth disease is being refined in the light of experiences overseas. That refinement is being done by states and territories in conjunction with the Commonwealth.

**Senator O'BRIEN**—So that is the only plan that is being revised with the states and territories at the moment.

**Dr Murray**—No, there are many other plans being revised. I am only talking about FMD. The BSE plan is being revised with states and territories and also with the Department of Health and Ageing, because of the possible linkage to vCJD in humans.

**Senator O'BRIEN**—What are the issues with the revision of the BSE plan?

**Dr Murray**—The main issues with the revision of the BSE plan are in the light of what has happened in Japan and other countries. What action now needs to be taken if an animal with BSE is found on a farm? We have a plan at the moment—we always have had—but we need to really look at issues such as cohorts of animals and feed history. How do we assess risk in a farm? Do we need to slaughter the whole farm? Do we need to slaughter the feed cohorts that might have moved to other farms? That is a key and particularly critical issue.

Surveillance is another issue. We have surveillance arrangements in place at the moment but, should we have a case of BSE, how should we manage surveillance? How should we do

it in the context of zoning? With an issue like BSE, the scientific research puts new bits of information out every week and every month and so revision of plans really occurs on an ongoing basis. So we have a plan at the moment but we are revising it because of more recent information.

**Senator O'BRIEN**—I take it that improved animal identification is going to be critical in the future management of these exotic diseases?

**Dr Murray**—Animal identifications trace back and trace forward is particularly important, yes.

**Senator O'BRIEN**—So I take it plans for e-tagging of cattle and sheep, and some information retrieval systems to follow that through, will be critical?

**Dr Murray**—The identification of animals to enable trace back and trace forward is important for disease, for chemical residue problems—you name it. The way you go about achieving this end might vary, depending on geographical circumstances and the nature of the industry. For example, in a pastoral area where a farmer just sends his or her animal straight to an abattoir, the question is whether there is an absolute need for individual identification, as compared to a more intensive zone such as Victoria, where individual animal identification is being implemented in accordance with a very rigorous scheme. But the outcome has got to be the same, and there has got to be a national database and a facility that enables rapid trace back and trace forward.

**Senator O'BRIEN**—But even where the farmer is sending his animals straight to abattoir, if they get mixed with another lot you cannot trace them back to a particular property—as has happened with OJD for example. Trace back, trace forward: the trail sort of stops where you get to a mixed lot ending up at an abattoir.

**Dr Murray**—That is correct, and that is why the system has really got to be customised to the particular area. The objectives have got to be the same, but in my view there has got to be a level of customisation.

**Senator O'BRIEN**—Thank you, that is all I have on this particular division.

**CHAIR**—We will move on to the next section, which is AQIS.

[5.58 p.m.]

#### **Australian Quarantine and Inspection Service**

**Senator O'BRIEN**—We will start with the Meat Safety Enhancement Program, which I raised earlier. Where is the development of that program up to?

**Mr Read**—The program has not progressed significantly from the last time you asked that question, as was reported in *Hansard*. The point to make, though, is that the take-up of that program will be driven by what the export markets consider to be appropriate to meet their individual levels of protection. To progress a program that has developed on QA systems and devolution of responsibilities back to the company systems will therefore require significant work through various international forums such as SPS and Codex to provide the international standard base that allows that program to be driven forward and thereby allows companies to have an alternative system operating on plant to provide the certification product exiting that plant.

**Senator O'BRIEN**—You had previously advised that the US had accepted a modified version of that program involving the retention of one government inspector in each plant.

**Mr Read**—They have advised that they will possibly accept a modified version of that, with a veterinary officer on plant. But, as also referred to in that answer you have, there are a large number of markets operating in the world that do not particularly want to take the lead on this particular initiative without those international standard forums providing that platform. So, even if you have a plant that can make that modification for the US, you would have to appreciate that they are also going to Japan and, in some circumstances, to the EU and other markets where that flexibility may not exist.

**Senator O'BRIEN**—There have been no developments in the negotiations with Japan, Taiwan and Korea?

**Mr Read**—The development that is occurring, as I stated, is the elevation of this issue through the various Codex forums. The two key forums where this particular issue is being discussed and progressed are the Food Inspection Certification Systems Codex Forum and a forum that is a reconstitution of the meat and poultry hygiene committee, which is currently being held in New Zealand this week. Both those groups are pursuing what we call QA systems and the devolution of responsibilities within those systems, and that is the fundamental component of MSEP. As the work in those groups progresses to a stage of acceptance by the Codex Commission, that will provide the platform to really put the drive behind MSEP. It is just going to take time to progress it through those international forums.

**Senator O'BRIEN**—Can you identify what the enhancement aspect of the program is?

**Mr Read**—Devolution of anti- and post-mortem inspection back to the companies. Presently those particular aspects are conducted by government officials on plant through the meat inspectors.

**Senator O'BRIEN**—How is meat safety enhanced by this program?

**Mr Read**—It is called the Meat Safety Enhancement Program. In an ideal world, where international markets accept the concept, it provides the opportunity for the plant either to undertake production of product utilising an inspection service which provides the competent authority, being AQIS, with a level of confidence that the particular measures on that plant are meeting the regulatory responsibility under which the competent authority is operating or to elect, through the integration of systems within its management structure on plant, to use a QA form of monitoring their compliance to those particular regulatory requirements. Our inspection program would then be responsible for putting in place verification programs over the top of those systems to provide the assurance back to the competent authority that in fact those systems are working. A way of describing them is that, in comparison side by side, they should be viewed as equivalent systems, but they are an alternative way of doing business. We believe that through the use of QA systems there will be an enhanced safety component because it is an ongoing monitoring process, as has been described previously.

**Senator O'BRIEN**—Where is the drive for this program coming from—the department or industry here?

**Mr Read**—Essentially, the drive has to come from industry—they are the ones investing in the systems. Clearly, there is significant interest in the industry to pursue this reform. They believe there are benefits in having integrated quality management systems on plants, as opposed to being tied to markets utilising inspection services. But I have to say that that is not all plants: other plants also find particular benefit in having the flexibility of using inspection services, and their particular operations may be the more efficient process. It just depends on the operations and the markets they are seeking to access.

**Senator O'BRIEN**—And of course there are trade implications for the alternatives if something goes wrong in the safety enhancement program, as it is described. That has ramifications for our reputation.

**Mr Read**—As I categorised earlier, we are putting in measures that provide us with the confidence that those plants under an inspection regime or under a QA regime are meeting regulatory responsibilities. Once markets accept QA as a mechanism providing that assurance back to the competent authority, those issues you just raised I do not think would jeopardise QA systems. You have to ensure that you have remedial actions in place. Importing markets observe that remedial process and sanctions process as part of their systems review of the exporting country.

**Senator O'BRIEN**—How are we going with getting beef into Korea at the moment?

**Mr Read**—It is potentially a very important market. The market itself is providing a lot of opportunities in both the frozen and chilled markets. My recall of numbers for that market indicate expected growth.

**Senator O'BRIEN**—Aren't we having some difficulty at the moment because of the anthrax outbreak?

**Mr Read**—Not particularly with Korea. The only market that I have heard we have had some difficulty with has been Thailand, where an explanation was requested of the department in terms of response to that disease outbreak, measures put in place and so forth. We provided those assurances to the Thai government and the ban that was imposed has been lifted.

**Senator O'BRIEN**—How long was that ban in place?

**Mr Read**—From memory, probably two to three weeks.

**Senator O'BRIEN**—Do you know what effect that had on our cumulative trade with Thailand?

**Mr Read**—The information I have at this time is that it has had no significant impact on either Thailand or our global markets. In fact, I do not think it has had an impact on our global markets. The explanation has been that it is not an unusual event; it has happened before, and markets are aware of that. It just happened that the Thais wanted further explanation. That explanation was given and they have accepted it.

**Senator O'BRIEN**—I want to ask some questions about the enhanced barrier arrangements at Australian airports to deal with foot-and-mouth disease. First, can you give me some detail on the resources that are applied to border protection at our ports. What was the situation before this package and how will those resources be boosted in order to improve our protection measures after the package of enhancements is put in place?

**Mr Cahill**—Across the border activities prior to outbreaks of foot-and-mouth disease in the UK and Europe, we had approximately 1,200 full-time equivalent staff engaged in border activities. As a result of decisions that the government made in the budget last year, those resources were increased by about 900 full-time equivalent staff across those border activities.

**Senator O'BRIEN**—The question I asked was about border protection at our ports, meaning our seaports.

**Mr Cahill**—At seaports?

**Senator O'BRIEN**—Yes, as distinct from airports.

**Mr Cahill**—The seaport resources were increased by about 27 full-time equivalent staff. I don't have the prior number with me. I will have to take that on notice.

**Senator O'BRIEN**—Thank you for that. How many of the additional 900 FTEs are going into airports?

**Mr Cahill**—About 50 per cent.

**Senator O'BRIEN**—So there are about 450 FTE for airports and about 27 FTE for seaports. Can you tell us where the additional 400-odd are going?

**Mr Cahill**—We have about 130 in the international mail centres, roughly 200 in air and sea cargo and about five additions in the public awareness activities.

**Senator O'BRIEN**—Where are the air and sea cargo people placed? Are they all around the seaports—

**Mr Cahill**—That's correct. Yes.

**Senator O'BRIEN**—as well as the airports?

**Mr Cahill**—That's right.

**Senator O'BRIEN**—So the 27 that you talked about are in addition to those.

**Mr Cahill**—That's right. Yes.

**Senator O'BRIEN**—What are the resources that are applied—not in terms of numbers, but in terms of activities—at our seaports?

**Mr Cahill**—That is the question I have taken on notice.

**Senator O'BRIEN**—Okay. There was a level of funding, which I think was to go through the Department of Transport and Regional Services, to put the necessary infrastructure in place at airports to facilitate this enhanced security. There was \$68.8 million for infrastructure and there were three components in that program, as I recall it. There were the airport costs which were mainly Melbourne and Sydney; there was a provisional amount of \$20 million for that. Can you tell me what the final cost is, how much money has been spent and when this work will be completed?

**Mr Cahill**—There are two principal amounts that make up that \$68.8 million—\$19.4 million was allocated for airport infrastructure through the Department of Transport and Regional Services and \$49.4 million was allocated for infrastructure changes at international mail centres which was provided to the department of communications. The infrastructure work at most airports is at an advanced stage. The changes to the barrier control arrangements at Brisbane airport have just been completed and are operational now. The changes at Sydney airport are likely to be completed by the end of April. There are changes under way at other airports such as Cairns, Darwin and Perth. They are at different stages of development in terms of planning and implementation. Melbourne airport is the major airport that we need to still attend to and we are endeavouring to progress that.

**Senator O'BRIEN**—What is the problem at Melbourne? If you are so well advanced in Brisbane and Sydney, why not in Melbourne?

**Mr Cahill**—The changes that we needed to make at the airports depended, obviously, on the cooperation of the airport operators and also had regard to the structural limitations that existed at the particular airports. Melbourne airport is a particularly difficult challenge because of the way in which the existing terminal is designed, so we have been exploring

some design options with the airport operators to satisfy the increased quarantine intervention requirements. We have not reached an agreement with them on the actual work that needs to be undertaken. Naturally if there is some sort of synergy that can be achieved between what is required for the border control activities and what might need to be done for the airport for other reasons, ideally we want to get some compatibility between those two objectives. So those discussions with Melbourne are continuing.

**Senator O'BRIEN**—You have been able to reach these agreements with the other airports but you have not got an agreement with Melbourne airport. Is that right?

**Mr Cahill**—We have reached agreements with most of the other airports. Some of those have taken longer than others. Sydney airport, for example, coming out of the Olympics preparations, had a fairly good idea of what needed to be done and were able to move into design and development fairly quickly. For some of the other airports it was a much more difficult task.

**Senator O'BRIEN**—Are you saying the operators of Melbourne airport are not as attuned to security needs as the operators of Sydney airport?

**Mr Cahill**—No. I am not saying that.

**Senator O'BRIEN**—Well, what is the problem? I do not quite understand what you mean.

**Mr Cahill**—The difficulty is that we have not reached agreement with Melbourne on what needs to be done, and we are still in discussion with them about that.

**Senator O'BRIEN**—Is it a problem with the amount of space that you want that they do not have?

**Mr Cahill**—The difficulty is the view the border agencies have about what needs to be done to satisfy the immediate increased quarantine intervention requirements, as compared with the view the airport has about what needs to be done to achieve those objectives. Because of the nature of the design of the airport there are two or three options that we have been exploring with them. As I say, we have been unable to reach agreement on that at this stage but discussions are continuing. As a consequence, we have concentrated on some of the other airports—particularly Sydney, which is where 50 per cent of the passenger traffic comes through.

**Senator O'BRIEN**—What percentage goes through Melbourne?

**Mr Cahill**—I would need to check on that—about 16 per cent. In relation to Melbourne, we have still increased the quarantine intervention at Melbourne airport and are still endeavouring to achieve the targets that were set for us in terms of increased quarantine intervention. There are longer queues and at peak hours it is more difficult to process passengers, but that does not mean we are not attempting to do that.

**Senator O'BRIEN**—Excluding Melbourne, when will all of the airport work be completed?

**Mr Cahill**—The objective is to achieve over 80 per cent of the quarantine intervention work by the end of June 2002. We believe at the present time we have achieved over 70 per cent—they are national figures, so it does vary from airport to airport. I would expect that the infrastructure developments will continue for the balance of this calendar year.

**Senator O'BRIEN**—Are there commercial ramifications for the airports, arising from this work?

**Mr Cahill**—There are some, potentially, yes. Franchisors might need to be moved in order to accommodate expanded facilities that are necessary for the border agencies. We have had to work through some of those issues.

**Senator O'BRIEN**—Will it have an impact on their revenue?

**Mr Cahill**—We do not believe it will, no.

**Senator O'BRIEN**—Is that their view?

**Mr Cahill**—With the airports that we have reached agreement with, yes.

**Senator O'BRIEN**—But not Melbourne.

**Mr Cahill**—We are still in discussion with Melbourne.

**Senator O'BRIEN**—I am asking you whether they have the view that it will have an impact on their revenue.

**Mr Cahill**—I do not think the concerns really turn on that question. There are some physical limitations to the building and what you do. It does not take too many steps before you are knocking down marble walls and you are out in the car park and moving roads, and so it goes on. So it really is a significant challenge in Melbourne.

**Senator O'BRIEN**—There was \$49.4 million for Australia Post infrastructure. Has that all been committed and spent?

**Mr Cahill**—No, it has not, Senator. That amount is spread over four years.

**Senator O'BRIEN**—Can you supply the committee with a work program and time line for different aspects of the work?

**Mr Cahill**—Yes.

**Senator O'BRIEN**—Is work on schedule with that plan?

**Mr Cahill**—In terms of the work that was forecast when the decisions were first made, there has been some slippage against that plan. To give full effect to the decisions requires quite substantial work and the redesign of mail processing arrangements by Australia Post. They are proceeding with that work. There was a period when some effort needed to be redirected because of the threat of anthrax. So, because of FMD and other quarantine risk threats, that was obviously a bit of a distraction. But we believe we are on track now to achieve the government's objectives. In the mail centres the target is to achieve that intervention by the end of this calendar year.

**Senator O'BRIEN**—As part of the upgrade of quarantine surveillance, how many new X-ray machines are in place today?

**Mr Cahill**—I can give you the figure for the end of December, which is 28 machines. That compares with a target increase of 49 when the decisions were announced.

**Senator O'BRIEN**—What is the expected end point? When will the last machine be installed?

**Mr Cahill**—When the postal arrangements have been completed—so, hopefully, by the end of this calendar year. The roll-out of X-ray equipment and detector dogs is critically dependent on the infrastructure available. There are only so many staff and dogs and X-ray machines that we can squeeze into airports and mail centres.

**Senator O'BRIEN**—There are 28 new X-ray machines. How many were there before you purchased those?

**Mr Cahill**—There were about 10, Senator.

**Senator O'BRIEN**—Will they remain in this program or will they be replaced by the new machines?

**Mr Cahill**—They will remain; we will progressively replace them over time. The focus is on getting additional capacity in there and then we will look at what else we need to do.

**Senator O'BRIEN**—At the end of the process you will go from 10 to 59.

**Mr Cahill**—That is correct.

**Senator O'BRIEN**—You also referred to increased numbers of detector dogs and an increased number of staff. Your brief tells me you plan to add 65 detector dogs.

**Mr Cahill**—That is correct.

**Senator O'BRIEN**—How many did you start with?

**Ms Stanton**—My recollection is that it was something like 32.

**Mr Cahill**—We had 33, in fact, and we are adding 65, so we will have 98.

**Senator O'BRIEN**—You are adding 98?

**Mr Cahill**—We will have 98 when we finish.

**Senator O'BRIEN**—When will you finish?

**Mr Cahill**—Again, the intention is to have those dogs on by the end of the calendar year, because it includes the deployment of dogs at mail centres.

**Senator O'BRIEN**—What steps are in place to achieve that?

**Mr Cahill**—The detector dog—

**Senator O'BRIEN**—Yes.

**Mr Cahill**—We are in the process of recruiting additional dog handlers. We have advertised and run a recruitment process for dog handlers. We are endeavouring to source additional dogs from wherever we can get them and put them through training. As at the end of December, we had approximately 15 additional dog teams recruited. The focus is on sourcing as many dogs as we can.

**Senator O'BRIEN**—How long did it take to get the 15?

**Mr Cahill**—That has been in the six-or-so months since the budget announcement.

**Ms Stanton**—There are currently 30 in training, so that will supplement that number quite quickly now.

**Senator O'BRIEN**—Do I presume that not all pass training?

**Ms Stanton**—Providing our selection is up to its normal standard, most of them get through.

**Senator O'BRIEN**—So there will be a fairly high pass rate, and you will go from 15 to somewhere approaching 40-something.

**Ms Stanton**—By the end of this financial year that should be the case.

**Senator O'BRIEN**—At the last hearings, we were told that there would be 900 FTE additional staff. What are the actual numbers in FTE terms that have been engaged as of today?

**Mr Cahill**—I can give you the number, again, at the end of December.

**Senator O'BRIEN**—That will have to do for the moment.

**Mr Cahill**—The number of full-time equivalent additional staff is about 830.

**Senator O'BRIEN**—Can you tell me where they have been located?

**Mr Cahill**—At all points of entry into Australia.

**Senator O'BRIEN**—How many people does the 830 FTE equate to?

**Mr Cahill**—About 1,050.

**Senator O'BRIEN**—How many full-time positions and how many part-time positions?

**Mr Cahill**—I would need to take that on notice.

**Senator O'BRIEN**—Okay, thank you for that.

**Mr Cahill**—I might say, though, that the number does tend to move around a fair bit.

**Senator O'BRIEN**—Sure—as any staff establishment number varies from day to day. Can you tell me where they are located, as well, when you provide the answer on notice so we can get an idea of where the people focus has gone in the process?

**Senator McLUCAS**—I just want to go to the issue of quarantine procedures for introduced marine pests on hulls of vessels. I understand that AQIS has been working on a blueprint, or an action plan, to prevent marine pests entering Australia. That was last year.

**Mr Carroll**—AQIS has been involved in work looking at ballast water control. The invasive marine species program within the fisheries and oceans part of the department looks at the broader policy issues related to controlling organisms that might come in by ballast of vessels.

**Senator McLUCAS**—So that program was about ballast water.

**Mr Carroll**—Yes. AQIS looks after the operational element of international ballast water coming into Australia. We have controls on that that were introduced in July last year.

**Senator McLUCAS**—Which is the organisation—I am sorry—that you are telling me manages the—

**Mr Wonder**—AQIS has a role in the operational aspects of ballast water controls, but the policy responsibilities that go with the issues of ballast water control are the duty of our fisheries policy area. They are in the program later this evening, at item K.

**Proceedings suspended from 6.30 p.m. to 7.35 p.m.**

**CHAIR**—Welcome, Minister. We are dealing with AQIS in continuation.

**Senator CONROY**—I wanted to ask AQIS some questions about a recent impounding—that is the wrong word, but I am sure you will give me the correct word—of Dilmah tea. It is a fact that AQIS and the various state authorities administer the same food standards code through their respective statutes. If that is wrong, could you just take me through the structure of the way it works now? I know how it used to work because I had, unfortunately, some dealings at a parliamentary level with the Hewitts and the discussions that have ensued about

who did what to whom over some considerable years. Probably that is where my mind is set. Could you help me out there please?

**Mr Carroll**—As you said, both the Commonwealth and the states administer legislation to implement the Australia and New Zealand Food Standards Code. The Commonwealth does it at points of entry under the Imported Food Control Act. Because the foods are processed overseas and we do not have input into the food safety elements necessarily we tend to look more at the outcome when the food arrives here. We will do tests on it for various bacteria, heavy metals, pesticides et cetera.

For food produced in Australia, the states will have obviously control right back to the farm gate and onwards. There will be more focus on some of the processing of food and good agricultural practice for pesticides and controlling, which you can do there, whereas we can but test the food coming in. So there are some differences in the way we go about administering the code because we are basically an end point inspection process just before the food comes in. The states can control the whole means of production of the food and right up into the supermarket.

**Senator CONROY**—But in terms of responsibility, the way I understood it used to work—and, as I said, I am going back a number of years on this—is that the Commonwealth designated an officer, which was the state department, who then looked after it on their behalf. Is that still the case? How does the actual interface work?

**Mr Carroll**—The Australia and New Zealand Food Authority sets the standard. Foods produced in Australia come entirely under the auspices of usually the state departments of health. They are responsible for implementing the standard and making sure the food produced in those states complies with the standard. From a Commonwealth perspective, the Commonwealth monitors food coming in to ensure that it complies with the requirements of the standard at the point of entry. After the food has entered Australia, when it goes into the market per se it comes under the state controls in supermarkets et cetera. We would make sure that particularly food you can import in bulk meets all the requirements, but then it could be further packaged in Australia or incorporated into other foods.

**Senator CONROY**—Do those state departments co-regulate? Do they get a letter from you saying, ‘You have authority to act on our behalf,’ or you do not need to do that any more because of that separation?

**Mr Carroll**—There is that separation, yes.

**Senator CONROY**—Is it the case that AQIS prevented imported shipments of Dilmah tea from being distributed on or about 27 September 2000—I appreciate we are going back a bit in time—because the packaging of the tea allegedly contained statements deemed to be therapeutic claims and therefore unlawful consistent with its administration of the food code? Could you take me through what happened around that?

**Mr Carroll**—I cannot remember the exact date but that would be close. We held some tea which had been referred to us. Tea is what we call a random surveillance category food, so one in 20 shipments gets referred to our imported food people for inspection. On inspecting one of the lots of Dilmah tea that were referred to us the label was making—I do not know if you can say ‘therapeutic claims’—health claims. Under the food standards code you are not allowed to make health claims on a food. You cannot say, ‘If you take this food, you won’t have headaches,’ or, ‘If you take this food, it will do this.’ They are regulated through other mechanisms.

On the tea in question, the inspector thought that the packaging looked to be making health claims with regard to the tea. We held it. We referred the issue to ANZFA to get their guidance. We thought it did, but we wanted to make absolutely sure. It is not uncommon for us to consult with ANZFA over the interpretation of the code. They verified our initial feelings that, yes, the claims were consistent with health claims and therefore not permitted under the food standards code.

**Senator CONROY**—Dilmah tea said:

Tea tempers the spirit, harmonises the mind, dispels lassitude and relieves fatigue, awakens thought and prevents drowsiness, lightens or refreshes the body and clears the perceptive faculties.

Was that the offending phrase?

**Mr Carroll**—It could have been. I do not remember the exact phrase.

**Senator CONROY**—I think Dilmah wrote to you on about 6 December 2001, which is a bit more recently. A lawyer wrote to you and pointed out the so-called therapeutic claims alleged by AQIS included such innocuous puffery as ‘tea tempers the spirit, harmonises the mind’ et cetera. Does that letter ring a bell?

**Mr Carroll**—Yes.

**Senator CONROY**—Is it the case that Dilmah’s lawyer also brought to the attention of AQIS the fact that Dilmah’s competitors, without restraint, were using similar labelling such as ‘Tetley tea is a rich source of antioxidants. Antioxidants can help to keep the body healthy,’ and that Dilmah sought equal treatment with its competitors?

**Mr Carroll**—They did. In our responses we pointed out that for product that is produced in Australia we have no control over that and the way it is implemented. There are also differences in factual statements to say, ‘This product contains this’—if that is factual—and if it is also factual that that particular ingredient does something else, rather than saying, ‘Tea relaxes the mind.’ So there are also differences in the statements made under the food standards code.

**Senator CONROY**—Do you think on cursory examination that ‘Antioxidants can help to make the body healthy’ would pass? I have seen that ad on television.

**Mr Carroll**—I think in general that one would, most likely, but I would have to get advice.

**Senator CONROY**—That is a health claim, though, isn’t it?

**Mr Carroll**—It is more a statement of fact in that antioxidants are a component of tea and what antioxidants do is acknowledged.

**Senator CONROY**—So if Dilmah had said, ‘Antioxidants tempered the spirit and harmonised the mind,’ would that have been okay?

**Mr Carroll**—They are very specific claims. They would have to be able to substantiate those. They are tending to go beyond statements of fact.

**Senator CONROY**—How do we test if something harmonises the mind? I am fascinated to know how you would test a statement like ‘harmonises the mind’. What is the health test on that?

**Mr Carroll**—That is one of the difficulties of making such claims. To say it harmonises the mind is a health claim—

**Senator CONROY**—How is ‘harmonises the mind’ a health claim? That is what I am trying to understand. What is the problem with ‘harmonises the mind’?

**Mr Carroll**—It would imply that, if one were a bit disturbed and one were to have a nice cup of Dilmah tea, one would have a more harmonised mind. The specific question of exactly why some things are covered in the food standards code is an issue for ANZFA, but in general the tendency is to restrict claims about foods having some sort of health benefit, except in very restricted circumstances. They are there as foods, not as quasi-therapeutics.

**Senator CONROY**—What does ‘dispels lassitude’ mean to you?

**Mr Carroll**—It would seem to imply to me that it would perk you up. If they were to make the statement, ‘This product contains caffeine,’ and caffeine has been known to do X, Y and Z, then they would be more statements of fact, rather than ‘dispels lassitude’.

**Senator CONROY**—Is that not implied?

**Mr Carroll**—The statements have to be more direct than implied in these sorts of labels.

**Senator CONROY**—It is a fancy way of saying the same thing. Caffeine does these things. As you say, it dispels lassitude and fatigue. Look at Senator Macdonald; he is bouncing over there. He has been on tea all day.

**Mr Carroll**—It is one of the competitive advantages that you have in the food industry. Some commercial companies look at the regulation and interpret it one way and they find a way to present something that is acceptable. Then they have a commercial advantage over others who may not be able to find a way to express things in an acceptable manner.

**Senator CONROY**—Given that this seems more like a discussion about a marketing description, do you think the most appropriate thing is to impound it and then send it back in the end? Could you have sat down with Dilmah and said, ‘We think there is a grey area here. We are not quite sure it harmonises the mind quite as much as you would claim. Let us have a talk about the best way to deal with this,’ rather than ending up costing them many millions of dollars?

**Mr Carroll**—There was and is an option to relabel food that is imported to bring it into conformity. That is an option that we give anybody who brings in a food which is not properly labelled. We are more than happy to discuss it with them and make those sort of offers. It is up to commercial parties to decide whether they wish to relabel or not.

**Senator CONROY**—I accept that you are obviously much better qualified to make a judgment than I am, and you have consulted experts, but it seems to me that just they did not use the word ‘caffeine’ but they were ascribing the effects of caffeine. I am trying to understand how it is misleading.

**Ms Stanton**—One of the points Mr Carroll has made that is very important is that this was not a decision we made on our own. The food standards code is the responsibility of the Australia and New Zealand Food Authority. I think Mr Carroll said that one of the first things we did in this case was to consult those experts. It is not a decision that was made unilaterally by AQIS. We defer to that expertise when it comes to the code.

**Mr Carroll**—Dilmah tea is not a unique example. We get in a range of foods, particularly from Asia, which make claims. Some of them get into almost medicinal claims for foods. I think that is why ANZFA’s advice tends to be to the strict interpretation, rather than a more global one.

**Senator CONROY**—But just in terms of the cost you could have said to them, ‘Let’s work our way through this issue and then the next batch is going to be in trouble.’ I am just trying to understand why such an absolutely strict definition on basically a bit of marketing language—

**Mr Carroll**—In order to release a food under the imported food legislation we have to say it meets the requirements of the code. Under that particular piece of legislation there is not a lot of flexibility for the authorised officer. If he releases the—

**Senator CONROY**—But focusing explicitly on the definition, whether you interpret this as a marketing bit of puffery or the difference between saying caffeine harmonises your mind and saying that tea harmonises your mind, most of us know there is caffeine in tea.

**Mr Carroll**—As I said, I do not know if, ‘Caffeine harmonises your mind,’ would be an acceptable statement. We sought the advice of ANZFA on whether this constituted a health claim. Having confirmed that it constituted a health claim, we then were not in a position to say, ‘The food clearly doesn’t meet the food standards code. We will then say it does meet the food standards code and release it.’ As I said, the capacity to relabel the tea and the capacity to talk about what might be acceptable was there. We met with representatives of Dilmah and had quite a lot of telephone calls backwards and forwards with a view to resolving it, to make sure further consignments met the requirement and also, as I said, offering the relabelling, which is something that is done not irregularly because Australia has one set of labelling requirements; many other countries have different ones. They do not necessarily produce a run just for Australia. Before food is released by AQIS we have to confirm that it does meet all the requirements of the code that we inspect it for.

**Senator CONROY**—Isn’t it the case that AQIS took nearly six months to reply to Dilmah’s lawyer, and when they replied AQIS said they could do nothing because Dilmah’s competitor’s tea was packed locally and that Dilmah’s complaint was a problem for Food Victoria? I have a copy of it.

**Mr Carroll**—It is likely there was other communication between AQIS and representatives of Dilmah. One of their representatives I met with personally. We explained the difficulty and the particulars of that to that particular representative. He left us with the impression that he was satisfied with the outcome of that. We have been contacted by different elements or different people representing Dilmah’s interest. It was for a time difficult to keep up with exactly who was talking to whom within that time.

**Senator CONROY**—There seems to have been a bit of a problem at your end as well with Mr Southgate and Mr Brogan. There seems to have been a bit of internal discussion about who was handling the case.

**Mr Carroll**—Yes, there was. The local officers normally carry these things. When it becomes high level, more complex—as you said in this case, it was a large consignment worth a considerable amount and the Dilmah solicitors contacted us—it got elevated to central office, as is the normal practice. Our response would have been that with tea which is packaged locally we are not in a position to even look at whatever it might say on there and to say whether that would have met our requirement or not. It is outside of our authority.

**Senator CONROY**—Food Victoria apparently seem to believe that the wording was okay. Are you aware of having discussions with Food Victoria on this issue?

**Mr Carroll**—Not personally, but I would not be surprised if our officers had.

**Senator CONROY**—I understand the packaging of the competitors—and you are talking of Tetley, Lipton and Twinings—was sent to you for your consideration and albeit there is a time delay, your response is firstly, ‘It is not our responsibility because they are all packaged locally,’ but you would generally concur with Food Victoria that their packaging was fine?

**Mr Carroll**—It is possible. I would have to look at it and I would have to get advice from experts. The interpretation of labelling requirements is not necessarily simple, particularly in regard to health claims and what does and does not constitute a health claim, which is why we sought expert advice before we made a final decision on it.

**Senator CONROY**—Do you now accept that some of these competitors’ products are actually imported as well?

**Mr Carroll**—They could be. There is a difference between product imported and sold directly in the labelling in which it was imported, versus product which might be imported and repackaged here. If you import tea and then repackage it in Australia, the labelling that is on that repackaged tea is not under AQIS jurisdiction. We only ensure that food arriving at the point of import meets our requirements. Once it goes past there and if it undergoes any further processing, manufacture, repacking or whatever, AQIS is not responsible for that. That falls under the responsibility of the various state authorities.

**Senator CONROY**—Do you accept that some of these come in a ready-packed form now though?

**Mr Carroll**—They could. I do not have the information on that. It would not surprise me if they did.

**Senator CONROY**—Which would make them then something you would have to look at.

**Mr Carroll**—Yes.

**Senator CONROY**—It is apparently the same packaging with the same claims on it. That would mean you would have to form a decision on these same items.

**Mr Carroll**—Yes.

**Senator CONROY**—Even though you may think Food Victoria has already looked at that, there is some imported prepacked with labels that you would have to look at. You can take that on notice. It is: (a) you are aware that is the case, (b) if it is the case, and (c) have you looked at it and what did you find?

**Mr Carroll**—I will take that on notice.

**Senator Ian Macdonald**—Is it something you would do, though? Is it your responsibility?

**Mr Carroll**—Only for the imported tea.

**Senator Ian Macdonald**—You check whether it is fully imported.

**Mr Carroll**—Yes, for tea which is imported ready-packed, that would be the only tea which we would have any knowledge of.

**Senator Ian Macdonald**—I mean, you should not go giving hypothetical advice on how things are done.

**Senator CONROY**—I think you said that you have a random test.

**Mr Carroll**—Tea is a random surveillance food, so of the tea consignments which are imported we would check, on average, one in 20 of those consignments, but the only ones we could offer an opinion on would be imported tea consignments which are already packed.

**Senator CONROY**—I am talking about just the prepackaged imported ones. Did you come across the Dilmah packaging through your random surveillance or were you requested to have a look at Dilmah's packaging?

**Mr Carroll**—My recollection is that we came across it as part of our five per cent random checking.

**Senator CONROY**—There was no external request to have a look?

**Mr Carroll**—Not that I am aware of, no. The first I became aware of anything to do with tea was the Dilmah incident when it was elevated to our level. These are set in. The computer spits out one consignment in 20 unless we specifically target it, and I am not aware of any specific targeting.

**Senator CONROY**—Would you just be able to double-check that for me, just to put my mind at rest that that was the case? We are talking about some considerable time ago. Could you check with some of the officers involved—if they are not here—that there was no request to target.

**Senator Ian Macdonald**—When did this allegedly happen?

**Senator CONROY**—It did not allegedly happen. It has been agreed it happened.

**Mr Carroll**—About two years ago.

**Senator CONROY**—It has taken them that long to get it back on the market.

**Senator Ian Macdonald**—It is well outside the purview of this estimates committee, I would have thought, but we are always willing to help here.

**Senator CONROY**—I appreciate your cooperativeness.

**CHAIR**—Do you have many more questions?

**Senator CONROY**—Are there any organised local tea manufacturer or tea packaging groups that you have had any contact with? Is there a domestic—

**Mr Carroll**—I am totally unaware. Our involvement is with imported product. We do not have an involvement with the domestic product.

**Senator Ian Macdonald**—Nerada tea is grown in North Queensland. It is a lovely drop of tea, too.

**Senator CONROY**—I thought you would have your paws in it somewhere, Senator Macdonald. You are not aware of any contact with any lobby groups on behalf of the range of domestic packagers and suppliers?

**Mr Carroll**—No.

**Senator CONROY**—Just take it on notice. Just check the file and there will be a letter there. If you have any relationship or any contact with them if they are out there—I just do not know their name, otherwise I would tell you the name.

**Senator McLUCAS**—I want to return to the issue of marine pests that are introduced on the hull of vessels. I understand that there has been quite considerable work done by AQIS on

ballast water checking, but can you describe for me who is responsible for the checking of hulls? Is that AQIS?

**Mr Carroll**—At the moment the responsibility for checking on hulls does not rest with AQIS. If it is deemed to be necessary it is usually checked by the local state authorities, or those who bring vessels in may choose to do it under arrangements, but AQIS's charter does not extend to inspecting hulls for hull fouling organisms.

**Senator McLUCAS**—That is very significant news. I did not know that. Can you explain to me what happens in each of the states then, and also you said the words 'if deemed necessary'. Who deems necessary?

**Mr Carroll**—It comes under state jurisdiction at this stage, so if the states deem it necessary it is the state environment departments or state agriculture departments—whichever it is. I am not aware of what the states are doing there.

**Senator McLUCAS**—I find it extraordinary that AQIS, which is charged with the protection of our border, does not have the jurisdiction to check the hulls of vessels. Can you tell me how in a legislative sense that we stop at the shell of the vessel?

**Mr Carroll**—We have only controlled ballast water on international vessels since July last year in a regulated way. To do that we extended the legislation to make ballast water a good under the act and therefore we could control it. Prior to doing that, other areas of the department had to develop the policy. It was not just, 'We will control ballast water'. They had to work through the processes: how do you control ballast water; how do you regulate it; what do you do about ballast water? At this stage that work has not been done for hull-fouling organisms, so the difficulty is how you would go about inspecting the hulls of all vessels coming in. Some 8,000 or 9,000 have come in so far this financial year. And what do you do when you find something, and what are you looking for? What are the specific organisms you are looking for? There was a considerable period of development that went into introducing the ballast water controls which were introduced last year. I think several years worth of work went into doing that, so the regulatory regime was the last step in, not the first step.

**Senator McLUCAS**—I understand that in Western Australia suspect vessels, especially vessels that are carrying refugees, do have their hulls inspected, and that there has been a case reported—I think in the North Australian quarantine strategy—where they describe a vessel having been scuttled after it was found to have black-lipped mussel. I suppose that is where I got the idea that AQIS was somehow involved in this, but that vessels coming into Darwin are also inspected. Is that done by the state and territory authorities in those states?

**Mr Carroll**—Either the state or territory authorities or in consultation with those who are bringing those vessels in, whether they be suspect illegal entry vessels or whether they be foreign fishing vessels. But in those ports and according to where the vessels originate from—I believe those that come from black-stripe mussel areas or are suspected to have come from suspect black-stripe mussel destinations—then they can be dived by those bodies. But the broad range of vessels that might come in are not checked. I believe because of their age, particularly the suspect illegal entry vessels, are considered to be prone. And there are difficulties with the foreign fishing vessels because many of them are very prone to float and quite difficult to destroy. But AQIS's charter at this stage does not extend to quarantine issues relating to hull fouling.

**Senator McLUCAS**—So a vessel comes into a harbour. Am I right to say that AQIS says that this might be a suspect vessel?

**Mr Carroll**—No.

**Senator McLUCAS**—So how does the state authority, through their port authority, make an assessment that this is a suspect vessel potentially carrying some fouling thing on its hull?

**Mr Carroll**—It would be done through the relevant state authorities. AQIS does not have an input into the routine looking at vessels for black-stripe mussel or other hull-fouling organisms.

**Senator McLUCAS**—So that would explain why the hull of the FV *Wing Sang* 108 which came into the Cairns harbour recently was not inspected?

**Mr Carroll**—Neither its hull nor necessarily other hulls of such vessels, that is right.

**Senator McLUCAS**—Then why did Minister Truss, in a letter in response to a letter from me, say:

When the *Wing Sang* 108 arrived in Cairns it was subject to a full quarantine clearance and inspection by AQIS officers. The hull of the vessel was subsequently cleaned.

**Mr Carroll**—That was in the advice we provided. Pedantically the paragraph is correct but, on reflection, if you read that paragraph it implies the hull was inspected because AQIS said it was. It was more a case of: these other things took place and the hull was inspected. We regret the connotation that the two were connected. They were not.

**Senator McLUCAS**—That is interesting.

**Mr Cahill**—Senator, there are two points we were trying to make there. The first was that the vessel, as with any vessel coming into Australian waters, was subject to normal quarantine inspection and clearance. There is a quarantine process that is associated with those vessels which relates to the contents, the possibility of pest or other infestation, a need for fumigation if it is a wooden vessel, whatever it may be, so there is a quarantine process that occurs with those vessels. As Mr Carroll has outlined, there are also processes that state and territory authorities are responsible for in relation to the hull fouling that may occur at the same time. Obviously we interact with the state and territory authorities at the time inspections are undertaken. They may occur at exactly the same time. I want to make the point that there is a quarantine process associated with vessels entering Australian ports.

**Senator McLUCAS**—I know this is quite a specific question, but do you know who would have done the inspection of the hull of the FV *Wing Sang*?

**Mr Cahill**—We can take that on notice. It was probably the Cairns Port Authority, I suspect. As Mr Carroll has outlined, it could be fisheries departments or agencies; the port authorities themselves may be involved or other agencies.

**Mr Carroll**—The *Wing Sang* was, I think, part of a secondary lot of inspections after the Navy detected some tube worms on their vessels, and they alerted people. Those responsible for those issues then went out and checked the harbour, I think.

**Senator McLUCAS**—I would be very interested—and I understand you will have to take it on notice—if you could provide me with the name of the authority that did the hull inspection on the *Wing Sang* and when it was done.

**Dr Nunn**—Just to put that in context, Mr Carroll is from AQIS and they are responsible for border inspections, as explained. The policy areas in this respect are under the aegis of the Fisheries and Oceans Division of the department. When there is an emergency—that is, a response has to be made to an incursion that has been detected—it comes into the area where

I work. The answer to your question is that the Caribbean tube worm was first reported to us in May 2001 by the Defence Science and Technology Organisation. It was found on two naval barges that had been in the harbour for some time.

As a result of that and discussion with a group that I chair called CCIMPE—which is the Consultative Committee on Introduced Marine Pest Emergencies—we sought information on where else they might be in the harbour and asked for surveys to be conducted. I would have to confirm who precisely did that, but my recollection is it was the division of fisheries in the Queensland Department of Primary Industries, in consultation with Queensland Environment Protection Agency and some naval divers we used at one stage on that survey as well. The survey, of course, took some time because diving in Cairns Harbour is not easy, with crocodiles and other safety issues involved. The first report was on two barges in May, and it was subsequently detected on the *Wing Sang* in June, or subsequent to that, when the survey was done.

**Senator McLUCAS**—I am glad that I have found that you are the chair of CCIMPE because that touches on the next question I was going to ask. Can you tell me when you first met after the discovery of the tube worm on the *Wing Sang*?

**Dr Nunn**—The first report to us was on 15 May and we met as CCIMPE on 7 June. The delay was in part due to the requirement to have the pest identified overseas in the Netherlands. This organism, *Hydroides sanctaecrucis*, is one of a genus—a group—of organisms which is widespread in Australia in the South Pacific, and one needs very special taxonomy skills to be able to differentiate it. That was only available to be done in the Netherlands.

**Senator McLUCAS**—I understand that CCIMPE recommended that the FV *Wing Sang* be slipped and cleaned as soon as possible.

**Dr Nunn**—Yes, we did recommend that, and if it were not possible to slip it and clean it quickly, we recommended some other steps be taken to minimise the risk. These included disinfection of the pipes, internal workings et cetera to try and clean out any that were inside the infrastructure or the superstructure of the vessel itself.

**Senator McLUCAS**—Why then was the vessel still sitting some months later without being slipped and cleaned? Are you aware of why that took so long?

**Dr Nunn**—CCIMPE are a consultative committee, and the members are from each state and territory, the Commonwealth and CSIRO. We provide advice to the state that is infected with an incursion. This did not meet CCIMPE's requirements of an emergency. This particular organism is not on the CCIMPE trigger list. That consists of some 16 to 20 particular species of known and proven concern for economic, environmental, human health or amenity criteria. This one is not on it. Our role was that we were asked for advice and we provided the advice, but we had no implementation powers in that jurisdiction. It was up to the Queensland authorities to effect that. All we could do was to encourage them and put them in contact with the right people.

**Senator McLUCAS**—I was misled there in terms of your power. I suppose if it were a listed organism under your jurisdiction then you would be able to direct—

**Dr Nunn**—In fact, we probably do not have the power to direct even then. We have the power, if it is one of the listed ones, to declare an emergency and to invoke, if necessary, a cost-sharing agreement to try and put other states and Commonwealth funds into a response, but we do not have powers to make that happen. Again, the affected state would come to us

with a plan of what they wanted to do, with estimates of the costs, and we would facilitate the costing, provide expert advice and make sure the right people were around the table to help the affected state to put in place the best possible plan.

**Senator McLUCAS**—In terms of the 15 organisms on your trigger list, do you go through an assessment of including new organisms if there are new incursions in Australia?

**Dr Nunn**—Yes, it is a very active process. Under the interim arrangements for the current two-year period—that is from July this year to July 2003—we are actively reviewing that trigger list, and CSIRO CRIMP, which is the Centre for Research on Imported Marine Pests, is actively reviewing the literature and proposing a number of additions to those lists at the moment.

**Senator McLUCAS**—Is Caribbean tube worm one of those?

**Dr Nunn**—I cannot answer that, because that list has not yet been made available to CCIMPE to review. The research is still going on. I know they are certainly going through a very diverse literature to try and work out which ones may be of concern and would meet the criteria that have been laid down of being a pest of concern.

**Senator McLUCAS**—I will follow that up next time. If in the interim between now and the next estimates you get that list, I would appreciate a copy of that.

**Dr Nunn**—We will make that available to you.

**Senator McLUCAS**—Thank you. The fact that ownership of the vessel was at the time under the Department of Immigration and Multicultural Affairs has nothing to do with the fact that it was not slipped—is that what you are telling me?

**Dr Nunn**—I would have to refer you to that department to answer that, because there were uncertainties about who owned the vessel and at what time documents did and did not change hands. That was not the primary concern for the delays. I think there were a number of issues involved in the delay to finally getting it slipped. That certainly was not the sole aspect.

**Senator McLUCAS**—I understand that when it was finally slipped we also found on it some Asian green mussel.

**Dr Nunn**—That is correct.

**Senator McLUCAS**—Can you tell me about the threat that that organism may pose?

**Dr Nunn**—Asian green mussel—*Perna viridis*—is quite widespread, from India right through to Japan in the north and to New Guinea as the most southern boundary. It is quite well established in that Indo-Pacific region. The assessment of what threat potential it has is difficult, to say the least. There are some who argue, for example, that it is potentially a good thing because it is farmed quite widely in that region. The main pest potential is likely to be one of environmental concern rather than of amenity or economy or even health concerns. The concern there is that it does establish on different vessels and in ports. It does not, like black stripe mussel, invade and take over large areas of the ocean floor or large areas on the bottom of ships. It tends to be an organism that occurs sporadically, so you might get one on one vessel, two on another vessel and one on a wharf or something. So you get very small numbers that are quite widely dispersed. It is quite a different biology from either Hydroids—the tube worm—or the black stripe mussel. It is clearly not one that is on the trigger list.

**Senator McLUCAS**—In his letter to me, Minister Truss goes on to tell me that there were 12 AQIS officers involved in shipping activities in North Queensland—five of them based in Cairns. I suppose you can understand that, given his description of that—and in the letter there was no reference to another authority that may have been responsible for looking at the hull of the vessel—there is acceptable confusion there. Are there any accredited divers based in ports like Cairns who are AQIS staff?

**Mr Cahill**—Not that I am aware of—not specifically for that purpose. They may be accredited but not as a consequence of their employment.

**Senator McLUCAS**—And if you need divers you hire them on a contractual basis. You do not need divers obviously.

**Mr Cahill**—We do not need divers.

**Senator McLUCAS**—Thank you; it has been most informative.

**CHAIR**—Thank you very much. As there are no further questions, we will move now to Innovation and Operating Environment.

**Senator O'BRIEN**—Can I indicate that, given we are not getting the spillover day, I am proposing to go straight to J and place questions on G, H and I on notice. It has become obvious that we will not complete all of the program, so we will go straight to National Resource Management. I apologise for not making that assessment earlier, but it was not clear to me we were going to take up the amount of time we did until just before the dinner break.

**CHAIR**—I appreciate your cooperation there, Senator. Innovation and Operating Environment, ABARE and the Bureau of Rural Science will all have questions placed on notice. We will now move to J, Natural Resource Management.

[8.17 p.m.]

**Senator O'BRIEN**—I will kick off with the material that was referred to this morning relating to rice. I just want to find out what work the department had done in relation to the impact of a lack of water for the rice industry. Whilst things may have improved recently with rain, I am interested to see what options you have looked at or a briefing you might have prepared on the issue of water and rice.

**Mr Thompson**—We are aware of the dry conditions that have prevailed and rice's use of water. The matter of direct allocations for particular rivers and particular irrigation areas is a matter that is one between the state and those growers. The New South Wales Murrumbidgee allocations are very much a matter between New South Wales and those industries, so we have not been directly involved in that issue.

**Senator O'BRIEN**—The Deputy Prime Minister held discussion with Mr John Elliott in mid-January about the crisis facing the rice industry, or perhaps more accurately the crisis facing Mr Elliott. I am advised the department was aware of that meeting and I wanted to know whether any briefing was provided to Mr Anderson's office before or after that meeting.

**Mr Thompson**—I am not aware of that meeting, or aware of any briefing, but Mr Dalton may wish to comment.

**Mr Dalton**—No, I am not aware of information that may have been provided to the Deputy Prime Minister's office. I was on leave at the time so I would need to check with the people who were looking after my position whilst I was on leave. But I am not aware, or there has been no information brought to my attention in relation to that meeting.

**Mr Wonder**—What was the date, Senator?

**Senator O'BRIEN**—January, mid-January.

**Mr Wonder**—We will confirm that. We are not aware of any—

**Senator O'BRIEN**—You are not aware of any briefing?

**Mr Wonder**—No.

**Senator O'BRIEN**—Could you check with the crops branch in case there is an overlap? We were referred away from that area this morning.

**Mr Wonder**—We will confirm that, but we are not aware of anything.

**Senator O'BRIEN**—After that meeting I am advised that Mr Anderson then personally rang the Murray-Darling Basin Commission on behalf of Mr Elliott, to try and release more water. Is the department aware of that?

**Mr Dalton**—No, I am not aware of the facts of that matter.

**Senator O'BRIEN**—Is the Murray-Darling Basin Commission within this division's area of responsibility, if I can call it that?

**Mr Dalton**—Yes, that is true, but if the Deputy Prime Minister did, that would be part of the day-to-day business of the commission and we do not get involved in that level of detail.

**Senator O'BRIEN**—They would not be in a position to approve a release of more water for Mr Elliott, though, would they?

**Mr Dalton**—If it was in relation to Murrumbidgee water, that is an issue between, as Mr Thompson said, the New South Wales government and the individual rice grower.

**Senator O'BRIEN**—Yes, so the Murray-Darling Basin Commission could not assist.

**Mr Dalton**—I would not have thought they would be able to.

**Senator O'BRIEN**—Can you confirm that information or otherwise? Will you take that on notice?

**Mr Thompson**—Senator, I think we would have to confirm that because, while the Murrumbidgee, where most of the rice is irrigated, is serviced by New South Wales water supplies, parts of the rice downstream of Deniliquin are serviced out of the Murray River in part. While the actual allocation is the responsibility of the New South Wales government, if that involved some releases from commission storages or movements of water within the Snowy Mountains Scheme, the commission does get involved in those discussions, from the point of view of the practicality of moving water between storages. But we would have to check on the detail. We are not involved at that level of operations.

**Senator O'BRIEN**—No, all right. I take it from what you are saying that the Deputy Prime Minister certainly would not have called the Murray-Darling Basin Commission on the basis of advice from this division.

**Mr Thompson**—No, I would have been surprised.

**Senator O'BRIEN**—Yes. Having failed to get satisfaction from the Murray-Darling Basin Commission, Mr Anderson then called the New South Wales Department of Land and Water to put Mr Elliott's case. Did the department provide a briefing prior to Mr Anderson's call to the New South Wales department?

**Mr Thompson**—Again, I was on leave during January, but I have not been made aware of any such briefing.

**Mr Dalton**—The same response applies, Senator. We can certainly check, but I am not aware or certainly have not been informed of any requests for information or advice that was provided to the Deputy Prime Minister or his department, but we could take that on notice.

**Senator O'BRIEN**—Okay. It is probably worth pursuing further. Where did the national competition policy review of rice marketing get up to, or is that a matter we should have referred to Crops? If it is, I will put it on notice.

**Mr Wonder**—It would have been something for the industry development people, Senator, but if you give us the question on notice we would be happy to answer.

**Senator O'BRIEN**—That was the question. It is on the *Hansard*.

**Mr Wonder**—Okay.

**Senator O'BRIEN**—I was, Mr Wonder, going to raise the same questions regarding pages 26 and 9 of the respective portfolio budget statement and additional budget estimate statement and highlight the differences between the three numbers.

**Mr Wonder**—We will take it on notice, Senator. Other than to make the obvious observation, which you already have done, I guess, that the administrative amount is the same; the administrative amount, the major item there of 107 million, is common between the two documents.

**Senator O'BRIEN**—And you will advise on notice.

**Mr Wonder**—Yes.

**Senator O'BRIEN**—That is fine. Going on to the Murray-Darling Basin Commission, Mr Thompson, in the last round, in response to a question from Senator Woodley, you advised that for the year 2001-2002 the Commonwealth was providing some \$11.9 million to the MDBC, and you advised that money compared with the sum of just over \$11 million the previous year. Can you confirm that the funding for the Murray-Darling Basin Commission for this year actually came from the Commonwealth's component of the Natural Heritage Trust, or \$7.5 million of the total funding did? Can you tell me where the funds for salinity mitigation—that is \$3.2 million—and the payment to the Murray-Darling Basin Commission of \$1.2 million were drawn from?

**Mr Thompson**—Contributions for salinity mitigation and the Murray-Darling Basin Commission are separate line items in the budget, identified as such. Some of the other elements making up the total contribution for the Murray-Darling Basin Commission are, as we said previously and you noted, made up from the Natural Heritage Trust. But there are line items in the budget for both salinity mitigation and the Murray-Darling Basin Commission.

**Senator O'BRIEN**—So the \$3.2 and the \$1.2 million are consolidated revenue moneys.

**Mr Thompson**—Yes.

**Senator O'BRIEN**—On the national land and water resource audit, at the last hearings I asked about a report on agricultural productivity and Mr Willcocks told us that there had been a final report workshop concerning this report which was to occur on 6 June. The report was to be released late June or early July. When was that report released?

**Mr Willcocks**—Senator, the report still has not been released, but it is finalised. I think the job turned out to be much larger than originally expected and it is a two-volume, 500-page report. It took longer than originally expected to finalise it.

**Senator O'BRIEN**—So it is completed but not released. When will it be released?

**Mr Willcocks**—It is expected to be released in the near future. There are a number of reports either close to finalisation or finalised that should be out shortly.

**Senator O'BRIEN**—Will we have it in the time allowed for answers to questions on notice?

**Mr Willcocks**—I am not quite sure what that time is, Senator.

**Senator O'BRIEN**—I have forgotten what the date is, Mr Wonder, but no doubt you—

**Mr Wonder**—I do not have a date in my mind; sorry, Senator.

**Mr Thompson**—I think it is within weeks. I could not—

**CHAIR**—I think it is 10 April, Senator.

**Mr Willcocks**—I would expect so. Apparently it is up to the audit to program the release of these reports.

**Mr Wonder**—Essentially, if I can just add to Mr Willcocks's answer, Senator, the land and water resources audit has had an extensive program of completing a range of reports and they are all nearing completion and are either in advanced draft stage or, indeed, with the printers. In light of the requirement to get those various reports done, they agreed to do it at the start of the audit and they have completed quite a volume of work that will be released in the next little while.

**Senator O'BRIEN**—Okay. The National Action Plan for Salinity and Water Quality has been the subject of considerable press in recent times and I have a large number of questions about the structure of the program and its progress, or lack thereof, depending on who you talk to.

Dryland salinity has been a known and increasing problem for some considerable time. There was a report presented to the government in 1998 by the Prime Minister's Science, Engineering and Innovation Council, advising that 'At that time there was 2.5 million hectares affected by dryland salinity, with a potential to increase to 15 million hectares in the next 30 years. MDBC released the findings of its audit in October 99 that put the issue on the national agenda. The extent of the problem, therefore, has been known to government for some considerable time.' That is a fair statement of the current situation, isn't it?

**Mr Thompson**—Yes.

**Senator Ian Macdonald**—What part?

**Senator O'BRIEN**—Do you want me to repeat the whole passage?

**Senator Ian Macdonald**—You mean the whole thing?

**Senator O'BRIEN**—Yes. It is a statement of the chronology, where we get to now in terms of—

**Senator Ian Macdonald**—Those two reports were correct, I assume.

**Mr Thompson**—Yes.

**Senator Ian Macdonald**—You seem to be well briefed on that. In fact it was known for some time. I suppose it has been known for three or four decades, has it?

**Mr Thompson**—Yes.

**Senator O'BRIEN**—Mr Truss put out a media release on 3 November 2000, nearly 15 months ago, welcoming a commonsense agreement, as he called it, with the states on the salinity action plan. That was an agreement between the state and territory leaders and the Prime Minister, announced by Mr Howard on 10 October. The framework for the national action plan was also released at that time. The plan ran to eight pages, which I assume is a summary document. Is that a fair way of describing the plan released by the Prime Minister at that time?

**Mr Wonder**—What did you describe it as, Senator?

**Senator O'BRIEN**—A summary document, an eight-page document. I think it is on your web site.

**Mr Thompson**—Yes.

**Senator O'BRIEN**—The funding for this program—that is, the Commonwealth's \$700 million—was in the additional estimates for 2000-2001. That is right, isn't it?

**Mr Thompson**—There was some funding for it in 2000-2001, yes. It is a seven-year program. There was some funding with additional estimates.

**Senator O'BRIEN**—I think Mr Taylor said five years but it is seven years, isn't it?

**Mr Thompson**—It is a seven-year program overall.

**Senator O'BRIEN**—Yes, Mr Taylor said \$700 million over five years is part of the national action plan for salinity and water quality. That is on page 3.

**Mr Wonder**—Correct that, Senator, it is a seven-year program.

**Senator O'BRIEN**—Yes, I think it is well and truly corrected by now, Mr Wonder. Can you tell me in general terms when work actually started on that plan? Do I correctly assume it was very early in the year 2000, if not in 1999?

**Mr Thompson**—At the end of 2000 the national action plan as a strategic framework for the way forward on salinity and water quality was released. It would be hard to say when work on the plan itself commenced during the year 2000 because it, as you outlined, did build on work that was done earlier by the Murray-Darling Basin Commission and the work that was undertaken in a public discussion paper on future directions in national resource management. During 2000 the action plan was put together but it built on previous work.

**Senator O'BRIEN**—So it is a document which has evolved and there has been work in the department and other things happening outside. How were the states and community groups involved in the development of the document released by the Prime Minister?

**Mr Thompson**—The action plan as a framework document was discussed with the states at a COAG meeting. The contents of the plan, as I said, were built on the work of previous years in terms of factual material about the nature of the problem with all the Murray-Darling Basin Commission work. The policy directions, such as adopting regional plans, the importance of capacity building, very much built on the contents of the natural resource management discussion paper—the blue book, as some people term it—which was the subject of broad public consultation and prepared in consultation with community reference panels and with a Commonwealth-state working group.

**Senator O'BRIEN**—At which COAG meeting was this document first discussed with the states?

**Mr Thompson**—On 3 November I think; certainly in November 2000.

**Senator O'BRIEN**—The date that Mr Truss put out his media release, welcoming commonsense agreements with the states, was the first day they had seen the document?

**Mr Wonder**—No, the document was not approved until 3 November by the meeting of the Council of Australian Governments.

**Senator O'BRIEN**—Yes.

**Mr Wonder**—Prior to that the document did not have any status. It was not one of the ones that you mentioned earlier. The blue book that Mr Thompson referred to was something that was produced well prior to that and upon which, together with other things Mr Thompson mentioned, the national action plan was built.

**Senator O'BRIEN**—What was the agreement between the state and territory leaders that the Prime Minister announced on 10 October?

**Mr Thompson**—That was agreement by the states to commit to working with the Commonwealth to implement that national action plan as outlined in that framework strategy and to commit funding to put it into place.

**Senator O'BRIEN**—At the time were the states in possession of the draft framework document?

**Mr Thompson**—When the states agreed to the national action plan they were in possession of a document on the national action plan, yes—that eight-page one to which you referred.

**Senator O'BRIEN**—When did they receive that? When was it sent out?

**Mr Wonder**—We would have to take that on notice, Senator. Indeed, it is not the responsibility of this department to distribute papers for COAG meetings. It is the responsibility of the secretary of the Department of Prime Minister and Cabinet.

**Senator Ian Macdonald**—In the normal course of events state officials would have had that three or four months beforehand.

**Mr Wonder**—It would have been the subject of discussion with senior officials that precedes the COAG meeting, and then the papers themselves would be distributed first to ministers prior to the meeting itself. I could not tell you precisely when that would happen but we would be happy to refer that to the Department of Prime Minister and Cabinet.

**Senator O'BRIEN**—Thank you for that. We were told by the department in February last year that the plan was progressing well, according to the department. One agreement—that is, with Queensland—had been signed and the department said that South Australia and the Northern Territory had indicated they were about to sign. Once the agreements had been signed, negotiations would take place concerning the framework for implementing the strategy. Then at the end of May last year the department advised that South Australia and the Northern Territory had signed, and Victoria, Tasmania, New South Wales and the ACT had indicated they were about to sign, but Western Australia had not. Can you go through the various agreements we are talking about here? What are we talking about?

**Mr Thompson**—What we are talking about there is an intergovernmental agreement, which is a common agreement between the Commonwealth and the states to provide the

overarching framework for implementing the action plan. That has now been signed by all jurisdictions except Western Australia.

**Senator O'BRIEN**—Is that a common forms of words?

**Mr Thompson**—Yes, it is the same document with multiple signatures.

**Senator O'BRIEN**—Has that been published?

**Mr Thompson**—Yes. I understand it is available on our web site.

**Senator O'BRIEN**—So all the states except Western Australia have signed that document?

**Mr Thompson**—Yes.

**Senator O'BRIEN**—That is different from the document the Prime Minister described as the agreement that he had already got all of the states and territories to sign.

**Mr Thompson**—Yes, the intergovernmental agreement is a document prepared in legal form, setting out the undertakings in some of the more precise terms than an eight-page strategic framework.

**Senator O'BRIEN**—The first agreement is a common agreement. That is the one the Prime Minister announced on 10 October. It has been signed by all states and territories. There is one agreement, one set of words.

**Mr Thompson**—There is one national action plan eight-page document.

**Senator O'BRIEN**—What I will describe as the second agreement—the one that all but Western Australia have signed—is another separate framework agreement of some sort, the terms of which are common to all of the signatories and a copy of which is on your web site.

**Mr Thompson**—Yes.

**Senator O'BRIEN**—What incentives were offered to the states to sign the agreement?

**Mr Thompson**—I am not sure what you mean by incentives.

**Senator O'BRIEN**—Was there a fiscal gun held—

**Mr Thompson**—The national action plan involves the Commonwealth contributing \$700 million over seven years and the states contributing \$700 million. Signing the intergovernmental agreement is one of the steps along the way to accessing the \$700 million worth of Commonwealth money. At the time—in 2000—the Prime Minister had announced various amounts of money that would indicatively be available to the states.

**Senator O'BRIEN**—Is there a third-level agreement that now has to be signed?

**Mr Thompson**—Yes.

**Senator O'BRIEN**—What is happening in that area?

**Mr Thompson**—That is an area that we are currently working with the states on. It is what we term a bilateral agreement. It is one between the Commonwealth and the individual state. We have signed one with South Australia and Victoria and Tasmania.

**Senator O'BRIEN**—I take it those agreements are state specific and therefore not common agreements or do they have common provisions, a separate clause or—

**Mr Thompson**—They have many common provisions. They do have some variations between states to recognise the different institutional arrangements that exist in those states primarily.

**Mr Wonder**—They are the state specific ways, if you like, Senator. The best way I can characterise it is they are the state specific ways of how their intergovernmental agreement will be met in that jurisdiction. You have an overarching intergovernmental agreement and the bilateral agreement describes how those requirements are going to be met in an individual jurisdiction.

**Senator O'BRIEN**—So it is a type of implementation agreed for each state?

**Mr Wonder**—Yes, it is.

**Senator O'BRIEN**—Are those agreements able to be made public?

**Mr Wonder**—Yes, they have been made public as they are signed, Senator.

**Senator O'BRIEN**—Thank you. Are they accessible on the web site?

**Mr Aldred**—The first two, South Australia and Victoria, are, Senator. Tasmania having recently been signed needs to be later done.

**Senator O'BRIEN**—How did that work? State ministers, I presume, were sent copies of this agreement form—an implementation agreement, if I can call it that—and there was some negotiation process about the state specific obligations which, I take it, would have been about what projects would be funded under the agreement and how the money would be provided between the state and the Commonwealth. Is that how it would work?

**Mr Thompson**—The bilateral agreements were developed in a process of consultation and negotiation with the states. In some cases the Commonwealth provided a first draft or a first draft in parts, but in some cases the states provided a first draft. The bilateral agreements, as Mr Wonder has said, translate the intergovernmental agreement into the state specific provisions. That picks up things like how processes might work, how money might be transferred and what are the monetary and evaluation arrangements that exist in those agreements. They do not get down to the level of what projects might be funded. They provide the framework for that funding but not the actual approval of specific projects.

**Senator O'BRIEN**—Did the Commonwealth provide first draft agreements to the states for their consideration?

**Mr Aldred**—Senator, in a way it was a joint process with the states. In the case of South Australia—which was the first bilateral agreement to be developed and signed—we did a rough draft and then started to go through a development process with state officials. Once that one was signed it became a model, if you like, for negotiations with other jurisdictions.

**Senator O'BRIEN**—So each state would have had its own version with common provisions. The Commonwealth, I take it, would have sent drafts to the states for their signature.

**Mr Thompson**—As Mr Aldred said, through a process of negotiation and integration we came to an agreement which officials were satisfied with. When that is finalised it is exchanged between ministers for their approval and the signatures on the bilateral agreements have been between Prime Minister and the Premier.

**Senator O'BRIEN**—Have there been occasions where a state has signed more than one agreement?

**Mr Thompson**—No.

**Senator O'BRIEN**—Have there been occasions where a state has signed more than one version of this agreement?

**Mr Aldred**—No.

**Senator O'BRIEN**—Did you send out a version of the agreement to be signed by the relevant state minister and, after the minister had signed it, send out a second version of the agreement?

**Mr Thompson**—There have been multiple versions of agreements that have been discussed between officials, but I am not aware of the Commonwealth sending out two signed versions of agreements.

**Senator Ian Macdonald**—They are usually done with great fanfare, aren't they, in a face-to-face meeting? Is that right?

**Senator O'BRIEN**—I would appreciate if you could check that. My information, however good or bad it is, is that one state minister signed an agreement—

**Senator Ian Macdonald**—Can you be more specific?

**Senator O'BRIEN**—I think the department will know, or it will not know—and subsequently was asked to sign a second version of the document that was already signed. You do not know about that, obviously, Mr Thompson, from your expression?

**Mr Thompson**—I do not know about any final agreements that have been signed. There was one occasion with one state where a state signed a version of an agreement but—

**Senator O'BRIEN**—Which the Commonwealth had sent to it.

**Mr Thompson**—No, it had not been an agreement sent to them by the Commonwealth.

**Mr Wonder**—It was an agreement that was sent to the Commonwealth from that state.

**Senator O'BRIEN**—It was not the Commonwealth's version of the agreement?

**Mr Thompson**—No.

**Senator O'BRIEN**—I think your answer is on the *Hansard*. This third-level agreement—you now have South Australia, Victoria and Tasmania. What is the Commonwealth requiring of the states in terms of funding? It is a matching dollar for dollar scheme.

**Mr Thompson**—Generally that is the model. That is right.

**Senator O'BRIEN**—What do you define as new money?

**Mr Wonder**—Basically the general model is that we have a jar like that glass jar there, and we put money in and the state does likewise—new money.

**Senator O'BRIEN**—Yes. I want you to tell me what the Commonwealth is defining as new money. If the state says, 'We're putting money in this jar,' and you are saying in some cases, as I understand it, 'No, that's not acceptable because it's not new money,' I want you to tell—

**Mr Wonder**—A general model, Senator, is new and additional money. I was not being facetious; we literally call it the glass jar model. We put our resources in and the state puts its resources in and we can see one another's resources accordingly. There have been a couple of departures—minor as they are—from that that were explicitly agreed at the time that model was agreed to. In particular that relates to some of the money that New South Wales has put

into a salinity strategy, which comes to \$52 million over four years. The only other one that I can recall that is relevant in this regard—although it has not been a factor because we have not proceeded beyond the point of getting an intergovernmental agreement signature—is Western Australia, where again it was recognised that Western Australia would be given the opportunity to demonstrate that \$20 million of proceeds from the sale of Alinta Gas would be recognised under the national action plan if made available for salinity and water quality purposes.

**Mr Lee**—Senator, I can add to the answer. There was a communique issued following the Council of Australian Governments meeting on 3 November 2000, and in it there was an agreed formulation of what the definition of new money would be. I will read the relevant points. The first point states:

The Commonwealth's financial contribution of \$700 million for regional implementation of the Action Plan will be matched by new State/Territory financial contributions.

The subsequent point is:

Council agreed that new State/Territory financial contributions include funding attached to measures announced since jurisdictions' budgets—

and this was in November, so it was talking about the previous budgets that would have come in on 1 July—

provided that money is redirected to joint funding under the Action Plan;

**Senator O'BRIEN**—Obviously there has been some debate about the use of spent or committed funds by states to meet that condition. Excepting the West Australian example you gave, have there been any other variations with any of the states or territories on the new funding requirement?

**Mr Wonder**—The only one which we have been discussing that I am aware of, Senator, is the New South Wales one that I mentioned, which was the \$52 million that the New South Wales government had announced, in the fashion that Mr Lee was describing, for their state salinity strategy. We have been working with our New South Wales colleagues, and we are at an advanced stage of negotiations with respect to the conclusion of a bilateral agreement between the Commonwealth and New South Wales.

**Senator O'BRIEN**—Was any funding from the Natural Heritage Trust or the Landcare program shifted into this national action plan funding by the Commonwealth?

**Mr Thompson**—No. The national action plan was new money.

**Senator O'BRIEN**—So there have been no savings made in any of those programs which have made this initiative possible, at least in part?

**Mr Thompson**—No. The action plan was a separate appropriation for this purpose. The money in the Natural Heritage Trust has remained unchanged—NHT1.

**Senator O'BRIEN**—Haven't both those programs suffered funding cuts?

**Mr Wonder**—Which two programs?

**Senator O'BRIEN**—Natural Heritage Trust and Landcare.

**Mr Thompson**—I think we have discussed the Landcare funding before. It is quite difficult to define what Landcare is, and I think we have said that, within the broad scheme of things, funds for Landcare are still available.

**Senator O'BRIEN**—That does not answer the question.

**Mr Thompson**—No. I will just ask Mr Willcocks if he has the numbers for the Natural Heritage Trust in front of him.

**Mr Wonder**—Are we talking about 2001-02?

**Mr Willcocks**—Which year are we talking about, Senator?

**Senator O'BRIEN**—Both 2001-02 and the out years. This is a program that is running over seven years. If one program is running down and the other is winding up, then I would suggest there is a pretty straight transfer, at least on the face of it, between the program that is winding down and the one that is ramping up.

**Mr Wonder**—Mr Willcocks can answer on the detail of this, but the government has made funding available for, first of all, what we call NHT1—the original NHT—and the subsequent NHT2. When put together with the national action plan, they represent record levels of expenditure on natural resource management—more than has ever before been put to the purposes of natural resource management. The national action plan funds are separate and additional, in that regard. You have two major programs, and it definitely is not a case of transferring from one to the other. If you looked at the combined effort in terms of dollars that the two programs bring to the situation, there is a quantum leap above what we have seen before. And I suppose that is the best way to look at it—to add the two appropriations together and to compare what went before. If you were to do that, you would see a marked increase in expenditure in this area.

**Senator O'BRIEN**—Have you done that exercise?

**Mr Wonder**—No, but it would be straightforward to do.

**Mr Thompson**—NHT1 was \$1.5 billion; the national action plan was an additional \$1.4 billion; and earlier this year the government announced another \$1 billion for the Natural Heritage Trust over five years.

**Senator O'BRIEN**—Yes, but of the \$1.4 billion, only \$700 million is Commonwealth money, which is quite different from the Natural Heritage Trust, for example.

**Mr Thompson**—Yes. In terms of Commonwealth money, NHT2 is an extra \$1 billion over five years—and that is Commonwealth money—and the national action plan is an extra \$700 million over seven years.

**Senator O'BRIEN**—And what about Landcare?

**Mr Thompson**—Landcare is within NHT2 funding, and many of the sorts of activities that Landcare groups undertake or participate in, in terms of regional activities, are also supported under the action plan. That is why I was saying before that Landcare as such is a participant in all of those programs.

**Senator O'BRIEN**—Landcare is being absorbed into the Natural Heritage Trust: is that what you are saying?

**Mr Thompson**—Landcare always was funded as a component of the Natural Heritage Trust in a major way. It was one of the key activities within the Natural Heritage Trust. Landcare projects were important parts of the one stop shop.

**Senator O'BRIEN**—It was never funded separately?

**Mr Thompson**—Before the Natural Heritage Trust, Landcare received separate funding.

**Mr Willcocks**—Senator, there is a separate appropriation for Landcare, over and above the program funding for Landcare that is included in that Natural Heritage Trust, so both appropriations, if you like to call them that, go towards the national Landcare program.

**Senator O'BRIEN**—Have you any idea of the historic allocation to Landcare?

**Mr Willcocks**—The total appropriation for this year and next year is in the order of \$38 million. That has been constant over the last three or four years at least.

**Senator O'BRIEN**—There are 21 regions that make up the area that will attract funds through this plan, as I understand it. Is that right?

**Mr Willcocks**—That is right.

**Senator O'BRIEN**—How were those regions identified, and by whom, and how are the boundaries of each of the regions defined?

**Mr Thompson**—The original proposal for those boundaries was made by the Commonwealth, on a basis of those regions which were either severely affected by salinity or those areas where there was a potential for salinity and where action could be taken which would reverse that trend. The data that was based on was essentially land and water resources audit data outlining where salinity has existed in Australia. They were provided to the states as draft regions with draft boundaries. Using the information the Commonwealth had, the boundary lines were drawn around river basins. The finalisation of the regions was undertaken during the bilateral negotiations for that bilateral agreement, and final regions and boundaries were developed in consultation with the states.

**Senator O'BRIEN**—So there is agreement with South Australia, Victoria and Tasmania on the boundaries?

**Mr Thompson**—Yes.

**Senator O'BRIEN**—I understand that those 21 regions are not the only regions in Australia that are exposed to major salinity problems. In fact, in Victoria there are nine regions but only five were included in this plan. How many potential regions were considered under this plan state by state and what criteria were applied to determine which area got up and which area missed out?

**Mr Thompson**—I will have to take on notice the exact number of regions that were looked at and what specific criteria were applied. As I said, the whole of Australia was considered with a view to targeting funding under the action plan to those that were considered of highest priority. It was not intended that all the regions affected by salinity in Australia could be covered with that amount of money.

**Senator O'BRIEN**—It was a Commonwealth decision?

**Mr Thompson**—It was a Commonwealth proposal. The intergovernmental agreement made it clear that finalisation of regions and boundaries were matters for negotiation with the state concerned.

**Senator O'BRIEN**—How did that work? What actual role did the states have? Did they have a series to choose from or did they get a proposition from the Commonwealth, 'These are the ones for your state'?

**Mr Thompson**—They received a proposition from the Commonwealth, 'These are the ones where we think an investment can provide a return,' and they had the opportunity to comment and amend boundaries that they thought made more sense for their jurisdiction.

**Senator O'BRIEN**—Have these regional decisions been a sticking point in any of the state-federal discussions about these bilateral agreements?

**Mr Thompson**—They have certainly been discussed in each of the bilateral agreements.

**Mr Wonder**—I would not describe them as sticking points. In those that we have signed there have been what I would characterise as relatively minor changes to boundaries—to add a little here or amalgamate there and the like—but not what I would call fundamental change to say, 'Well, you've got the wrong half of the state.'

**Senator O'BRIEN**—Of the agreements signed, how many have deviated from the Commonwealth proposal?

**Mr Wonder**—South Australia certainly had some minor changes, as I recall.

**Mr Thompson**—Victoria and Tasmania—they all had some changes.

**Senator O'BRIEN**—Mr Handke told us in general terms at the estimates hearing last May that funding for the national action plan by state was—I think you have probably run through these numbers today; I will just double-check—for New South Wales—

**Mr Wonder**—What page are you reading from?

**Senator O'BRIEN**—It is page 170. Are those figures at the bottom correct?

**Mr Lee**—The figure for Queensland is incorrect. I believe that 82 was quoted in that figure and the total comes to 701 million. The actual figure is 81, totalling 700 million.

**Senator O'BRIEN**—They will be sorry to hear that.

**Mr Lee**—They are well aware of it.

**Senator O'BRIEN**—There is an expenditure profile on page 171 on which years the money was intended to be expended. Is that still correct?

**Mr Thompson**—There has been no formal variation to that level of expenditure at the present time, but it is something that, as in all programs, will be under constant examination and reviewed in the budget context for cash flow.

**Senator O'BRIEN**—Are we going to spend \$65 million this year?

**Senator Ian Macdonald**—That is to be seen when the budget comes out.

**Senator O'BRIEN**—Are there funds committed at this stage? How much is actually committed?

**Mr Aldred**—There has been a commitment of joint funding of \$15.1 million for projects in South Australia. Half of that will be Commonwealth funding.

**Senator O'BRIEN**—Was the \$5 million set aside for 2000-01 expended?

**Mr Aldred**—Not all of it.

**Senator O'BRIEN**—Other than the information you have just given me, has there been a revision—which obviously there will have to be—for the expenditure profile?

**Mr Wonder**—No, there has not been any revision as yet but, as Mr Thompson indicated, we are constantly reviewing that as we look at the roll-out of the program. Against that background it is something that we will certainly be looking at in the forthcoming budget context.

**Senator O'BRIEN**—In terms of actual expenditure to date, as distinct from money committed, how much has been spent under this national action plan?

**Mr Thompson**—The figures that Mr Aldred gave for South Australia are certainly money transferred from the Commonwealth to that state, so in our parlance they are spent. I am not sure of the detail of how much of that has actually got to the regional groups or the people undertaking projects. It is real expenditure by the Commonwealth and transferred to that state.

**Senator O'BRIEN**—There is \$7.75 million in South Australia. Is that right?

**Mr Aldred**—Approximately.

**Mr Thompson**—In all the other states where bilateral agreements are signed we are advancing proposals for expenditure as well.

**Senator O'BRIEN**—But you have not actually sent them any money yet—they have not got any cheques yet. Is that what you are saying?

**Mr Thompson**—There has been funding agreed in Victoria but the Commonwealth has not provided cheques to them as yet.

**Senator O'BRIEN**—Apart from the money provided to the state of South Australia, how much has actually been spent?

**Mr Aldred**—In 2000-01, it was approximately \$1.7 million. This year, in administered items, it is the commitment to South Australia.

**Senator O'BRIEN**—Which is in the vicinity of \$7.75 million?

**Mr Thompson**—There are also the funds advanced to Queensland to assist—that is in 2000-01.

**Senator O'BRIEN**—So a touch under \$9.5 million has been expended.

**Mr Aldred**—Thereabouts, yes.

**Mr Lee**—Approximately another \$800,000 has been spent on flying—airborne mapping—in Queensland.

**Senator O'BRIEN**—That is \$0.8 million—

**Mr Lee**—On top of the expenditure that has been mentioned.

**Senator O'BRIEN**—So it is not in the \$1.7 million.

**Mr Lee**—Yes, of the \$1.7 million, there was approximately \$900,000 in airborne mapping costs in 2000-01. Subsequent to that, I believe the contract flying expenditure has been around \$800,000.

**Senator O'BRIEN**—Does that come out of this program?

**Mr Lee**—Yes, it does.

**Senator O'BRIEN**—Does that require matching expenditure from Queensland?

**Mr Lee**—We are in discussion with Queensland regarding matching that expenditure. The Commonwealth's intention is that it be matched by Queensland. These are part of the details yet to be completely finalised with Queensland.

**Senator O'BRIEN**—This program is formally administered by AFFA, but Environment Australia has some role in the matter as well, as I understand it. Is that correct?

**Mr Thompson**—Yes. The funds for the program are administered by the AFFA portfolio and the direct administration is within AFFA but, because the program is addressing both sustainable production and environmental objectives, we are administering it as a joint

program, which has required some joint administrative arrangements with Environment Australia.

**Senator O'BRIEN**—What are they?

**Mr Thompson**—Sign-off on projects is done by the two Commonwealth ministers concerned. We have a joint Commonwealth-state implementation team. The Environment Australia officers and AFFA officers are co-located and work together as a joint team in working on projects and undertaking negotiations with the states. One Commonwealth team goes out; some teams are led by an EA officer, and some teams are led by an AFFA officer. We have internal working arrangements and regular meetings on strategic directions, policy directions and preparation of working documents and those sorts of things, so that people attend meetings with one brief.

**Senator O'BRIEN**—Has the division of responsibility as to who leads been divided up by state?

**Mr Thompson**—Yes.

**Senator O'BRIEN**—Which agency has leadership responsibility for which state?

**Mr Aldred**—In a formal sense, through the joint implementation team, an AFFA officer would lead the negotiations on some states and an Environment Australia officer might do so on other states. They do not lead them as a portfolio officer; they lead the negotiations as a whole-of-government group.

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

**Mr Aldred**—The negotiating team is a mix of officers from both portfolios.

**Senator O'BRIEN**—What is the state breakdown?

**Mr Aldred**—In terms of the lead officer, in Queensland it is an Environment Australia officer, in New South Wales it is an AFFA officer, in Victoria it is an Environment Australia officer, in Tasmania and South Australia it is an AFFA officer, in Western Australia it is an AFFA officer, in the Northern Territory it is an AFFA officer, and in the ACT it is an AFFA officer.

**Mr Wonder**—I would like to add to Mr Aldred's answer. Once the initial negotiations have taken place and we are getting to the point of an officials' agreed draft, prior to the step of going to ministers, there is a senior official meeting between the state concerned and the Commonwealth, and representation from the Commonwealth for every state is at deputy secretary level, including myself and my counterpart in Environment Australia.

**Senator O'BRIEN**—Why is the breakdown: in Queensland and Victoria, Environment Australia; AFFA in the rest?

**Mr Aldred**—Essentially, it reflects the way that the state teams are broken up. South Australia and Tasmania are handled by one team, Northern Territory and Western Australia by one team, and New South Wales and the ACT by one team. Within the joint team there are two AFFA officers—SES officers—and one Environment Australia officer. It was, quite simply, the way it was divided up.

**Mr Lee**—Really it is a pragmatic working relationship to balance loads and travel and what have you. In each case we have an SES officer from one portfolio assisted by an SES officer from another portfolio, and their support team is a mix of EA and AFFA staff. There is

no particular relevance to the distribution other than the wish to share the load between three SES officers in the team.

**Senator O'BRIEN**—Good. At the end of last year, Mr Truss was talking about going it alone and using federal funds to get some programs under way prior to settling arrangements with some states to progress the national action plan, and his report in the *Weekly Times* of 12 December says:

“We won't be waiting. We'll be getting on with the job of getting some of these programs going as quickly as possible with federal money.”

Do I assume correctly that that statement was made with the full support of the environment minister?

**Mr Wonder**—Is that in relation to the national action plan?

**Senator O'BRIEN**—Yes.

**Mr Wonder**—We would have to take that on notice because I do not think the officers at the table can recall that. It might have been what was reported in the *Weekly Times*, but I do not recall Mr Truss making a release of that nature at that time. We will take it on notice and check it out.

**Senator O'BRIEN**—It says:

In his first interview since being re-appointed, Mr Truss said ...

So I guess it was not a press release. It continues:

Mr Truss blamed the states for delays in getting the federal-state \$1.4 billion salinity action plan on the ground, and accused them of cost-shifting.

I could show you a copy of the article. It is attributed to him in the context of the national action plan, but I am happy to show you a copy of what I have here. I guess the question you are taking on notice is whether he had the support of the environment minister in saying that.

**Mr Wonder**—Yes.

**Senator O'BRIEN**—I take it that the department was not aware of that interview, if you need to take it on notice.

**Mr Wonder**—I would like to take it on notice, have a look at the article and give you a reasoned answer, Senator. I just do not have before me a copy of the minister's comments.

**Senator O'BRIEN**—The only federal-only money that has been committed to date is the mapping money for Queensland. Is that right?

**Mr Wonder**—No. Earlier Mr Aldred indicated that we have committed money in South Australia.

**Senator O'BRIEN**—This is federal-only money—in other words, money which does not have a commitment from the state to match it.

**Mr Lee**—Senator, in relation to the Queensland flying we have certainly been in discussion with Queensland about matching the Commonwealth expenditure and we expect to reach agreement on that arrangement.

**Senator O'BRIEN**—Sure, but technically you do not have one, therefore if one wanted to say how much money has been committed that is not the subject of an agreement for matching funding, then that would be the only money, I think, wouldn't it?

**Senator Ian Macdonald**—Technically, at the moment, yes—at this very moment.

**Senator O'BRIEN**—Probably until at least 9 o'clock tomorrow morning, unless you have something planned after this, Mr Lee.

**Senator Ian Macdonald**—Getting close.

**Senator O'BRIEN**—Can you identify which states, which regions, which projects Mr Truss was referring to? Perhaps you can take that on notice in relation to that article.

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

**Senator O'BRIEN**—And can you tell us how it would impact on dollar-for-dollar funding arrangements, for example.

**Senator Ian Macdonald**—I will refer those to Mr Truss and see if he wants to comment.

**Senator O'BRIEN**—Is it a Commonwealth decision that the funding will only be committed if it is matched by a state contribution?

**Senator Ian Macdonald**—That was the original COAG agreement.

**Senator O'BRIEN**—But is that the nature of the Commonwealth decision, Minister?

**Senator Ian Macdonald**—That was agreed by COAG publicly a couple of years ago.

**Senator O'BRIEN**—But if the minister were to say that the Commonwealth would commit money—go it alone, as it were—I presume that is consistent with whatever decision the government has made about this package.

**Senator Ian Macdonald**—If you are again asking me to interpret what Mr Truss has allegedly said, then I would not do that. I would refer that to Mr Truss for him to do, and that is what we said we would do.

**Senator O'BRIEN**—Okay. The three areas in South Australia attracting money are the lower Murray, the south-east and the Mount Lofty Ranges, the north-east agricultural districts and Kangaroo Island. Can you get me some detail of the negotiations with the various community groups in these regions before the announcement was made? There was reference in the media on 19 January to delays in the implementation of the NAP because of the need to consult communities on how best to progress these projects. Mr Truss's spokesperson is quoted as saying that the plan was being worked out from the ground up and that was causing delays.

**Mr Thompson**—The South Australian situation is that at the same time we were working with them on the introduction of the national action plan, they were also putting in place new arrangements for integrated catchment management. As we said earlier, the boundaries of the regions were proposed by the Commonwealth, and those boundaries we proposed broadly aligned with the sorts of regions that we dealt with South Australia on before. There were discussions over those boundaries to suit the new arrangements South Australia was putting into place. The need to start from the ground up that Mr Truss would have been referring to was because South Australia were putting in place new integrated natural resource management plans and new catchment management bodies, so there were perhaps some learning curves to be got up with new people on new boards and those sorts of things.

**Senator O'BRIEN**—Perhaps you will need to take this on notice. Can you identify the community groups that are relevant to each project and let us know when they were consulted and, in each case, what the outcome was and when the approach to be taken in relation to each project was agreed?

**Mr Thompson**—We will have to take that on notice.

**Senator O'BRIEN**—Thank you. Do you know who the relevant community groups in the lower Murray dairy flats irrigation area are?

**Mr Aldred**—In that area there is an interim natural resource management group that is chaired by a Mr Leon Broster. For each of the areas under the arrangement there is an interim natural resource management body.

**Senator O'BRIEN**—That is an identifiable group, I take it.

**Mr Aldred**—Yes, it is.

**Senator O'BRIEN**—You could tell us, on notice, who they are.

**Mr Aldred**—They have been appointed, yes.

**Senator O'BRIEN**—In this area, this project for the lower Murray dairy flats involves providing support to land-holders to develop business plans, so I assume they were well and truly consulted before \$2.18 million was committed. Is there a crossover with the FarmBis Program here?

**Mr Thompson**—I should say, on that lower Murray dairy flats issue, that the natural resource management in the lower Murray has been an issue identified in the Murray-Darling Basin Commission context and with the states for some time, and there have been various working groups between the Commonwealth and states on that, so it was not a new issue. The way the national action plan will work is that it does make provision for building up capacity but we are coordinating that with the FarmBis Program. The FarmBis Program does have the funds to provide assistance to individual farmers. What we will try and do is collaborate with our colleagues elsewhere in the department to make a package of program assistance which suits the needs of the region.

**Senator O'BRIEN**—Is this a crossover with the FarmBis Program?

**Mr Thompson**—I am not sure what you mean by 'crossover'. It is an opportunity for synergy. For example, the FarmBis Program may well be the source of funds that individual farmers may seek assistance for if they need training assistance to implement business plans; the national action plan may provide assistance to develop training courses or identify needs or help with fundamental information to help them with their business plans. It is a matter of working out which program can best provide what resource.

**Senator O'BRIEN**—There is also a plan to develop and negotiate a reform package and engage irrigators in land management changes. Could you supply, perhaps on notice, some detail on what is contained in this reform package, what are the objectives of the reform, what are the benchmarks against which the package will be tested and over what period of time is the reform package to be implemented?

**Mr Thompson**—We will take that one on notice.

**Senator O'BRIEN**—I think I have some other questions which I will place on notice. I am conscious that Senator Buckland and Senator McLucas want to ask some questions of this program, and we will run out of time if I do not at least spend some time looking at my questions while they have an opportunity.

**Senator BUCKLAND**—A lot of the questions have already been put to you by Senator O'Brien so if my questions seem a little bit out of context you will just have to bear with me. In relation to the agreement you have with the South Australian government, I am right in

assuming that they are contributing \$7.55 million and the Commonwealth is contributing, equally, \$7.55 million for the \$15.1 million. In coming to that agreement is there a need for the state to identify where that money will be spent once they have it?

**Mr Thompson**—The investment proposals are subject to joint investment decisions by the Commonwealth and the state. So, in a generic sense, those proposals come forward from the states and the community in consultation with the Commonwealth, and we jointly make a decision to invest in them. When they come through and a decision is made to fund \$7.5 million, at that broad level, decisions about where it goes are made. Where that might involve small levels of expenditure within a region, those decisions, depending on the nature of the plan and the project, could well be decisions that end up being made quite locally.

**Mr Wonder**—But all of that money—if I understand your question correctly, Senator—can be aligned with identifiable projects.

**Senator BUCKLAND**—What are the identifiable projects in relation to the South Australian agreement?

**Mr Aldred**—With the \$7.55 million there is a range of projects across each of the priority regions. For example, there is the lower Murray dairy flats restructuring project that Senator O'Brien has referred to. In the south-east of South Australia there is an integrated package of drainage works, environmental assessment and monitoring.

**Mr Thompson**—Senator, if you wish, we could give you very quickly—not tonight but shortly thereafter—a written description of each of the projects making up that \$7.55 million.

**Senator BUCKLAND**—You might give it to the committee so that we have a record of that.

**Mr Thompson**—Yes.

**Senator BUCKLAND**—That would be helpful. If I could go to some specific things about money being spent, could, for instance, some urban work be done in relation to the effects of dry land salinity on asphalt decay, house cracks, road crumbling, lawns in sporting fields deteriorating because of salt coming to the surface, and the damage to water pipes, sewerage pipes et cetera?

**Mr Thompson**—That is very much a hypothetical question. It would depend on the nature of the region and what the region identified as their priority. Within some catchments, deterioration of urban, residential and sporting infrastructure are significant issues for salinity. If that was a priority and there was a good cost-benefit ratio analysis around it, it could well be the case that a region might put forward some urban protection measures as a short-term measure while longer-term catchment based measures or riverine measures are put in place. Again, it depends a bit on the nature of the region and what their priorities are. It is not excluded. If, within that region, damage to urban areas is a significant issue that needs to be addressed, it could be considered.

**Senator BUCKLAND**—Is money being spent on recovering land that is being taken over by salt, where you have low-lying areas of salt— sometimes it has been long established before settlement and cropping and grazing began? Is money out of this program being put into those types of projects to reclaim some of those affected areas?

**Mr Thompson**—Again, that is not excluded from the program. Money may be available for that. Money may be available for alternative uses of saline land. But one of the major

focuses of the program is on preventing new problems because, in general, that is a cheaper solution.

**Senator BUCKLAND**—We may not argue about that but, to reclaim some of that land that has been affected by overcropping, overgrazing, needs to be addressed also.

**Mr Thompson**—I would agree. For example, there are proposals which are being discussed and considered in catchment management circles for using things like saltbush to reclaim saline land and, as part of a package, they could well be supported.

**Senator BUCKLAND**—In the context of the NAP plan, is there any consideration or thought given to compensation for property owners who use some of their prime cropping land to replant forest type plants or native plants that will have the effect of lowering the watertable?

**Mr Wonder**—Senator, can I come in here, because I think your line of questioning goes to what is the model here for rollout of expenditure. Yes, there are some priority projects, such as those that we have mentioned for South Australia that have been funded with the support of the communities concerned. But, more generally, the model is that the catchment communities themselves go about developing a plan for what they believe are the most sensible actions, the most beneficial actions, to address the salinity and water quality problems that they believe they have in their particular catchment. They then prepare that plan. It is driven from the bottom rather than from the top.

**Senator BUCKLAND**—Yes, I understand that.

**Mr Wonder**—Being driven from the bottom, that then comes to the Commonwealth government and the state governments. The Commonwealth and state governments take a decision about whether or not they are going to accredit those plans and, if they do accredit them, then that is a basis for investment into the future. The projects such as the ones you are talking about are coming forward from the community rather than us saying, ‘This is what you need to invest in.’

**Senator BUCKLAND**—Yes, but as far as it goes to compensation, that may well come from the community.

**Mr Wonder**—They may well put up a proposal, for argument’s sake, that the best way to control salinity or water quality issues in a particular region, they believe, is by undertaking some reforestation of some kind on identified land. Obviously I am concocting a fictional example for illustrative purposes but, just to continue the point through, if we think that it is a very worthwhile project that we believe will address the priority problems in the region, yes, we could accredit that plan and we would be willing to consider it for funding.

**Senator BUCKLAND**—We might be on a different wavelength there. I understand what you are saying, but compensation is quite different to a community project, isn’t it? If a community or a particular grazier has land that could be restored with the planting of deep-rooted plants to try and lower that watertable, then he could seek compensation for the loss of that good cropping land.

**Mr Wonder**—The national action plan has a very specific clause in it about compensation. I do not have the clause in front of me; a colleague will have, I am sure. The issues surrounding compensation go to some difficult questions of things like modification of property rights and the implications for structural adjustment and so on. I can refer you to it. As I say, this is a

public document. There is a clause 47 in the intergovernmental agreement on compensation that says:

The Parties agree that compensation to assist adjustment where property rights are lost will be addressed in developing catchment / regional plans noting that, while such compensation is the responsibility of the States and Territories—

and that is a statement of fact—

the Commonwealth is prepared to consider making an additional contribution, separate from the \$700 million mentioned above.

That is the \$700 million that we have been talking about all night that is the sum contribution of the Commonwealth to the national action plan.

**Mr Thompson**—Senator, I have one additional point to make. You may be thinking of a circumstance—and again it is a concoction—whereby a region decides for itself that the best way of addressing the salinity problems in their region is to plant some trees in some selected areas where recharge is occurring or to encourage lucerne production or something of that sort—deep-rooted perennials—and they may decide the best mechanism for addressing that is through payment of some sort of stewardship payment to the land-holders concerned. They may run some sort of grants program or tendering for the rights for people to plant trees or other vegetation, on what was otherwise grazing or cropping land, to provide benefits for the catchment overall. But, as Mr Wonder said, that would be part of the planning process. The regional community would come to the view that they have a problem, that the solution lies in planting and they all have to contribute to that. The community may be prepared to put some money in, but they may also build that into their investment proposal to the Commonwealth and the states.

**Senator BUCKLAND**—But that money could still come from the NAP money?

**Mr Thompson**—Yes. For example, some people in some areas are talking about things termed stewardship payments or set-aside and, if that was part of a plan and that was seen as the most effective way to reduce watertables, that could well be a very desirable thing for the national action plan funding to support.

**Senator BUCKLAND**—Can I stay on that for a moment. This is a different angle. One of the major difficulties that is now being observed is open-ditch irrigation and the evaporation costs. Would the money be available for community projects to consider closing those channels and piping, costly as it may be? Or indeed using covered channel through concrete covers which has been suggested also as one way of eliminating some of the loss through evaporation and seepage?

**Mr Thompson**—Again, as Mr Wonder has said, the projects are going to come up from the community and from the region, but if a source of salinity or water degradation is inefficient irrigation, water supply or drainage, engineering measures to address that could well be very cost-effective and could be supported.

**Senator BUCKLAND**—The National Water Week was held from 15 to 21 October last year. Has there been a cost attributed to that?

**Mr Dalton**—Senator, I can take that on notice. The National Water Week has a national component and then each state undertakes its own set of activities in its own jurisdiction under the banner of a national water week. The national element is fairly minor, but I have to take the question on notice. It revolves around nationally supported or nationally applied radio

slots and monitoring of information around those radio programs. I will provide the answer on notice.

**Senator BUCKLAND**—Yes, you might need to take some of these on notice. Indeed, it might be necessary to put that whole line on notice to you, I think, from what you have just said. There is a series of questions I would like answered in relation to that. What is the measurement for success or failure of the projects that are identified and proceeded with, and is that a consistent measure across all projects?

**Mr Thompson**—The national action plan is a departure from previous programs which were input driven. The measure of success is to be the outcomes they are going to deliver in terms of salinity and water quality, but salinity and water quality is not something that is necessarily going to be achieved in 12 months, two years or three years. The consistent principle being applied across all projects is, ‘What difference is this project going to make to the salinity and water quality problems of your area?’ expressed in terms of the targets that have been set for that catchment or basin. Within that framework, salinity can be readily compared, but it is not an automatic trade-off of one-for-one for salinity, nutrients or other factors. Issues such as the likely cost-effectiveness of achieving a target, the contribution that perhaps training and awareness raising or building up capacity or some research may be able to make to the magnitude of a problem will also have to be taken into account. A black-box formula may not be applied, but consistent principles will be applied. Some of those issues are being discussed with the states.

**Senator BUCKLAND**—When a project is identified, who is the authority that agrees you will proceed with that project?

**Mr Thompson**—In the case of a catchment plan, the catchment community would develop the project in consultation with relevant experts that they seek, and I would not be surprised if the Commonwealth and states are involved at that stage in providing some advice. That would come forward as an investment proposal and then the Commonwealth and states jointly, first at official level and finally at ministerial level, will say, ‘We are prepared to make an investment in that because, on the information provided, we believe it’s going to contribute to those important outcomes.’

**Mr Wonder**—The catchment or community group is generally taking responsibility for implementation. In the plan that they put to us for accreditation they need to develop how they are going to implement it. There is no model that says, ‘You must do it this way.’ For argument’s sake, they could contract it to a state authority or they could contract it to a private firm. They may have a whole host of arrangements that they could choose between but, whatever way they propose to go, they will need to convince the Commonwealth and state governments, who are the investors, that they have a reliable way to proceed with the appropriate accountability and transparency.

**Senator BUCKLAND**—A project is identified and brought to the relevant approving body. Who then administers that project as it proceeds? Is a management committee appointed? Is it self-managed by the community? Is there a consultant appointed?

**Mr Thompson**—As Mr Wonder has said, at the detailed level there may be a number of ways of implementing it. The management of the portfolio of projects or the projects that are at a high level in terms of broad contract administration would be undertaken by the regional body, with support. Part of the project funding may be for the support necessary to do this and support through state agencies will be expected as well. The Commonwealth and state will

also have joint steering groups with those communities to monitor and evaluate project implementation.

**Senator BUCKLAND**—How much of the \$15.1 million that went to South Australia would be going towards the administration of projects? Can it be quantified? Someone must be doing something out of that money.

**Mr Aldred**—Certainly, Senator. I am not sure that I completely understand the question.

**Senator BUCKLAND**—A hypothetical project of perhaps \$5 million is identified—I think that is in the ballpark. Who administers that and who pays the administration of that project? Is it in kind or is it out of that fund as well?

**Mr Aldred**—As to who administers it, Senator, it could be a range of people or teams. It may well be administered directly by the regional body. The regional body may contract someone else—local government or a private contractor—to do certain tasks. It could well be a state agency arrangement. As to where the funding for the administration comes from, it should be an integral part of the project proposal.

**Senator BUCKLAND**—The \$5 million project would need to have written into it the administration costs.

**Mr Aldred**—Yes.

**Senator BUCKLAND**—But it is not clear exactly who would be doing that.

**Mr Aldred**—It will vary, depending on the project. In the case of South Australia, it is variable.

**Mr Thompson**—For example, you mentioned earlier some engineering works to do with drains. They may well contract that out to someone with engineering expertise.

**ACTING CHAIR**—Senator McLucas.

**Senator McLUCAS**—Thank you. You might want to take this on notice; I do not need the answer tonight. I am interested in your comments about catchment based plans. I am also interested in how you effect an outcome which is an integrated approach across a broader region and how you use the structures that you have with community based catchment groups and, I understand, a state based group. How do you make sure that those plans are welded together so that you get an outcome on a much broader region? Can you take that on notice? It is a fairly involved question, but I am interested in the answer. I want to move to NHT. Can you tell me when NHT2 is set to finish?

**Mr Wilcocks**—It is a five-year program commencing in 2002-03, so it finishes in 2006-07.

**Senator McLUCAS**—And NHT1 completes when?

**Mr Wilcocks**—It will finish, technically, this year, but there are some overruns because of projects that still have to be completed.

**Senator McLUCAS**—September is not the completion date?

**Mr Wilcocks**—Sorry, Senator, I did not understand. In terms of the budget allocations, there is funding in 2002-03, but projects themselves are set to finish in September.

**Senator McLUCAS**—If money is not expended by September, what happens?

**Mr Wilcocks**—Technically, it should be returned to the Commonwealth. These are projects in the states.

**Senator McLUCAS**—What planning is under way for the implementation of NHT2?

**Mr Wilcocks**—There are discussions going on with the states to design the new delivery arrangements for NHT2. The arrangement we have with this committee is that questions on the Natural Heritage Trust are brought through the environment committee.

**Senator McLUCAS**—I understand that, but I am deeply concerned about Landcare, which is the province of this committee and of AFFA.

**Mr Wonder**—We can certainly answer some questions on Landcare but we would not be comfortable answering questions about the estimates of other portfolios.

**Senator McLUCAS**—I understand that. I will get right to it. In Landcare, come September, potentially we will face the situation where a whole range of very experienced personnel across the nation will cease that contract. I am concerned—and I would like to hear your comment—about whether or not the department is interested in a seamless approach so that we finish our contract in September and, come October, we do not lose those personnel and those projects into the next round of NHT in landcare.

**Mr Thompson**—We are very much aware of the issue of the Landcare coordinators and facilitators to which I think you are referring. The policy direction of the Natural Heritage Trust and the national action plan recognise the importance of capacity building and networking that needs to be undertaken to get good natural resource management practices on the ground. That is recognised as part of the policy direction that has been announced. In the design of NHT2 and its implementation those issues, including the September contract dates, are very much in our minds.

**Senator McLUCAS**—I am concerned about the time. Usually in January we put out expressions of interest on an annual basis. We are now in February. There is not a lot of time left. Can you assure me that we will have contracts in October?

**Senator Ian Macdonald**—Senator, the NHT board is meeting tomorrow morning at 8 o'clock, I think, where some of these issues will be considered. Quite frankly, these were all fixed contracts with fixed funding and those things are finished. We are conscious of the points you raise but no decision has been made.

**Senator McLUCAS**—Maybe I will leave that on the record, and we can pursue it next time. Thank you.

**Senator O'BRIEN**—I have some questions for this program which I will put on notice. I will go to fisheries and forestry now.

[9.54 p.m.]

**ACTING CHAIR**—We turn now to questions on fisheries and forestry.

**Mr Wonder**—Senator, this item in the agenda covers fisheries and forestry. We assume you are going to address fisheries matters first; is that correct?

**Senator O'BRIEN**—If you like. At the last estimates, Senator Forshaw asked some questions about the timing of the appointment of Mr Tuckey then to the Fisheries portfolio. A question was taken on notice. The committee was advised that the matter had been referred to Mr Truss for reply. According to my advice we still have no reply from Mr Truss.

**Senator Ian Macdonald**—What was the question?

**Senator O'BRIEN**—It was the timing of the appointment of your predecessor, Mr Tuckey, to the Fisheries portfolio. Is the department or the minister able to advise us about that?

**Senator Ian Macdonald**—I am certainly not.

**Mr Quinlivan**—I think this was a discussion about whether there had been any public announcement and what date the decision had actually been made. I know that in the normal way we did refer the question to the minister's office. I do not recall what happened after that. You say there was no answer to the question.

**Senator O'BRIEN**—The answer to the question on notice simply says: 'Questions have been referred to the Hon. Minister Truss, Minister for Agriculture, Fisheries and Forestry for reply.'

**Mr Quinlivan**—I cannot really add anything to that sentence I am afraid.

**Senator Ian Macdonald**—Senator, you do not of course have to explain why you asked the question, but is it still relevant?

**Senator O'BRIEN**—It is a matter for the record. I thought there was an obligation to provide answers. That is the statement the chair makes at the beginning—that answers will be provided. I would not have thought it was hard to provide an answer to that.

**Senator Ian Macdonald**—If it is still relevant, I will try to get you an answer.

**Senator O'BRIEN**—Thanks.

**Senator Ian Macdonald**—I will try. I must say it is far beyond my knowledge, but I will see if there is any difficulty in getting you a reply—perhaps that is what I should say.

**Senator O'BRIEN**—Minister, I am assuming you were sworn in as the minister for fisheries and forestry at the same time.

**Senator Ian Macdonald**—No. I am still the Minister for Forestry and Conservation. That is the official title. But the Prime Minister has indicated that I am to handle fisheries matters on behalf of the government. So I am the fisheries minister, but it does not appear in my title.

**Senator O'BRIEN**—What is the relevance of swearing in? I am a novice; you are obviously the expert in these areas now.

**Senator Ian Macdonald**—Yes, I have been sworn in, that is right. I think we are sworn in to assist in administering the Department of Agriculture, Fisheries and Forestry, if I recall. It was such an exciting day—the three times—and it has all gone around in my head, but I think you are sworn in to actually administer a department and you are allocated certain responsibilities.

**Senator O'BRIEN**—So it is a sort of delegation of authority from Mr Truss to you via the Prime Minister; is that how it works?

**Senator Ian Macdonald**—Actually, I am embarrassed that I do not know. Perhaps I had better find out for my own benefit as well.

**Senator O'BRIEN**—Take it on notice and let us know. I think Senator Forshaw also asked about a submission by Mr Tuckey to the ERC about a funding proposal for the forest and wood products action agenda. That question was referred to Mr Tuckey, and I do not believe we have an answer to that question. Let me find it so that I can give you a better reference. It is question No. 12 from the May estimates.

**Senator Ian Macdonald**—If it were related to the ERC I would be surprised if you would get an answer, Senator. I do not think that is the sort of thing that is usually answered in estimates.

**Senator O'BRIEN**—The question is there and the answer is, 'The question has been referred to the Minister for Forestry and Conservation, the Hon. Wilson Tuckey MP.'

**Senator Ian Macdonald**—Who gave the answer?

**Senator O'BRIEN**—They are the estimates answers that come from the department, I guess.

**Senator Ian Macdonald**—Perhaps it was done in the caretaker period when they did not have the benefit of ministerial guidance.

**Senator O'BRIEN**—As I say, it is in the same category as the others. We do not actually have an answer. It just says it has been referred. If it is being ignored, that is unacceptable.

**Senator Ian Macdonald**—Senator, if I had been the minister at the table then I would have said, 'Submissions to ERC are not matters that would normally be answered in this committee.' Therefore, you should not expect an answer to that one.

**Senator O'BRIEN**—Well, perhaps you should look at the question. It was not rejected on that basis, nor has that been the answer that came back. I do not know who the minister at the table was at that time.

**Senator Ian Macdonald**—Or if there was one.

**Senator O'BRIEN**—It might have been you, Minister.

**Senator Ian Macdonald**—No.

**Senator O'BRIEN**—Although you did not normally do agriculture and forestry.

**Senator Ian Macdonald**—No. One of my colleagues—

**Senator O'BRIEN**—Senator Alston, who may not have been here—I concede that.

**Senator Ian Macdonald**—I did not want to dob anyone in, but I was going to say that one of my colleagues who had responsibility then did not always turn up, this being such a gentle committee and the officers being so very competent.

**Senator O'BRIEN**—Proceeding further on Fisheries, AFMA and the ACIL review of management advisory committees is a matter I wanted to touch upon. Where is that process up to now? What responses have been made to each of the 31 ACIL recommendations?

**Mr Meere**—Senator, the AFMA board considered each of the 31 recommendations and, while I do not have the material in front of me, my memory is that they accepted all but two in entirety and are moving to implement those. The other two were variations on what came forward. Broadly, the total thrust of the recommendations was accepted by the board and arrangements are being made now to implement those recommendations.

**Senator O'BRIEN**—Is there a schedule for their implementation?

**Mr Meere**—The board has asked that they be moved forward as quickly as possible, but I do not have a fixed timetable for each one of them. Some of them we are doing already; some we have planned approaches and so on.

**Senator O'BRIEN**—Perhaps you could give us some more detail on notice, Mr Meere, given the time.

**Mr Meere**—Yes, I am happy to do that.

**Senator O'BRIEN**—At the last hearings you, Mr Meere, referred to the strategic assessments of all fisheries over the next three years. AFMA was to develop a strategic

assessment and put it through the processes outlined in the EPBC Act for the approval by the minister for the environment. Has that process taken place? Has it been concluded?

**Mr Meere**—It is under way. We have forwarded to the minister for the environment two strategic assessments—one for the Heard and McDonald Island fishery and the other for the Bass Strait scallop fishery. We are undertaking strategic assessments for the three tuna fisheries this coming year and for a combined southern fishery. The upshot of that will be that the bulk of the main Commonwealth fisheries will have been put through the process, although there will still be the Northern Prawn Fishery to do.

**Senator O'BRIEN**—How does the process work within the current EPBC Act?

**Mr Meere**—The arrangements are that we have to settle terms of reference for the strategic assessment with the minister for the environment and then we go away and prepare the strategic assessment and submit it to the minister for his approval, and that is where we are up to with the Bass Strait scallop and the Heard and McDonald Island fishery strategic assessments. It has been submitted to the minister for the environment and we are now awaiting his approval of those two strategic assessments.

**Senator O'BRIEN**—How long have they been with the minister for the environment?

**Mr Meere**—They were forwarded before Christmas, so not very long.

**Senator O'BRIEN**—How long is the strategic assessment process for all the fisheries going to take?

**Mr Meere**—It will take a number of years. My memory is that they have to be completed by 2005 for all Commonwealth fisheries. That is quite a timetable. In fact, I could provide you with a list of how we have scheduled those over the coming years. The list goes through to 2005. For key export fisheries, they are required to be completed by the end of 2003.

**Senator O'BRIEN**—Which fisheries does that include—northern prawn, for example?

**Mr Meere**—Yes, indeed. All the major Commonwealth fisheries have an export component in them. We are moving to make sure that they are done first in this timetable that we have developed.

**Senator O'BRIEN**—But you do not control that. Your timetable is heavily influenced by the responses from the minister for the environment?

**Mr Meere**—I suppose all we can do is make sure that we have done our end of the process and submit it in the time frame that is required. I know that Environment Australia are concerned about the scheduling of this, because it is not only Commonwealth fisheries that have to be done by 2003; it is all export fisheries. Clearly, that is a huge job between now and December next year. But we have tried to make sure that we have given them as much notice as possible of where we see the Commonwealth fisheries strategic assessments for them.

**Senator O'BRIEN**—Can you advise me of where a review of Commonwealth fisheries policy is up to? I think the last advice received by this committee was that the process would be completed by last August.

**Mr Quinlivan**—Senator, there was a steering committee established to develop proposals for the government to consider. The steering committee developed some draft recommendations which were provided to Minister Tuckey about August—I am not sure of the precise date. Minister Tuckey then embarked on what he called 'second round' consultations with stakeholders.

**Senator O'BRIEN**—Is that what he called them?

**Mr Quinlivan**—He did, yes. The steering committee had an initial round of consultations with stakeholders. He then held another series of discussions with stakeholders around the country, and that ran right up until the announcement of the election last year. At present we have advanced draft recommendations from the steering committee, which have been provided to the new minister for fisheries, and he is going to make a decision about how he proceeds with the review.

**Senator O'BRIEN**—The steering committee, which was appointed by Mr Truss, I think, has effectively passed their recommendations through the department to the new minister.

**Mr Quinlivan**—It was directly to the former minister and we, in the normal way, have provided that to the new minister, yes.

**Senator O'BRIEN**—Did anything come out of Mr Tuckey's second round of consultations?

**Mr Quinlivan**—Not in the form of tangible outcomes, no. The last one may have been held on the same day the election was called, so there was no written product of those consultations.

**Senator O'BRIEN**—They were fairly robust consultations, as I am hearing from my state.

**Senator Ian Macdonald**—That is—

**Senator O'BRIEN**—It is serious, Minister. Your predecessor, as I understand it, threatened to take some fisherman outside and settle a few points with his fists.

**Senator Ian Macdonald**—You are asking the officer whether they were robust discussions. That is hardly a fair question for the officer.

**Senator O'BRIEN**—I suggested to him that they were.

**Senator Ian Macdonald**—He would not want to comment on that.

**Senator O'BRIEN**—No, I understand that he would not want to, but it does not make it an improper area to ask questions about. The steering committee had reached agreement on the vast majority of issues, if not all of them, when Mr Tuckey took control of the matter. That is correct, isn't it?

**Mr Quinlivan**—I think it would be fair to say that they had reached a reasonable measure of consensus on most of the recommendations which were forwarded to the minister. It would be inaccurate to go further than that, I think.

**Senator O'BRIEN**—I said the vast majority of issues.

**Mr Quinlivan**—I am not sure that is necessarily right, because there was no report or analysis that had been drafted to support the recommendations. The agreement—the consensus that I talked about—was specific to the material dealt with in those recommendations. There was a large number of other matters not dealt with in the recommendations.

**Senator O'BRIEN**—What was the total cost of the review?

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

**Senator O'BRIEN**—How much of that cost is attributable to the costs of the steering group?

**Mr Quinlivan**—The majority of the costs incurred by AFFA, the portfolio, would probably be in the salary costs for the secretariat to the review, because we had two people engaged more or less full time for the best part of a year. The costs of funding the travel and so on for the steering committee members would be substantial, but probably less than half that of the salary costs of the secretariat.

**Senator O'BRIEN**—Can you give us the detail of that on notice?

**Mr Quinlivan**—I can.

**Senator O'BRIEN**—Thank you. Can you advise the committee of the outcome of the special audit of the Fisheries Resource Research Fund which I believe was scheduled for completion by July last year.

**Mr Quinlivan**—I cannot give you the specifics because I do not have them to hand, Senator, but they were not particularly critical of the administration of the fund.

**Senator O'BRIEN**—Is there an actual audit report?

**Mr Quinlivan**—This was done by internal audit, so it is an internal document to the department and, to the best of my knowledge, it has not yet been considered by the audit committee of the department. I suppose until such time as it has, it is an internal draft document. I am not sure what the practice of the audit committee is regarding making that sort of document available outside the department. I personally would not have any difficulty with it because I thought it was quite a fair appraisal of the scheme, but I do not know what the general practice is.

**Senator O'BRIEN**—I request that a copy be supplied to the committee. If you would take that on notice and give it proper consideration, I would appreciate that.

**Mr Quinlivan**—Okay.

**Senator O'BRIEN**—Regarding the policing of the Heard Island fishery, can you confirm that consideration is being given to the placing of military personnel on fishing vessels in this fishery as a cost-efficient means of policing it?

**Senator Ian Macdonald**—What we could confirm, Senator, is that the arrangement for the *Southern Supporter* runs out on 30 June next year. I note the Australian Navy's considerable success as they bring two allegedly illegal fishing vessels into Fremantle tomorrow morning at 6.30. What action or form the government's ongoing determination to protect the fishery and Australia's sovereignty down there should take is something that is exercising the mind of the government now, but there have been no decisions made.

**Senator O'BRIEN**—Have there been any discussions with industry or with the Department of Defence about this approach—that is, the military personnel?

**Senator Ian Macdonald**—There are ongoing discussions with all of those people you mentioned and others.

**Senator O'BRIEN**—About that approach?

**Senator Ian Macdonald**—About that and other approaches. Every approach is being considered.

**Senator O'BRIEN**—With whom has that approach been discussed?

**Senator Ian Macdonald**—The industry, Defence and Customs. I suspect we discussed it with the opposition. If not, we probably should. It is across the board. You cannot be more specific than that. There are discussions going on all the time about the best way to do things.

**Senator O'BRIEN**—I have asked a specific question. At this stage I believe you have said that the placing of military personnel on fishing vessels has been discussed with the industry.

**Senator Ian Macdonald**—No, what I am saying is that the whole range, the whole gamut, of possible options is being considered and being discussed.

**Senator O'BRIEN**—That is fine. I am asking a specific question to which, at this stage, I think the *Hansard* will show you as having answered yes, there have been discussions about this specific option with industry. I do not want the *Hansard* to be saying that if that is not the case.

**Senator Ian Macdonald**—The specific option of putting armed personnel on fishing—

**Senator O'BRIEN**—Placing military personnel on fishing vessels. Has that been discussed with industry?

**Senator Ian Macdonald**—Has that been discussed?

**Mr Quinlivan**—We are preparing advice which will be comprehensive. It will deal with all of the practical options. The placing of military or armed personnel, or potentially armed personnel, on civilian vessels—which I assume is what you mean by fishing vessel—is one of the options. It has been suggested to us by some people in the fishing industry because it is a model that has been used elsewhere. Yes, it is one of the options and it has been discussed with industry to the extent that they have suggested it to us.

**Senator O'BRIEN**—Is there an end-time schedule for the discussions with industry and other departments? Is this the end of the agreement you have with the Department of Defence—a timetable you will be looking at to implement different measures potentially than those which are in place now?

**Senator Ian Macdonald**—We have an arrangement in place now with the unarmed fishing vessel. Defence is always available—

**Senator O'BRIEN**—It is a long way away.

**Senator Ian Macdonald**—It is, but it is within the bounds of realism. The Navy is there for a purpose and doing this is part of its purpose. Senator, the whole thing is under review at the moment and at some stage I will be putting a formal submission to the government on what should happen.

**Senator O'BRIEN**—I am sure you will. I want to ask some questions about the southern shark fishery. Mr Meere, I think it is your area. Can you take me through the consultative process followed in the development of the management regime for this fishery, please.

**Mr Meere**—I could be flippant and ask if we have plenty of time, because they have been very extensive, Senator, and have been ongoing for many years, including, as I think I have previously reported to the committee, the process of agreeing to revised offshore constitutional settlement arrangements, whereby the jurisdiction was passed to the Commonwealth.

**Senator O'BRIEN**—There is an MOU in place that formally describes the working relationships between the Commonwealth, AFMA and the states, isn't there?

**Mr Meere**—That is correct. In terms of management arrangements, extensive consultation considering a whole range of options culminating in advice, not being unanimous, from the management advisory committee that individual transferable quotas should be implemented to help protect the key stock of school shark and gummy shark, particularly school shark, which has some sustainability concerns.

**Senator O'BRIEN**—Whereas with gummy shark those concerns do not really exist.

**Mr Meere**—The advice from the Fisheries Assessment Group is that the stock is reasonably robust, yes.

**Senator O'BRIEN**—Does the signing of the memorandum of understanding mean the Commonwealth now has overarching responsibility for this fishery?

**Mr Meere**—That is right, but within the arrangements that also cater for catches within state waters, which was part of the whole negotiation of the arrangement.

**Senator O'BRIEN**—How are the changed management arrangements applied in each of the three states: Victoria, South Australia and Tasmania?

**Mr Meere**—The overall effect was that a group of fishermen became Commonwealth fishermen under the Commonwealth's arrangements and then for the state waters, depending on the fishery, that was ceded to the Commonwealth. In the case of Victoria, they do not have any fishing for shark in state waters, so that was not an issue. In relation to South Australia and Tasmania, they do, and there were special arrangements developed for both of those states. That was further complicated by the fact that South Australia has fairly large internal waters which had to be catered for as well.

**Senator O'BRIEN**—Were there negotiations with each of the states which led to different outcomes for school and gummy shark fishers in different states?

**Mr Meere**—They were all broadly consistent. They just reflected these different arrangements, as I explained, dealing with the specific arrangements that had already been in place in the states.

**Senator O'BRIEN**—Is there a differential approach taken to smaller fishing operations compared to the large operations in the management of this fishery?

**Mr Meere**—From a Commonwealth perspective?

**Senator O'BRIEN**—Yes.

**Mr Meere**—No. The arrangements do vary, though, within state waters. If you are referring to a Commonwealth fisherman who has X tonnes of quota versus somebody who has two X tonnes of quota, no, there is not, but there are arrangements for fishermen who are traditionally fishermen within the state waters of Tasmania and South Australia. There have been specific arrangements developed for those areas.

**Senator O'BRIEN**—What adjustment arrangements were put in place to facilitate an orderly adjustment in the fishery?

**Mr Meere**—There was an adjustment program which was implemented prior to the introduction of individual transferable quotas to enable fishing permits to be purchased.

**Senator O'BRIEN**—Are all the issues related to the management of this fishery now settled between the Commonwealth and the states, or are aspects of the management regime still the subject of negotiation?

**Mr Meere**—In terms of the jurisdictional arrangements, they are all settled and, as you are aware, bedded down in the OCS and MOU arrangements. There are always ongoing issues between jurisdictions, finetuning arrangements. There are a number of issues which come to light when new circumstances arise that require the Commonwealth and the states to discuss and come to agreement on those arrangements, and we have a number of such arrangements which occur and have occurred. These arrangements have only been in place a little over 12 months.

**Senator O'BRIEN**—So, for example, what matters—

**Mr Meere**—Recently there was an issue in relation to licence separation in South Australia and what impact that might have on increased effort on the stocks.

**Senator O'BRIEN**—I understand that 2001 was another poor season in this fishery. Was it poor in respect to both gummy and school shark?

**Mr Meere**—The advice I can provide is that unfortunately the catches of school sharks are still below the level of the total allowable catch which suggests that the stock is still severely depleted and in need of rebuilding, which is the whole purpose of the management arrangements that are in place. In terms of gummy shark, the catch in 2001 was around 1,600 tonnes which varies little from the ongoing average of between 1,600 and 1,700 tonnes per annum which has traditionally been the gummy shark catch in the fishery. But for school shark, the actual catch in 2001 was 165 tonnes, where the total allowable catch set for that species was 344 tonnes.

**Senator O'BRIEN**—So there will be another review, will there, of the total allowable catch in school shark?

**Mr Meere**—In fact there has been, and in line with the strategy of further reducing the effort on that stock, the total allowable catch for 2002 is 278 tonnes. I should just add that these figures I am giving you are for the Commonwealth southern shark fishery, not the global shark catch.

**Senator O'BRIEN**—I have a few more questions which I will put on notice, I think. We are under very definite time pressures. I wanted to ask some questions about the Forest Industry Structural Adjustment Package.

**Senator Ian Macdonald**—Have we finished with all fisheries?

**CHAIR**—Senator Bartlett has indicated that he has about 20 minutes worth of questions which are also on forests, so I have asked Senator O'Brien if he would consider putting his fishing questions that remain on notice, and he is looking at doing that.

**Senator Ian Macdonald**—Okay.

**Senator O'BRIEN**—Firstly, I asked some questions about the Eden Regional Adjustment Package this morning. I was told that those questions are in your bailiwick so I will ask them of you, if I may. A number of questions about this package were asked during the last estimates hearings and further information has been provided. Funding for the package was set at \$3.6 million and that money was being progressively spent as grant recipients spent the money. The estimated expenditure for this financial year was set at \$650,000 at the time of the last budget, but on page 48 of the additional PBS the figure has jumped to \$1.874 million. What was the basis of the first estimate and what happened to cause significant upward revision?

**Mr Calvert**—The revision was primarily a consequence of delays in funding payments carried over from the previous financial year, Senator.

**Senator O'BRIEN**—So all of the additional \$1.224 million was carried over from 2000-2001?

**Mr Calvert**—We carried over or rephased. The net outcome was a difference of \$1.216 million, which is the number at the bottom of page 48.

**Senator O'BRIEN**—In relation to the Eden Regional Adjustment Package, yes. You advised at the last hearings that the package was announced soon after the closure of the Heinz cannery in the Eden area. Did the Commonwealth have a role in the establishment of that cannery?

**Mr Calvert**—Certainly not under any of the programs that I am administering. As to whether the Commonwealth was involved in any program prior to the Eden Regional Adjustment Package, I am not aware.

**Senator O'BRIEN**—Perhaps you can check that. If this government put money in for the establishment of a cannery, was there an assessment of the viability of that cannery in terms of available resource?

**Mr Calvert**—We would have to take that on notice. I would suggest that the responsibility for any such funding may not even fall to the AFFA portfolio, of course—at any time in the past.

**Senator O'BRIEN**—It is a fishing cannery, isn't it?

**Mr Calvert**—It was, yes.

**Mr Wonder**—We will take it on notice and confirm it.

**Senator O'BRIEN**—We were advised that this package was unlike other FISAP packages, in that funding was not confined to the hardwood industry. The funding did come out of the FISAP package, didn't it?

**Mr Calvert**—The \$3.6 million was actually the balance of moneys allocated to the south-east forests agreement. The moneys under SEFA were notionally allocated to a multipurpose wharf at Eden. When the Department of Defence assumed primary responsibility for funding that project, it was decided that the money could be reallocated to other investment and employment generating projects in the Eden region.

**Senator O'BRIEN**—Can you remind me of the process of assessment and approval of grants through this program generally and the details of the process for the Eden package specifically?

**Mr Calvert**—The Eden package had a specific process that does differ slightly from other FISAP programs. Following the issuing of guidelines and advertising for applications, any applications were initially assessed by officers within AFFA. After that there was an advisory committee formed at the time the program was announced, and that advisory committee, which was made up of people from the Eden region, considered the applications. That initial assessment was also conducted by the Department of Transport and Regional Services. Senator Macdonald and Minister Tuckey had joint responsibility for that program. The assessment process could also include an assessment by an independent assessor who has served on a consultancy basis to AFFA. Following any advice the independent assessors made and con-

sideration by the advisory committee, recommendations were in turn made to both ministers responsible in joint submissions by the two portfolios.

**Senator O'BRIEN**—That process did not change. There was a local assessment committee and their recommendations came through the department and went jointly to the two responsible ministers?

**Mr Calvert**—That was the process adopted for the initial grant announcements. At that time, the ministers agreed on and approved a number of grants. A number of others were approved on a conditional basis, and some of those have subsequently been approved for funding.

**Senator O'BRIEN**—According to the minister's press release dated 26 November 1999, an assessment committee was formed that was chaired by Mr John Aveyard, who was at that time chairman of the Eden Foundation. What is the background of Mr Aveyard?

**Mr Calvert**—I would ask to take that on notice if I could, Senator. These events certainly predate my role with the program, so I would have to familiarise myself with that.

**Senator O'BRIEN**—What is the Eden Foundation? What does it do?

**Mr Calvert**—That again I would have to take on notice.

**Senator O'BRIEN**—Were any payments made to Mr Aveyard for his services?

**Mr Calvert**—Again I would like to take that on notice. As I understand it, there were no payments made but I would like to confirm that.

**Senator O'BRIEN**—Who else is or was on the assessment committee?

**Mr Calvert**—Representatives from the local region. I do not have at hand the full membership, but it was designed to allow ministers to inject local knowledge.

**Senator O'BRIEN**—I understand the local member was part of the committee.

**Mr Calvert**—No, the local member was not formally a part of that committee.

**Senator O'BRIEN**—'Not formally'? What does that mean?

**Mr Calvert**—As I understand it, he was not appointed as a member of that committee.

**Senator O'BRIEN**—Did he participate even though he was not formally a member?

**Mr Calvert**—Senator, again these events pre-date me. I would like to take that on notice.

**Senator O'BRIEN**—When you identify the members of the committee would you also let us know whether any payments were made to members of the committee?

**Mr Calvert**—Certainly. My understanding is that no payments were made other than meals and the like.

**Senator O'BRIEN**—I am happy for you to supply the information on notice. I do not want you to volunteer information you are not certain about.

**Mr Calvert**—Certainly.

**Senator O'BRIEN**—In the media release dated 20 June 2000, the ministers refer to a 'rigorous and comprehensive assessment process'. Firstly, were a set of criteria developed against which these applications were assessed, and who developed them?

**Mr Calvert**—Yes, all applications were assessed against the guidelines that were issued for applicants. They were dated November 1999. Those guidelines, incidentally, set out the membership of that committee.

**Senator O'BRIEN**—Who developed the guidelines? Was it AFFA?

**Mr Calvert**—The guidelines were developed jointly between AFFA and the Department of Transport and Regional Services. The assessment process, as I say, was largely along the lines I outlined before.

**Senator O'BRIEN**—So the guidelines were established; the local committee reviewed applications, presumably against those guidelines; then their recommendation came to AFFA; and presumably AFFA also looked at whether each of the applications met the guidelines. Is that correct?

**Mr Calvert**—Yes, that is right. AFFA also examined the applications prior to that point in case information was lacking. The preliminary assessment was undertaken at that point.

**Senator O'BRIEN**—How many applications for funding through this program were received?

**Mr Calvert**—I would like to take that on notice, if I may.

**Senator O'BRIEN**—Particularly how many fishing related applications were received.

**Mr Calvert**—I will set that out in the response.

**Senator O'BRIEN**—And tourism related applications, and forestry related applications.

**Mr Calvert**—Yes.

**Senator O'BRIEN**—I take it the remainder would be those which do not fit into those three categories.

**Mr Calvert**—Yes.

**Senator O'BRIEN**—The information that was supplied by the department to question 5 from the May 2001 questions taken on notice did not include any details of the companies, the beneficiaries of this program. Is the department aware of it? If you are, can you supply us with information which will indicate how many people were employed by the successful applicants at the time their applications were approved?

**Mr Calvert**—Yes, I would have to take that on notice.

**Senator O'BRIEN**—How many jobs were generated in each case, or were expected to be generated in each case, by the activities triggered by the grants?

**Mr Calvert**—That answer will vary, as applicants were asked to estimate the number of jobs that were likely to be created in the first year of the project. The various projects are at different stages at this point.

**Senator O'BRIEN**—What is the process for actually testing the claims about job creation in the applications?

**Mr Calvert**—The successful grant recipients are required to submit regular milestone payment requests, and at that time we can seek such information. There is also a requirement for a final report on the project, and that information would be sought in the final report.

**Senator O'BRIEN**—And when are the final reports due?

**Mr Calvert**—They vary according to the roll-out of the respective projects.

**Senator O'BRIEN**—Can you give us a final report date for each of the projects the details of which you have already supplied to us.

**Mr Calvert**—Yes, I can do that. There have been delays in some projects, so the absolute final reporting dates are not yet known for some projects, and that would be negotiated with the company.

**Senator O'BRIEN**—You supplied us with information on projects with grants approvals totalling \$3,070,032. Is that the total or are there more projects?

**Mr Calvert**—Since that time a further project has been approved, was approved by the ministers or at the time was identified as a conditionally approved project when the original grant approvals were announced.

**Senator O'BRIEN**—Can you give us details about that particular project?

**Mr Calvert**—The particular project was a grant offer to a company trading as Aussie Recreational Vehicles. The funding was to build a factory and a showroom in Eden. The total value of the project is estimated at \$254,600. The grant offered was 50 per cent of that at \$127,300, and the company estimated they would create two jobs in the first year of the project.

**Senator O'BRIEN**—If we add that to the list already supplied in those areas in which you have undertaken to provide information, can you provide it for that particular grant as well.

**Mr Calvert**—Certainly.

**Senator O'BRIEN**—Thank you. Can you tell me, because I want to ask some specific questions, about the grant that went to Ron Doyle Motors. It seems a very unusual grant. Who are the principals of Ron Doyle Motors?

**Mr Calvert**—I would need to take that on notice, Senator.

**Senator O'BRIEN**—I understand it is a used car yard.

**Mr Calvert**—I visited them once. It may also sell new vehicles. The grant itself, though, was for the construction of a new workshop.

**Senator O'BRIEN**—Yes, I understand that. And this application went through the same assessment process as the one that you talked about for all of the others. It was approved by the committee, it was ticked by the department, it was signed off by the ministers?

**Mr Calvert**—To the best of my knowledge, yes, it was.

**Senator O'BRIEN**—Can you check that and confirm that or otherwise.

**Mr Calvert**—Yes, I will.

**Senator O'BRIEN**—In relation to the number of people employed at the time of the grant, can you tell us what that was and what the forecast increase in employment was with the expansion of the workshop.

**Mr Calvert**—I can tell you that the estimated jobs to be created in the first year were six. The other information I would need to provide along with the others on notice.

**Senator O'BRIEN**—How many car dealers in the Eden region applied for funding?

**Mr Calvert**—Again I would like to take that on notice.

**Senator O'BRIEN**—How did people become aware of the scheme and how they could access it?

**Mr Calvert**—The scheme was advertised in regional media and guidelines were made available to those inquiring. Information was also available from the AFFA—then DPIE—website.

**Senator O'BRIEN**—So they were the sources of information. Presumably you could supply the committee with a copy of the advertisement or advertisements.

**Mr Calvert**—Certainly.

**Senator O'BRIEN**—In relation to another grant, that to Robert Webb Surveying, do you know who the principal of that company is?

**Mr Calvert**—I would like to confirm that on notice.

**Senator O'BRIEN**—Could you advise when it was lodged and when it was assessed, who assessed it and when it was approved and ticked off by the minister.

**Mr Calvert**—Yes, we can do that, along with the other responses.

**Senator O'BRIEN**—And you do not know how many people were employed by Robert Webb Surveying at the time of the application and what the forecast increase in employment as a result of the purchase of new equipment was?

**Mr Calvert**—The forecast increase or the estimated increase in the first year of the project was one.

**Senator O'BRIEN**—I have more questions about this, but rather than taking up time which Senator Bartlett would otherwise miss out on, I will put the questions on notice.

**CHAIR**—Your cooperation is appreciated, Senator O'Brien.

**Senator O'BRIEN**—And I think we are getting them on notice, anyway, aren't we?

**CHAIR**—Yes. It may save some time and I would appreciate it. Senator Bartlett.

**Senator BARTLETT**—Thank you, Madam Chair. I am wanting to examine a few things in relation to the ongoing operation of RFAs and the oversight of those. The coalition, in their recent election policy, in their forest policy commitments, talked about ongoing monitoring and evaluation and rigorous five-yearly reviews, which are starting now to come up. Could you outline for me the status of the five-year review for the East Gippsland RFA.

**Mr Talbot**—In relation to the East Gippsland RFA, we are currently making the necessary preparations. We are currently having discussions with the Victorian department.

**Senator BARTLETT**—So is it going to be advertised at some stage or is there a time line on that?

**Mr Talbot**—In terms of the Victorian RFA, we intend doing that RFA with another RFA in Victoria. One moment, Senator. We are currently doing some preliminary work to have the Central Highlands and the East Gippsland RFAs completed together, Senator.

**Senator BARTLETT**—The world being as it is, by the time that is done one would expect that the bill currently before the Senate would be passed and in operation. That being the case, if in those reviews you do find significant defects in the RFAs from the federal government's perspective and make recommendations to improve the RFAs, how might the compensation provisions in the soon-to-be act apply? I am thinking in terms of potential financial impacts as well, of course.

**Mr Talbot**—In terms of the compensation impacts, Senator, basically from a Commonwealth perspective, if a person suffers loss or damage as a result of Commonwealth action under the RFA, the person makes a claim for compensation through the relevant state authority. The process for determining the amount payable is actually set out in the RFAs. The state is obliged to pay the amount of compensation to the person under the RFA, and the Commonwealth must pay this amount of compensation to the relevant state.

**Senator BARTLETT**—If these reviews find problems that need to be addressed—whether it is restricting logging in particular areas or restricting access to certain areas—that would trigger the compensation provisions once the act is in place, or could well trigger those provisions.

**Mr Talbot**—In terms of your question, Senator, it would depend on the particular case. You talked about some logging in some area in a state. It would depend what the circumstances were in terms of that logging. I am also conscious that I do not give the wrong impression here, because the RFAs are generally an agreement between the state and federal governments. If we talk about, say, an individual who may be doing illegal logging, it may simply be a constitutional matter for the state to handle.

**Mr Quinlivan**—As I understand it, Senator, you are asking questions about a situation where a state government makes a decision about access to resource and you are asking whether that triggers a Commonwealth compensation obligation.

**Senator BARTLETT**—If either the state or the Commonwealth makes a decision, I guess.

**Mr Quinlivan**—Yes. My understanding is that is not a situation in which the Commonwealth compensation obligation would arise.

**Senator Ian Macdonald**—It would be a matter of checking. I am not sure what the Senate rules say about discussing this when the bill is before the Senate. I suppose we can answer that, in the hope that this will be some time in the chamber that Senator Bartlett will not take if we give him the answers now.

**Senator BARTLETT**—Absolutely.

**Senator Ian Macdonald**—Senator, it is an action of the Commonwealth government. If an action of the Commonwealth government gives rise to a claim, it would mean it would have to be something that the Commonwealth actually does that triggers a loss that is then compensable.

**Senator BARTLETT**—I am always keen to assist the government in enabling as much time as possible for debate in the chamber by covering it elsewhere, if possible.

**Senator Ian Macdonald**—I thought you were going to say in getting our legislation through. I thought, ‘Gee, that’s a change for the better.’

**Senator BARTLETT**—Always happy to try and cooperate. Another aspect of the coalition’s policy leading into the election was that they would continue to extensively investigate allegations of breaches of the RFAs as they are brought to the Commonwealth’s attention and address all breaches appropriately. Do you have an outline that you could provide of the allegations of RFA breaches reported to the Commonwealth and what type of investigations have occurred—whether any breaches have been confirmed or how they have been addressed?

**Mr Talbot**—To our knowledge, any complaints that have been made to the Commonwealth have basically fallen under the constitution of the particular state and have

been able to be handled under state laws. To our knowledge, none of them have been specific RFA breaches.

**Mr Quinlivan**—There seems to have been quite a misunderstanding about the nature of these breaches and the roles of the Commonwealth and the state governments. It might be helpful if we provided you with a description of how the process works in Tasmania, for instance, to explain the differences between the roles of the Commonwealth and the state government.

**Senator BARTLETT**—To save the committee time, it might be better if we had a briefing elsewhere.

**Mr Quinlivan**—Yes, we will do that.

**Senator BARTLETT**—I am obviously not asking you to comment on coalition policy, but in terms of the statement, ‘As breaches are brought to the Commonwealth’s attention they will address all of the breaches appropriately,’ the Commonwealth’s way of addressing all breaches appropriately is to ask the states to look into it. Is that basically right?

**Mr Quinlivan**—No, that is not correct.

**Mr Talbot**—No. What I was trying to say was that, in terms of all complaints that have been made to the Commonwealth, in our opinion they have not been breaches of RFAs. They have been, instead, matters that fall under the constitutional responsibilities of the states and they are matters, for example, between somebody who has illegally logged—for example, in Tasmania—and the Forest Practices Board. I am sorry, Senator, if I confused you earlier. What I was trying to say earlier was that, in terms of RFA breaches, because the RFA is an agreement between the state and federal governments, in terms of contract law the breach must have been caused by the contracting parties, being either the state or the Commonwealth.

**Senator BARTLETT**—I am sure you will be aware of the bill before the Senate with the EM and the regulation impact statement that was provided along with it, which, as I understand it, are required by the Productivity Commission if there is any potential impact there. Can you outline for me whether the Office of Regulation Review assessed that regulation impact statement and found it to be satisfactory?

**Mr Talbot**—I will have to take that question on notice. I believe, whatever the appropriate procedures are, they would have been followed. But I would have to clarify that with the office.

**Senator BARTLETT**—In the interests of saving time asking the same question of the minister in the Senate, if you can provide it before we get back, that would be handy.

**Mr Talbot**—Certainly.

**Senator BARTLETT**—Depending on what it is, I might want to follow it up. In relation to that and the broader issue of the ongoing operation of RFAs, would you be aware of a report that was produced by Marsden Jacob on the application of national competition to forestry? It was released by the ACF.

**Mr Quinlivan**—Yes.

**Senator BARTLETT**—That report certainly makes a finding that RFAs are a breach of some aspects of competition policy, particularly in relation to competitive neutrality. You would differ from that finding, I presume.

**Mr Quinlivan**—I think the two key points in that report were that pricing of native hardwood by state owned forestry entities was not commercial and was in breach of the competitive neutrality arrangements and also that in some cases there was not adequate separation of operational and regulatory responsibilities. That was referred to the Competitive Neutrality Complaints Office in the Commonwealth in the normal way. They investigated it. They found that the arrangements were becoming increasingly commercial, coming off perhaps a fairly low base, that it was very difficult to find evidence to support the work done for the ACF and that, indeed, it was very difficult to work out exactly what was a commercial pricing arrangement for a commodity like a native forest log. We also asked ABARE to have a look at the work that had been done for the ACF and they basically found the same thing as the Competitive Neutrality Complaints Office. On the separation of regulatory and operational responsibilities, that is something that the states are progressively doing.

**Senator BARTLETT**—The assessment that was done in relation to competitive neutrality and the other thing is consistent with what is reflected in your regulatory impact statements?

**Mr Quinlivan**—I am in a similar position to John here, because I have not actually seen anything from the Office of Regulation Review. He said we would check that, and we will.

**Senator BARTLETT**—Regarding the operations of the RFA which have some connection with the RFA Bill, of course, when you analyse and review the operations of RFAs, do you assess the impacts of those RFAs and the whole regime and the bill itself, I guess, on the plantation timber industry and how that is progressing?

**Mr Quinlivan**—The plantation timber industry has been going through an extraordinary growth phase over the last half a dozen years, with a minor blip last year because of some uncertainty about tax arrangements. If the implication behind your question is that uncommercial pricing of native forest hardwoods is in some way impeding the development of the plantation industry, I think it would be pretty hard to point to any evidence of that.

**Senator BARTLETT**—You do not think that the operations of the RFAs are impacting on private investment in farm forestry and undercutting competing uses of public native forests?

**Mr Quinlivan**—No, I do not believe so. To the extent that they are, I think it would be swamped by other commercial factors.

**Senator BARTLETT**—Is it not the case under the way RFAs are now structured that the Commonwealth is basically guaranteeing land tenure for the states to continue to conduct their forestry business and providing exemptions from EPBC and other sorts of things and have those compensation rights? That does not apply to people who have a forestry operation on private land.

**Mr Quinlivan**—But the RFAs themselves apply an equivalent regime.

**Senator BARTLETT**—Equivalent to what?

**Mr Quinlivan**—An equivalent accountability regime as the EPBC Act and so on applies to new investments.

**Senator BARTLETT**—Do the people on private forestry operations have any rights to compensation, for example, or exemptions from rates and those sorts of things?

**Mr Quinlivan**—I think they are largely historical factors rather than created by the RFAs.

**Senator BARTLETT**—But they are still ongoing, aren't they? There is still a disparity.

**Mr Quinlivan**—That may be so and presumably would have been anyhow, irrespective of the RFAs. The more material issue I think—and the one that is really the key point in that competitive neutrality debate—is that one is publicly owned by the state government, which seems to me to be the material difference.

**Senator BARTLETT**—Isn't that the whole point of competitive neutrality, though, to remove those variations?

**Mr Quinlivan**—Indeed, and that was really one of the key points in the ACF report and, as I said, the Competitive Neutrality Complaints Office found that there had been quite a bit of progress in dealing with this competitive neutrality issue, but there has to be some actual competition happening in the marketplace for competitive neutrality to be of any practical significance. Your question about competition, about plantations, I think is a material one. There does not seem to be very much.

**Senator Ian Macdonald**—Can I just go back. You are sort of saying that compensation does not apply to forestry on private land, but again I remind you that the compensation provisions are only if the Commonwealth does some act in relation to the areas subject to the RFAs. I am not sure. I do not want to give a legal opinion now, but for forestry on private land, quite apart from the RFAs process—this is a legal guess; don't take my word for it—I am not sure whether if the Commonwealth took some action that impeded upon someone's property rights on private land we would be responsible under the general law and general constitutional law. So I do not know that to say that they would not have a claim against the Commonwealth is absolutely correct.

**Senator BARTLETT**—That assessment you were referring to—I have forgotten the name of the body; sorry, it has gone out of my head—the one that reviewed the ACF report—

**Mr Quinlivan**—The Competitive Neutrality Complaints Office, yes.

**Senator BARTLETT**—Do they produce a report on that? Is that available?

**Mr Quinlivan**—Yes. I assume it is publicly available.

**Senator BARTLETT**—I am probably behind the times and just have not seen it but, if it is possible to chase that up, that would be handy for us.

**Mr Quinlivan**—I am happy to do that.

**CHAIR**—Senator Bartlett, we have a couple of minutes to go. Would you like to put the remainder of your questions on notice?

**Senator BARTLETT**—Yes. A lot of them are actually linked to the response back from the regulatory review mob. We just need to wait and see how we go, although I can question them on Thursday. I will just double check.

**Mr Quinlivan**—While you are doing that, if we could just correct the record of a previous question.

**Mr Calvert**—This relates to the committee of the Eden Regional Adjustment Package Advisory Committee. At the time I said I would provide details of the membership on notice. I was not sure that Gary Nairn was indeed a formal member, but the guidelines do indicate that he was a member of that committee.

**Senator Ian Macdonald**—I think he was a non-voting member, wasn't he?

**Mr Calvert**—That was my understanding, yes.

**CHAIR**—Perhaps you might like to take that section of the question on notice and clarify it for us.

**Mr Calvert**—Thank you.

**CHAIR**—Any further questions to put on notice?

**Senator BARTLETT**—I may put some on notice.

**CHAIR**—It being 11 o'clock, I thank Mr Wonder and his staff for very helpful professional expertise today. That brings to an end these additional estimates for the Agriculture, Fisheries and Forestry portfolio. Thank you, Minister Macdonald and Senator Troeth. We will resume at 9 o'clock in the morning with the Transport and Regional Services portfolio.

**Committee adjourned at 11.00 p.m.**